
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2008.

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

(State or other jurisdiction of incorporation or organization)

48-0531200

(I.R.S. Employer Identification No.)

100 Commercial Street, Atchison Kansas

(Address of principal executive offices)

66002

(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. Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 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
16,598,515 shares outstanding
as of December 31, 2008

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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” 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) our ability to continue as a going concern, (ii) the availability and cost of grain, (iii) fluctuations in gasoline prices, (iv) fluctuations in energy costs, (v) competitive environment and related market conditions, (vi) our ability to realize operating efficiencies, (vii) the effectiveness of our hedging programs, (viii) access to capital and (ix) 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, 2008 and Part II - Item 1A, *Risk Factors* in this Quarterly Report on Form 10-Q.

PART I

ITEM 1 FINANCIAL STATEMENTS

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Dollars in thousands, except per-share amounts

	Quarter Ended		Year to Date Ended	
	December 31, 2008	December 30, 2007	December 31, 2008	December 30, 2007
Net sales	\$ 73,242	\$ 93,995	\$ 172,262	\$ 181,972
Cost of sales: Product costs	91,443	90,799	207,150	172,916
Unrealized loss on natural gas contract	5,447	—	5,447	—
Total cost of sales	96,890	90,799	212,597	172,916
Gross profit (loss)	(23,648)	3,196	(40,335)	9,056
Selling, general and administrative expenses	5,737	4,815	11,852	11,094
Impairment of long lived assets	8,931	—	8,931	—
Severance and early retirement costs	3,288	—	3,288	—
Other restructuring costs	5,241	—	5,241	—
Loss from operations	(46,845)	(1,619)	(69,647)	(2,038)
Other income (expense), net	33	(76)	74	114
Gain on settlement of litigation, net of related expenses	—	7,046	—	7,046
Interest expense	(797)	(405)	(1,525)	(681)
Equity in loss of joint venture	(18)	—	(34)	—
(Loss) income before income taxes	(47,627)	4,946	(71,132)	4,441
Benefit for income taxes	(4,911)	(283)	(11,173)	(435)
Net income (loss)	(42,716)	5,229	(59,959)	4,876
Other comprehensive income (loss), net of tax:	(675)	4,284	(2,177)	5,634
Comprehensive income (loss)	\$ (43,391)	\$ 9,513	\$ (62,136)	\$ 10,510
Per Share Data				
Total basic loss per common share	\$ (2.58)	\$ 0.32	\$ (3.62)	\$ 0.30
Total diluted loss per common share	\$ (2.58)	\$ 0.31	\$ (3.62)	\$ 0.29
Dividends per common share	\$ —	\$ 0.15	\$ —	\$ 0.15

See accompanying notes to condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)
(Unaudited)

	December 31, 2008	December 30, 2007	June 30, 2008
ASSETS			
Current Assets			
Cash and cash equivalents	\$ —	\$ —	\$ —
Restricted cash	1,361	3	3
Receivables (less allowance for doubtful accounts: December 31, 2008 - \$378; December 30, 2007 - \$223 and June 30, 2008 - \$264)	26,170	34,784	34,087
Inventory	38,637	61,287	63,620
Prepaid expense	3,123	2,167	362
Deposits	2,162	3,247	580
Deferred income taxes	3,627	—	394
Refundable income taxes	4,672	—	8,570
Assets held for sale	3,345	—	5,600
Total current assets	83,097	101,488	113,216
Property and equipment, at cost	314,730	363,867	315,782
Less accumulated depreciation	(217,232)	(235,602)	(206,808)
Property and equipment, net	97,498	128,265	108,974
Investment in joint venture	318	358	399
Other assets	343	511	479
Total assets	\$ 181,256	\$ 230,622	\$ 223,068
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Current maturities of long-term debt	\$ 1,602	\$ 3,826	\$ 432
Liabilities related to assets held for sale	7,102	—	8,760
Revolving credit facility	42,483	10,000	23,000
Accounts payable	20,932	16,061	23,315
Accrued expenses	8,076	5,303	6,582
Accrued natural gas derivative	5,447	—	—
Deferred income taxes	—	494	—
Income taxes payable	—	21	—
Total current liabilities	85,642	35,705	62,089
Long-Term debt	—	7,169	1,301
Deferred credit	6,687	9,089	7,127
Other non-current liabilities	11,027	8,115	8,047
Deferred income taxes	3,627	12,616	7,630
Stockholders' Equity			
Capital stock			
Preferred, 5% non-cumulative; \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4	4
Common stock			
No par value; authorized 40,000,000 shares; issued 19,530,344 shares	6,715	6,715	6,715
Additional paid-in capital	11,148	11,696	11,862
Retained earnings	71,854	150,205	131,813
Accumulated other comprehensive income (loss)	(662)	4,402	1,515
	89,059	173,022	151,909
Treasury stock, at cost			
Common; December 31, 2008 — 2,931,829 shares; December 30, 2007 - 2,981,841 shares and June 30, 2008 - 2,969,766 shares	(14,786)	(15,094)	(15,035)
Total stockholders' equity	74,273	157,928	136,874
Total liabilities and stockholders' equity	\$ 181,256	\$ 230,622	\$ 223,068

See accompanying notes to condensed consolidated financial statements

MGP INGREDIENTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Year to Date Ended	
	December 31, 2008	December 30, 2007
Cash Flows from Operating Activities		
Net income (loss)	\$ (59,959)	\$ 4,876
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	6,826	7,644
Loss (gain) on sale of assets	(53)	10
Deferred income taxes	(7,217)	2,874
Loss on impairment of assets	8,931	
Equity in loss of joint venture	34	—
Changes in working capital items:		
Restricted cash	(1,358)	3,333
Accounts receivable	7,917	(486)
Inventory	24,219	(13,059)
Accounts payable and accrued expenses	2,540	348
Deferred credit	(440)	(619)
Income taxes payable/receivable	3,898	385
Accrual for natural gas derivative	5,447	—
Gains previously deferred in other comprehensive income	(2,149)	—
Other	(4,569)	(4,360)
Net cash (used in) provided by operating activities	(15,933)	946
Cash Flows from Investing Activities		
Additions to property and equipment	(1,994)	(3,228)
Investments in and advances to joint venture	—	(358)
Proceeds from disposition of equipment	460	—
Net cash used in investing activities	(1,534)	(3,586)
Cash Flows from Financing Activities		
Purchase of treasury stock	(34)	—
Proceeds from stock plans	12	372
Tax effect of restricted stock awarded	(205)	—
Proceeds from long-term debt and capital leases	150	—
Principal payments on long-term debt	(1,939)	(2,096)
Proceeds from line of credit	61,134	11,000
Principal payments on line of credit	(41,651)	(8,000)
Dividends paid	—	(2,536)
Net cash provided by (used in) financing activities	17,467	(1,260)
Decrease in cash and cash equivalents	—	(3,900)
Cash and cash equivalents, beginning of year	—	3,900
Cash and cash equivalents, end of period	\$ —	\$ —

See accompanying notes to condensed consolidated financial statements

MGP INGREDIENTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies and Basis of Presentation.

Basis of Presentation

The accompanying condensed consolidated financial statements of MGP Ingredients, Inc. and its 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. These unaudited condensed consolidated financial statements as of and for the period ended December 31, 2008 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, 2008 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.

In accordance with the guidance of Staff Accounting Bulletin No. 108, these interim consolidated financial statements reflect immaterial adjustments made to the Company’s December 30, 2007 balance sheet. This adjustment had no impact upon the Company’s previously reported earnings. For the balance sheet as of December 30, 2007, the Company reclassified \$2.5 million from other current liabilities to additional paid-in capital to reflect equity share-based awards, reclassified deferred credits totaling \$9.1 million from current liabilities to non-current liabilities and reclassified current deferred tax assets of \$3.7 million to reduce non-current deferred tax liabilities.

The Company’s financial statements for the quarter ended December 31, 2008 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company has had negative cash flow from operations and has relied on borrowings under its credit agreements to operate. The Company was notified on January 30, 2009 by the lender’s agent under the Company’s credit facility that it is in default under the credit facility. As a result, its lenders could, at their election and prior to February 27, 2009, the final date of its current forbearance period, terminate the Company’s ability to borrow under its credit facility and/or accelerate its obligations to repay amounts borrowed under the credit facility. The agent has advised the Company that in their discretion and subject to change day-to-day, the lenders are willing to continue extending credit to the Company in accordance with the provisions of the credit facility provided the Company has sufficient capacity under its borrowing base and otherwise meets the requirements of the credit facility. The borrowing base under the credit facility and the amount available to the Company thereunder fluctuate daily. From January 29, 2009 to February 4, 2009, the daily amount available to the Company has averaged approximately \$1,219,000, ranging from a low of \$7,700 to a high of \$2,760,000, and the amount available at the close of business on February 4, 2009 was approximately \$849,000. The Company’s lenders have strongly encouraged the Company to obtain additional financing, and the Company believes that its cash needs over the next several months will exceed amounts available to it from operations and under its credit facility. The Company is currently in discussions with other prospective lenders. The Company’s ability to continue as a going concern is dependent on the Company obtaining additional financing in the near term and on the willingness of its existing lenders to exercise further forbearance and extend the facility termination date beyond February 27, 2009. See footnote 2, *Uncured Defaults on Indebtedness*, for more information on the defaults and the rights of the Creditors under the terms of this credit agreement.

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Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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.

Fair Value Accounting

On July 1, 2008, the Company adopted, without any material effect on its consolidated financial statements, the provisions of Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurement*, for our financial assets and liabilities with respect to which the Company has recognized or disclosed at fair value on a recurring basis. In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date for nonfinancial assets and non-financial liabilities to fiscal years beginning after November 15, 2008, except for items that are measured at fair value in the financial statements on a recurring basis at least annually. Beginning July 1, 2009, the Company will adopt the provisions for nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis. Management does not expect the provisions of SFAS No. 157 related to these items to have a material effect on the consolidated financial statements.

Overdrafts

The Company's historical policy has been to record book overdrafts, checks outstanding which have not been presented to the bank for payment, as accounts payable. Changes in the amount of book overdrafts outstanding between periods are reported as operating cash flows. The amount of book overdrafts at December 31, 2008 and June 30, 2008 were \$4.8 million and \$4.4 million respectively.

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. During the first two quarters of our fiscal year, declines in overall equity values, including our common stock value, and changes in our operations triggered impairment evaluations. Updated forecasts that reflect recent changes made to our business were used in these analyses. The use of forecasts requires considerable management judgment. Management believes the judgments used in this analysis are reasonable. The testing and analysis as of December 31, 2008 identified certain impaired assets (see Note 10 Restructuring Costs).

Note 2. Uncured Defaults on Indebtedness

At June 30, 2008, the Company was not in compliance with the tangible net worth and the EBITDA based financial covenants in its Credit Agreement and the fixed charge coverage ratio requirement of its 5.26% Industrial Revenue Bond obligation. Its tangible net worth at such date, as defined in the Credit Agreement, was \$132.5 million instead of at least \$135 million, its fixed charge coverage ratio was 0.56 to 1 instead of at least 1.5 to 1 and its leverage ratio was (11.03) to 1 instead of at least 3.0 to 1. Its fixed charge coverage ratio, as defined in its lease related to its 5.26% industrial revenue bond lease, was (0.51) to 1 instead of at least 1.5 to 1. As a result, the Company was in default under the Credit Agreement and 5.26% industrial revenue bond lease. Due to cross default provisions, it also was in default under its 5.45% Secured Promissory Note to Commerce Bank and its 5.26% Secured Promissory Note and 5.92% Secured Promissory Note to GECPF and GECC, respectively. As of September 16, 2008,

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GECPF and GECC waived the default under the industrial revenue bond lease and the resulting cross defaults under the Company's 5.26% Secured Promissory Note and 5.92% Secured Promissory Note. (The final payment due under the industrial revenue bond lease was made on August 29, 2008). As of September 3, 2008, Commerce Bank waived the default under the 5.45% Promissory Note and the lenders under the Credit Agreement agreed to a First Amendment to the Credit Agreement providing for a standstill period expiring on October 31, 2008, unless the Company defaulted under interim covenants. The amendment imposed new, monthly interim minimum adjusted EBITDA requirements (as defined in the credit agreement) of \$(7,500,000) for July, \$(2,500,000) for August and \$(1,400,000) for September, and minimum tangible net worth requirements (as defined in the credit agreement) of \$125,000,000 at the end of July, \$123,000,000 at the end of August and \$121,000,000 at the end of September. The Company met the requirements for July and August but did not meet the September requirements and as of October 25, 2008 was in forbearance default under the credit agreement and was also in cross default under its 5.45% Secured Promissory Note to Commerce Bank.

Although it was in forbearance default, the Company's lenders agreed to extend the original expiration date of the forbearance period under its Credit Agreement, as amended, to November 10, 2008, while a new amendment to the Credit Agreement was being discussed. Subsequently, as of November 7, 2008, the lenders under the Credit Agreement entered a Second Amendment extending the standstill period to February 27, 2009, during which the Company is subject to new interim financial covenants. These require the Company to maintain fiscal year to date adjusted EBITDA (EBITDA adjusted to eliminate any mark-to-market adjustments reflected in net income) of (\$30.0 million) at the end of October 2008, (\$44.0 million) at the end of November 2008, and (\$46.0 million) at the end of December 2008 and January 2009. Other terms include (i) an increase in the interest rate on outstanding borrowings from LIBOR plus 2.75% or prime plus 0.50% to prime plus 3%, with prime being not less than the greater of 4%, Agent's prime rate or the federal funds rate plus 1%, (ii) an amendment fee of \$110,000 (in addition to the banks' out of pocket expenses), (iii) a fee of 1% of the outstanding credit commitment, as defined, payable on February 27, 2009 unless all outstanding obligations are paid in full and the credit agreement is terminated (this fee is expected to be approximately \$430,000), (iv) the pledge of substantially all of the Company's remaining unpledged assets, (v) limiting the Company's use of the commitment under the credit agreement to either fund margin calls or for other grain hedging positions to an amount equal to a tax refund received in the second quarter (approximately \$9.2 million), and (vi) requiring the Company to use any portion of such tax refund received after November 7 (\$8.0 million) to reduce outstanding borrowings under the credit agreement. In the amendment, Commerce also waived the cross default under the 5.45% Secured Promissory Note to Commerce.

As a result of inventory reductions and continued operating losses, in December 2008, the Company's outstanding borrowings under the Credit Agreement exceeded its borrowing base, and on December 19, 2009 the lenders agreed to a Third Amendment to the Credit Agreement which permitted the Company, on a temporary basis, to obtain loans and other credit extensions under the Credit Agreement in amounts in excess of the borrowing base. Under the terms of the Third Amendment, until January 30, 2009, the Company could obtain credit extensions of \$3 million over the borrowing base; thereafter, until February 26, 2009, the Company may obtain credit extensions of \$1.5 million over the borrowing base; and thereafter the Company may obtain credit extensions of \$500,000 over the borrowing base. The Third Amendment does not affect the standstill period to which the Company is presently subject or otherwise impose any duty on any lender to extend credit to the Company beyond any date after which such lender is not obligated to extend credit pursuant to the Credit Agreement as in effect immediately prior to the Third Amendment.

The Company met adjusted EBITDA targets imposed by the Second Amendment for each of October and November but did not meet the targets for December because of impairment and other restructuring charges recognized as of quarter end. On January 30, 2009, the lender's agent notified the

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Company that it was in default under the credit facility. It also notified the Company that because of cross default provisions it was in default under its 5.45% Secured Promissory Note to Commerce Bank. Accordingly, the Company has reclassified all long-term debt to current.

As a result of the Company's defaults under the Credit facility, its lenders could, at their election, terminate the Company's ability to borrow under the credit facility and/or accelerate its obligations to repay amounts borrowed under the credit facility. If its lenders were to terminate the credit facility, the Company would not have sufficient funds available to continue normal operations. If the Company's lenders were to accelerate its debt, it could result in the acceleration of debt under other secured obligations, and the Company would be unable to repay its obligations immediately. In the case of acceleration, the Company's lenders might foreclose on some or all of the collateral the Company has pledged to its lenders, consisting of substantially all of its operating assets. The lender's agent has advised the Company that in their discretion and subject to change day-to-day, the lenders are willing to continue extending credit to the Company in accordance with the provisions of the credit facility provided the Company has sufficient capacity under its borrowing base and otherwise meets the requirements of the credit facility. As of February 4, 2009, the Company had \$849,000 availability under its borrowing base limits. The Company's lenders have strongly encouraged the Company to obtain additional financing. The Company is currently in discussions with other prospective lenders. The Company's ability to continue as a going concern is dependent on the Company obtaining additional financing in the near term and on the willingness of its existing lenders to exercise further forbearance and extend the credit facility termination date beyond February 27, 2009.

Note 3. Earnings Per Share.

Basic loss per share data is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Potentially dilutive instruments are stock options and unvested restricted stock awards. Antidilutive share units were 1,009,000 and 972,000 for the three and six months ended December 31, 2008 respectively and 156,000 and 132,000 for the three and six months ended December 30, 2007 respectively.

	Quarter Ended		Year to Date	
	December 31, 2008	December 30, 2007	December 31, 2008(1)	December 30, 2007
Weighted average shares:				
Basic and Diluted Shares:	16,582,063	16,513,162	16,572,353	16,505,755
Additional weighted average shares attributable to:				
Stock options:	—	128,701	—	169,596
Unvested restricted stock awards:	—	201,191	47,455	218,973
Potentially Diluted Shares(1)	16,582,063	16,843,054	16,619,808	16,894,324

(1) The stock options and the restricted stock awards have not been considered due to the loss experienced during both periods.

Note 4. Derivative Instruments.

In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, the Company enters into readily marketable exchange-traded commodity futures and option contracts to reduce the risk of future price increases. Changes in the market value of the Company's futures and option contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in the price of the hedged items. Derivative instruments are recorded as either assets or liabilities and are measured at fair market value.

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Prior to April 1, 2008, changes in the fair market value of the derivative instruments designated as cash flow hedges were recorded either in current earnings or in other comprehensive income, depending on the nature of the hedged transaction, consistent with the application of hedge accounting under Statement of Financial Accounting Standards No. 133 as amended ("SFAS 133"). Gains or losses recorded in other comprehensive income were reclassified into current earnings in the periods in which the hedged items were consumed. Any ineffective portion of a hedged transaction was immediately recognized in current earnings.

Application of hedge accounting under SFAS 133 requires significant resources, recordkeeping and analytical systems. As a result of the rising compliance costs and the complexity related to the application of hedge accounting under SFAS 133, the Company's management elected to discontinue the use of hedge accounting for all commodity derivative positions effective April 1, 2008. Accordingly, changes in the value of derivatives subsequent to March 31, 2008 have been recorded in cost of sales in the Company's Consolidated Statements of Income.

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 excluded the market value of these commitments within its contracts from its hedge accounting consistent with normal purchases and sales as defined under SFAS 138.

With the shutdown of protein and starch operations and the reduction and temporary idling of distillery operations at the Company's Pekin plant, commitments for the purchase of natural gas through the remainder of the fiscal year under a single contract for the Company's Pekin plant are in excess of projected consumption after adjusting for such reduced production. Accordingly, the Company anticipates settling its commitments for the difference between the prices to which the Company committed to and the market price of natural gas upon settlement. The Company has recorded a charge of \$5.4 million to cost of sales for unrealized losses as of December 31, 2008, for projected settlements and will continue to mark this obligation to market through June 30, 2009 as the settlements come due.

Note 5. Contingencies.

The Company is a party to various legal proceedings which are of an ordinary, routine nature and incidental to its operations. Except for the following matters, 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.

The Company is party to a lawsuit filed August 19, 2008 styled *Daniel Martin v. MGP Ingredients, Inc., et al.*, No. 08-L-697 in the Circuit Court for the Third Circuit, Madison County, Illinois. This suit was originally brought against the Company and approximately 70 other defendants, wherein the claimant alleges that he contracted desmoplastic mesothelioma from exposure to asbestos. The Company understands that of the original group of defendants, the claim is being actively pursued against a lesser number of defendants but including the Company. The claimant alleges that in the late 1980's or early 1990's his company was retained to install insulation at the Pekin, Illinois facility at the same time that the Company was conducting asbestos abatement projects in the facility. The claimant seeks unspecified compensatory and punitive damages. The matter remains in discovery, and is scheduled for trial in April, 2009. Management is unable to estimate the amount of potential loss to the Company with respect to this claim.

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Since September 16, 2008, tests on the Company's feed drying unit have not complied with the volatile organic compound emission limit established in the Consent Agreement and Final Order ("CAFO") entered into with the Kansas Department of Health and Environment ("KDHE") on January 11, 2006. The Company has retained the services of the feed dryer manufacturer to assist in returning the unit to compliance with the CAFO limit. Areas of concern were ascertained and addressed and pretesting performed in January 2009 demonstrated the unit to be in compliance. Official compliance testing for the system is scheduled during the second week of February 2009. The KDHE has discretion under its penalty policy to pursue an enforcement action against the Company for failing to comply with the emission limit. The Company's management has provided regular updates to the KDHE on efforts to bring the unit into compliance with the permit. Although no formal action has been taken, the KDHE may seek a penalty, but the Company is unable to predict the magnitude of any penalty that KDHE may ultimately assess against it.

Note 6. Operating Segments.

The Company is a fully integrated producer of ingredient solutions, distillery and other products. Products included within the ingredient solutions segment consist of vital wheat gluten, commodity wheat starch, specialty wheat starches and proteins and mill feeds. Distillery products consist of food grade alcohol (consisting of beverage and industrial alcohol), fuel grade alcohol, commonly known as ethanol, and distillers grain and carbon dioxide, which are co-products of the Company's distillery operations. Other products include pet treat resins and plant-based biopolymers as well as other products. For the quarter and year to date period ended December 31, 2008, revenues from products in the other segment represent less than 2.0 percent of the Company's consolidated revenues. As noted in Note 10, during the second quarter the Company closed the flour mill at its Atchison facility and ceased protein and starch production operations at its Pekin, Illinois plant. Other than the production of fuel alcohol as a by-product of high quality alcohol, the Company is ceasing production of fuel alcohol in the third quarter.

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The operating results for each segment is based on net sales less identifiable operating expenses directly attributable to each segment. Indirect selling, general and administrative as well as interest expense, investment income and other general miscellaneous expenses have been excluded from segment operations and classified as Corporate, consistent with the measurements used to evaluate segment performance internally. Receivables, inventories and equipment have been identified with the segments to which they relate. All other assets are considered as Corporate.

(in thousands)	Quarter Ended		Year to Date Ended	
	December 31, 2008	December 30, 2007	December 31, 2008	December 30, 2007
Sales to Customers				
Ingredient solutions	\$ 22,455	\$ 24,963	\$ 48,352	\$ 47,251
Distillery products	49,733	67,523	121,115	131,881
Other	1,054	1,509	2,795	2,840
Total	73,242	93,995	172,262	181,972
Depreciation and amortization				
Ingredient solutions	834	934	1,693	2,057
Distillery products	2,084	2,007	4,203	3,948
Other	61	388	122	777
Corporate	422	488	808	862
Total	3,401	3,817	6,826	7,644
Income (Loss) before Income Taxes				
Ingredient solutions	(4,154)	859	(9,543)	2,966
Distillery products	(15,397)	3,129	(28,323)	5,537
Other	(1)	(2,232)	236	(2,288)
Corporate	(5,168)	(3,856)	(10,595)	(8,820)
Impairment of long lived assets	(8,931)	—	(8,931)	—
Severance and early retirement costs	(3,288)	—	(3,288)	—
Other restructuring costs	(5,241)	—	(5,241)	—
Unrealized loss on natural gas contract	(5,447)	—	(5,447)	—
Gain on Settlement of litigation net of related expenses*	—	7,046	—	7,046
Total	\$ (47,627)	\$ 4,946	\$ (71,132)	\$ 4,441

For purposes of comparative analysis, the impairment of long lived assets, severance and early retirement costs and other restructuring costs realized during the quarter ended December 31, 2008 and the gain on the settlement of litigation realized during the quarter ended December 30, 2007 have been excluded from segments.

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	<u>December 31,</u> <u>2008</u>	<u>December 30,</u> <u>2007</u> <u>(Restated)</u>	<u>June 30,</u> <u>2008</u>
Identifiable Assets			
Ingredient solutions	\$ 45,257	\$ 75,657	\$ 70,071
Distillery products	108,137	127,047	121,650
Other	4,068	14,512	2,969
Assets held for sale	3,345	—	5,600
Corporate	20,449	13,406	22,778
Total	<u>\$ 181,256</u>	<u>\$ 230,622</u>	<u>\$ 223,068</u>

For the quarter and year to date period ended December 31, 2008, the Company refined its methodology for assessing identifiable earnings (losses) before income taxes for all segments whereby only direct sales, general and administrative costs are allocated to operating segments. Previously, the Company had allocated substantially all selling, general and administrative expenses to each operating segment based upon numerous factors and attributes. All selling, general and administrative expenses not directly attributable to operating segments have been restated within Corporate income (loss) before taxes for the quarter and year to date period ended December 30, 2007. Accordingly, amounts previously disclosed as earnings (loss) before income taxes for the quarter and year to date period ended December 30, 2007 have been adjusted to reflect these changes.

Note 7. Fair Value Measurements

As discussed in Note 1 to the Condensed Consolidated Financial Statements, the Company adopted SFAS 157 on July 1, 2008 with the exception of nonfinancial assets and nonfinancial liabilities that were deferred by FASB Staff Position 157-2. SFAS 157 defines fair value as 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.

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The following table sets forth by level within the fair value hierarchy of the Company's financial assets and liabilities that were measured at fair value on a recurring basis as of December 31, 2008.

	Fair Value Measurements		Level 1		Level 2		Level 3	
Liabilities								
Com Derivatives	\$	312,906	\$	312,906	\$	—	\$	—
Accrued Natural Gas Derivative		5,447,000				5,447,000		—

Note 8. Pension and Post Retirement Benefit Obligations.

Post Retirement Benefits. The Company and its subsidiaries provide certain post-retirement health care and life benefits to all employees. The liability for such benefits is unfunded. The Company uses a June 30 measurement date for the plan.

The components of the Net Periodic Benefit Cost for the quarter and year to date periods ended December 31, 2008 and December 30, 2007, respectively, are as follows:

(in thousands)	Quarter Ended		Year to Date Ended	
	December 31, 2008	December 30, 2007	December 31, 2008	December 30, 2007
Service cost	\$ 75	\$ 61	\$ 150	\$ 122
Interest cost	124	117	248	234
Prior service cost	(9)	(9)	(18)	(18)
(Gain) loss	5	11	10	22
Total post-retirement benefit cost	\$ 195	\$ 180	\$ 390	\$ 360

The Company previously disclosed in its financial statements for the year ended June 30, 2008, 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 fiscal year ended June 30, 2009.

Total employer contributions for the quarter ended December 31, 2008 were \$185,000.

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 plan and a 401(k) plan. It has been management's policy to fund the defined benefit plan in accordance with the collective bargaining agreement. The collective bargaining agreements allow the plan's trustees to develop changes to the pension plan to allow benefits to match funding, including reductions in benefits. The Company uses a June 30 measurement date for the plan.

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The components of the Net Periodic Benefit Cost for the quarter and year to date periods ended December 31, 2008 and December 30, 2007, respectively, are as follows:

(in thousands)	Quarter Ended		Year to Date Ended	
	December 31, 2008	December 30, 2007	December 31, 2008	December 30, 2007
Service cost	\$ 141	\$ 130	\$ 282	\$ 260
Interest cost	49	35	98	70
Expected return on plan assets	(44)	(35)	(88)	(70)
Prior service cost	6	6	12	12
Recognition of net loss(gain)	4	(2)	8	(4)
Total pension benefit cost	<u>\$ 156</u>	<u>\$ 134</u>	<u>\$ 312</u>	<u>\$ 268</u>

The Company has made employer contributions of \$787,000 for the year to date period ended December 31, 2008, all of which were in the quarter ended September 30, 2008.

Note 9. Correction of Accounting Error.

The Condensed Consolidated Statements of Income for the quarter and year to date period ended December 30, 2007, the Condensed Balance Sheet as of December 30, 2007 and the Condensed Consolidated Statement of Cash Flow for the year to date period ended December 30, 2007, presented herein have been restated to correct the following error, in accordance with Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). Since fiscal 2001, the Company over recognized deferred income from funds that it received over the course of fiscal years 2001 to 2003 under a Commodity Credit Corporation program implemented by Congress following termination of import quotas on gluten. The Company received a total of \$26 million under the program, of which approximately \$17.5 million was used for capital expenditures. Recognition of the amount used for these capital items was deferred and is being recognized over the life of the assets. The amount recognized each year was to have approximated the amount of depreciation on the assets that the Company acquired under the program. The Company has determined that, through errors made upon implementation and throughout the execution of the program that were undetected until the third quarter of fiscal 2008, certain assets were placed on, or omitted from, the depreciation schedule for Commodity Credit Corporation funded assets. As a result of the error, the asset pool whose depreciation determined the amount of deferred credit that was amortized each year and recognized as income had assets whose original cost was \$21 million instead of \$17.5 million, and as a result, the Company recognized excess deferred income in each of fiscal years 2001 through the second quarter of the previous fiscal year ended June 30, 2008. The amount of revenue involved ranged annually from a high of \$397,000 in 2002 to \$175,000 in the fiscal year ended June 30, 2008, resulting in annual overstatements of net income after taxes ranging from a low of 1% to a high of 4.4% through fiscal 2007.

The Company has conducted a materiality analysis under SAB 108 and determined that the impact on prior years was not material. However, it is required to report the error as an adjustment to its prior period financial statements. The Condensed Consolidated Statements of Income for the quarter and year to date period ended December 30, 2007, the Condensed Consolidated Balance Sheet as of December 30, 2007 and the Condensed Consolidated Statement of Cash Flows for the year to date period ended December 30, 2007 included in this report have been adjusted to reflect a correction of the period-specific effects of the error, and the effect of the correction on each financial statement line item and per share amounts is shown below.

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An analysis of the adjustment to the Condensed Consolidated Statement of Income for the quarter ended December 30, 2007 is as follows: *(In thousands)*

	December 30, 2007 (as originally reported)	adjustment	December 30, 2007 (restated)
Net sales	\$ 93,995	\$ —	\$ 93,995
Cost of sales	90,741	58	90,799
Gross profit	3,254	(58)	3,196
Selling, general and administrative expenses	4,815		4,815
Income (loss) from operations	(1,561)	(58)	(1,619)
Other income, net	(76)		(76)
Gain on settlement of litigation, net of related expenses	7,046		7,046
Interest expense	(405)		(405)
Income (loss) before income taxes	5,004	(58)	4,946
Provision (benefit) for income taxes	(260)	(23)	(283)
Net income (loss)	5,264	(35)	5,229
Other comprehensive income (loss), net of tax:	4,284		4,284
Comprehensive income (loss)	<u>\$ 9,548</u>	<u>\$ (35)</u>	<u>\$ 9,513</u>
Per Share Data			
Total basic earnings per common share	\$ 0.32	\$ —	\$ 0.32
Total diluted earnings per common share	<u>\$ 0.31</u>	<u>\$ —</u>	<u>\$ 0.31</u>

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An analysis of the adjustment to the Condensed Consolidated Statement of Income for the year to date period ended December 30, 2007 is as follows: *(In thousands)*

	December 30, 2007 (as originally reported)	adjustment	December 30, 2007 (restated)
Net sales	\$ 181,972	\$ —	\$ 181,972
Cost of sales	172,799	117	172,916
Gross profit	9,173	(117)	9,056
Selling, general and administrative expenses	11,094		11,094
Income (loss) from operations	(1,921)	(117)	(2,038)
Other income, net	114		114
Gain on settlement of litigation, net of related expenses	7,046		7,046
Interest expense	(681)		(681)
Income (loss) before income taxes	4,558	(117)	4,441
Provision (benefit) for income taxes	(388)	(47)	(435)
Net income (loss)	4,946	(70)	4,876
Other comprehensive income (loss), net of tax:	5,634		5,634
Comprehensive income (loss)	\$ 10,580	\$ (70)	\$ 10,510
Per Share Data			
Total basic earnings per common share	\$ 0.30	\$ —	\$ 0.30
Total diluted earnings per common share	\$ 0.29	\$ —	\$ 0.29

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An analysis of the adjustment to the Condensed Consolidated Balance Sheet as of December 30, 2007 is as follows: *(In thousands)*

	December 30, 2007 (as originally reported) <u>(unaudited)</u>	adjustment <u>(unaudited)</u>	December 30, 2007 (restated) <u></u>
	Dollars in thousands, except share and per share amounts		
ASSETS			
Current Assets			
Cash and cash equivalents	\$ —	\$	\$ —
Restricted cash	3		3
Receivables (less allowance for doubtful accounts: December 30, 2007 -\$223)	34,784		34,784
Inventory	61,287		61,287
Prepaid expense	2,167		2,167
Deposits	3,247		3,247
Total current assets	<u>101,488</u>		<u>101,488</u>
Property and equipment, at cost	363,867		363,867
Less accumulated depreciation	(235,602)		(235,602)
Property and equipment, net	<u>128,265</u>		<u>128,265</u>
Investment in joint venture	358		358
Other assets	511		511
Total assets	<u>\$ 230,622</u>	<u>\$</u>	<u>\$ 230,622</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Current maturities of long-term debt	\$ 3,826	\$	\$ 3,826
Revolving credit facility	10,000		10,000
Accounts payable	16,061		16,061
Accrued expenses	5,303		5,303
Deferred income taxes	1,259	(765)	494
Income taxes payable	21		21
Total current liabilities	<u>36,470</u>	<u>(765)</u>	<u>35,705</u>
Long-Term debt	7,169		7,169
Deferred credit	7,115	1,974	9,089
Other non-current liabilities	8,115		8,115
Deferred income taxes	12,616		12,616
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	6,715		6,715
Additional paid-in capital	11,696		11,696
Retained earnings	151,414	(1,209)	150,205
Accumulated other comprehensive income (loss)	4,402		4,402
	<u>174,231</u>	<u>(1,209)</u>	<u>173,022</u>
Treasury stock, at cost			
Common; December 30, 2007 — 2,981,841 shares	(15,094)		(15,094)
Total stockholders' equity	<u>159,137</u>	<u>(1,209)</u>	<u>157,928</u>
Total liabilities and stockholders' equity	<u>\$ 230,622</u>	<u>\$</u>	<u>\$ 230,622</u>

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An analysis of the adjustment to the Condensed Consolidated Statement of Cash Flows for quarter ended December 30, 2007 is as follows: *(In thousands)*

	December 30, 2007 (as originally reported)	adjustment	December 30, 2007 (restated)
Cash Flows from Operating Activities			
Net income	\$ 4,946	\$ (70)	\$ 4,876
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,644		7,644
Loss (gain) on sale of assets	10		10
Deferred income taxes	2,921	(47)	2,874
Changes in working capital items:			
Restricted cash	3,333		3,333
Accounts receivable	(486)		(486)
Inventory	(13,059)		(13,059)
Accounts payable and accrued expenses	348		348
Deferred credit	(736)	117	(619)
Income taxes payable/receivable	385		385
Other	(4,360)		(4,360)
Net cash provided by operating activities	946	—	946
Cash Flows from Investing Activities			
Additions to property and equipment	(3,228)		(3,228)
Investments in and advances to joint venture	(358)		(358)
Proceeds from disposition of equipment	—		—
Net cash used in investing activities	(3,586)		(3,586)
Cash Flows from Financing Activities			
Proceeds from stock plans	372		372
Principal payments on long-term debt	(2,096)		(2,096)
Proceeds from line of credit	11,000		11,000
Principal payments on line of credit	(8,000)		(8,000)
Dividends paid	(2,536)		(2,536)
Net cash used in financing activities	(1,260)		(1,260)
Decrease in cash and cash equivalents	(3,900)		(3,900)
Cash and cash equivalents, beginning of year	3,900		3,900
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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Note 10. Restructuring Costs and Loss on Impairment of Assets.

In response to the losses incurred during fiscal 2009, actions were taken in the second quarter in an effort to return the Company to profitability. These actions include significant changes to operations in the Company's Atchison and Pekin facilities. As a result of these actions, restructuring costs and loss on impairment of assets for the quarter and year to date period ending December 31, 2008 were as follows:

<u>(in thousands)</u>	<u>Total</u>
Impairment of long lived assets	\$ 8,931
Severance and early retirement costs	3,288
Other restructuring costs	5,241
Total	<u>\$ 17,460</u>

On October 20, 2008 the Company announced that it had signed a non-binding letter of intent to acquire its flour requirements from a third party, was ceasing operations at its flour mill in Atchison, Kansas and was reducing its workforce. The Company's decision to close its flour mill was due to the fact that it could no longer produce flour for its own use at costs that were competitive with those of third party producers. As a result of this action by the Company, the Company performed an impairment analysis and recorded a \$2.8 million non-cash impairment charge in the Condensed Consolidated Statements related to the flour mill assets.

On November 5, 2008, the Company announced plans to significantly reduce production of commodity wheat proteins and starches by ceasing protein and starch production operations at its Pekin, Illinois plant, effective November 12, 2008. The majority of the Pekin facility's protein and starch production consisted of gluten and commodity starches. As a result of the shutdown, the Company performed an impairment analysis and recorded a \$5.0 million non-cash impairment charge in the Condensed Consolidated Statements related to the Pekin protein and starch assets. Going forward, management expects to concentrate its efforts on the production of value added proteins and starches at the Pekin facility.

As a result of the closure of the Company's flour mill and the protein and starch operations at its Pekin plant, the Company also incurred \$3.3 million in severance and early retirement cost in the Company's Condensed Consolidated Financial Statements.

On January 29, 2009, the Company determined that it would cease the manufacture and sale of personal care ingredients products. Currently it is in the process of concluding all contractual obligations with respect to its personal care customers and anticipates the completion of all production and the liquidation of all remaining inventory during the third quarter of fiscal 2009. As a result of this action, the Company performed an impairment analysis and recorded a \$329,000 non-cash impairment charge in the Condensed Consolidated Statements related to the write down of equipment used in the production of personal care products.

As previously reported, at the end of the third quarter of fiscal 2008 the Company concluded that its pet business assets in the other segment and certain of its ingredient solutions segment assets in a mixed use facility in Kansas City, Kansas at which the Company's pet treat resins are made were impaired. At that time, the Company recorded an impairment charge of \$8.1 million. For the period ended December 31, 2008, the Company performed another test for impairment of these assets as result of an appraisal resulting in a further charge of \$811,000.

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Other restructuring costs of \$5,241,000 include \$2,925,000 related to lease termination costs which the Company expects to incur as a result of the flour mill closure with respect to 147 rail cars which it formerly used to transport flour and whose leases expire through 2013. The Company has recognized this expense because it no longer utilizes these cars in its business. Expected payments accrued reflect the net present value of the remaining obligation net of units which are estimated to be returned to the lessor sooner than the lease termination date. The discount rate used was 7.0 percent and was based on the Company's borrowing costs at December 31, 2008. Sixty five of these rail cars are anticipated to be returned to the lessor prior to March 31, 2009. The Company estimates that the remaining railcars will either be returned to the lessor or assigned to other third parties over the course of four years. Other restructuring costs also includes a \$2.3 million net loss resulting from sales of excess wheat no longer needed for milling operations. The charge is net of approximately \$1.1 million in realized gains previously recorded in accumulated other comprehensive income.

Note 11. Assets Held for Sale.

At the end of the fiscal year ended June 30, 2008, the Company's management evaluated strategic alternatives with respect to its mixed use facility in Kansas City, Kansas. The Company had previously concluded that its pet business assets in its other segment and certain of its ingredient solutions segment assets were impaired during the quarter ended March 31, 2008 and during the fourth quarter of the fiscal year ended June 30, 2008 committed to a plan to sell the assets at this facility. Buildings and equipment with an adjusted cost basis of \$5.6 million were reported as current assets as "Assets held for sale" on the Company's consolidated balance as of June 30, 2008 and subsequently as of September 30, 2008. During the quarter ended December 31, 2008, the Company's management, after evaluating new strategic alternatives with respect to this facility, concluded that the building and related land could be used for other manufacturing and storage purposes consistent with the Company's updated business plan. Accordingly, assets consisting of a building with a net book value of \$1.1 million, land with a book value of \$0.5 million and equipment with a book value of \$0.7 million, for a total net book value of approximately \$2.3 million previously reported as current assets in "Assets held for sale", have been reclassified to non-current assets as "Property and equipment, at cost" and "Less: accumulated depreciation."

Depreciation expense of \$132,000 representing cumulative depreciation expense since July 1, 2008 related to these assets has been recorded in the quarter and year to date periods ended December 31, 2008, resulting in a charge to operating income of \$66,000 for the quarter ended December 31, 2008 for depreciation that would otherwise have been recorded in the quarter ended September 30, 2008. An analysis of the change in assets held for sale is as follows: (in thousands)

	September 30, 2008	Effect of Reclassification	December 31, 2008
Property and equipment, at cost	\$ 12,490	\$ (6,571)	\$ 5,919
Less accumulated depreciation	(6,890)	4,316	(2,574)
Assets held for sale, net	<u>\$ 5,600</u>	<u>\$ (2,255)</u>	<u>\$ 3,345</u>

Note 12. Recently Issued Accounting Pronouncements.

In March, 2008, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standard Number 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133" ("FASB 161"). This statement will change the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement No. 133 and its related interpretations, and how derivative instruments

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and related hedged items affect an entity's financial position, net earnings and cash flows. The Company will be required to adopt this statement as of interim periods beginning on or after November 15, 2008. The adoption of FASB 161 will have no impact on the Company's financial position or net income.

In December 2008, the FASB issued FASB Staff Position ("FSP") 132(R)-1 which amends FASB No. 132(R), "Employers' Disclosures About Pensions and Other Postretirement Benefits." This FSP requires more detailed disclosures about employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. The Company will be required to adopt these new requirements as of the fiscal year ended after December 31, 2009 and provide this additional information at that time. The adoption will have no impact on the Company's financial position or net earnings.

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

RESULTS OF OPERATIONS

General

Reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations—General*, incorporated by reference to Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2008 for certain general information about our principal products and costs.

As described below, we have made significant changes to our operations since June 30, 2008. In order to improve our operations, we have refocused our business on the production of value added ingredients and distillery products. We have realigned our production efforts and taken steps to reduce excess inventories. We have closed our flour mill in Atchison, ceased commodity starch and gluten production at our Pekin plant and taken steps to exit the fuel alcohol and personal care markets. We also have temporarily ceased production of food grade alcohol at our Pekin plant. As a result of these actions, we will only produce minimal quantities of fuel grade alcohol as a by-product, will no longer sell mill feeds, expect our production of distillers grain to decline and generally anticipate that revenues in future periods will be lower than historic levels. We expect to see improved profitability because of these steps. However, they also produce a current cost. During the second quarter we have incurred significant impairment and restructuring costs, aggregating \$17.4 million. We also recognized \$5.4 million in cost of sales for natural gas that we do not expect to use under a contract we entered with respect to our Pekin plant. Combined with operating losses, these charges helped produce a net loss for the quarter of \$42.7 million and we now find ourselves in forbearance default under the terms of our credit facility. We are trying to renegotiate certain of our utility and rail car contracts to reduce or defer charges, but there can be no assurance that we will succeed.

While we hope to reopen our Pekin plant, we have to be realistic about our financial needs and determined on February 5 to explore other options during the shutdown, including the possible sale of the plant. We are trying to renegotiate certain of our utility and rail car contracts to reduce or defer charges, but there can be no assurance that we will succeed.

Critical Accounting Policies and Estimates

Reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies*, incorporated by reference to Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, for a discussion of our critical accounting policies and the use of certain judgments and estimates in the preparation of our financial statements. As stated therein, 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. During the second quarter of our fiscal year, declines in overall equity values, including our common stock value, and changes in our operations triggered impairment evaluations. Updated forecasts that reflect recent changes made to our business were used in this analysis. The use of forecasts requires considerable management judgment. Management believes the judgments used in these analyses are reasonable. The testing and analysis identified impairment losses at December 31, 2008. See Note 10 of Notes to Condensed Consolidated Financial Statements included elsewhere herein.

CHANGES IN SEGMENT REPORTING

For the quarter and year to date ended December 31, 2008, the Company refined its methodology for assessing identifiable earnings (losses) before income taxes for all segments whereby only direct selling, general and administrative costs are allocated to operating segments. Previously, the Company had allocated substantially all selling, general and administrative expenses to each operating segment based upon numerous factors and attributes. All selling, general and administrative expenses not directly

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attributable to operating segments have been restated within Corporate income (loss) before taxes for the quarter and year to date ended December 30, 2007. Accordingly, amounts previously disclosed as earnings (loss) before income taxes for the quarter and year to date ended December 30, 2007 have been adjusted to reflect these changes.

DEVELOPMENTS IN THE INGREDIENT SOLUTIONS SEGMENT

In order to become more efficient and effective and to improve our results, we have decided to refocus our business on the production of our value added products. Management believes the steps it has taken will help enable the Company to return to profitability, be more competitive, and allow the Company to negotiate a credit agreement and financing that will enable the Company to maintain operations.

Among the more important reasons for the decision to re-focus our ingredients solutions business are the following:

- We had underutilized ingredients solutions segment facilities at both of our production facilities, and our heritage platform business had experienced continuing losses.
- We could no longer produce flour for our own use at costs that were competitive with those of third party producers.

We have substantially exited the commodity wheat gluten business and have curtailed our commodity starch production. By closing protein and starch production at Pekin, we have reduced the volume of our ingredient solutions business by approximately 20 percent, in terms of pounds, substantially all of which relates to our lower margin commodity starch and protein products. As of December 31, 2008, we have made the following changes to our operations:

- As previously announced, to shorten our supply chain and improve margin management, we have entered a supply contract for flour with ConAgra Mills whereby ConAgra is supplying our wheat flour requirements for use in the production of protein and starch ingredients. We have discontinued our own mill operations. Because we are no longer producing flour from wheat, we are no longer producing mill feed as a by-product of this process.
- We intend to focus our ingredient solutions segment on value added products. We shut down our commodity and starch production facilities in Pekin, Illinois on November 12, 2008. We will seek to limit our flour purchases to quantities needed to service our specialty starch business, and will only keep limited inventories of flour on site. To the extent our flour purchases for specialty starch production cannot support our specialty protein business, we will purchase gluten for our needs. As a result of these changes, we have substantially reduced our production of commodity starches and proteins, which, subject to existing contracts, are now essentially produced only as by-products. Our commodity starches and proteins accounted for approximately 41.3 percent and 32.3 percent of our ingredient solutions segment revenues in fiscal 2008 and in the year to date period ended December 31, 2008, respectively.
- We do not anticipate that we will derive much value from our Pekin ingredient solutions segment assets going forward, as they are on our plant site and we do not expect to sell them. We may transfer certain of these assets to our Atchison facility or use them for spare parts as conditions dictate.

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- As a result of the shutdown of protein and starch operations in Pekin and the flour mill operations in Atchison, a special non-cash charge of \$7.8 million to write down assets has been recorded during the quarter ended December 31, 2008. We also recognized \$2,925,000 in restructuring charges with respect to 147 leased rail cars that we had previously used to transport flour and incurred an approximate \$2.3 million net loss resulting from sales of wheat no longer needed for milling operations.

Other developments during the quarter ended December 31, 2008 included:

- We have substantially discontinued the production of our personal care line of products. We are currently in the process of concluding all contractual obligations with respect to our personal care customers and anticipate the completion of all production and liquidation of all remaining inventory during the third quarter of fiscal 2009. We have recognized approximately \$329,000 in impairment charges on equipment used in personal care production.

DEVELOPMENTS IN THE DISTILLERY PRODUCTS SEGMENT

As previously mentioned in Developments in the Ingredient Solutions Segment, in order to become more efficient and effective and to improve our results, we have decided to refocus our business on the production of our value added products. With respect to our Distillery Products Segment, among the more important reasons for the decision to re-focus the business are the following:

- Market economics for fuel grade alcohol have continued to erode, and recent prices have been at or below production cost.
- Incremental ethanol production decisions have been made difficult by continued volatility in corn and ethanol prices.
- With current ethanol industry capacity in excess of federal mandates, it does not seem likely that there will be a return to equilibrium in the ethanol markets in the short term.

In November 2008 we anticipated that we would reduce our total annual operating distillery capacity from 120-130 million gallons to approximately 84 million gallons, of which we expected fuel grade alcohol would be approximately 29 million gallons (compared with 61 million gallons in fiscal 2008). Subsequently, we determined to exit the production of fuel alcohol except as a by-product of food grade alcohol production and determined to temporarily shut down food grade production at our Pekin plant for 90 days to utilize existing inventories at that location. We do not expect the shutdown to affect our customers as we are continuing to optimize food grade alcohol production capabilities at Atchison. When we resume food grade production at Pekin, we expect our total capacity at Pekin to range from approximately 36 million to approximately 65 million gallons, with our initial food grade production to be approximately 34 million gallons annually and our fuel grade alcohol production to be approximately 2 million gallons annually. Because we will be producing less fuel grade alcohol and using less corn in the process, we also expect to produce less distillers feed. During fiscal 2008 and the year to date period ended December 31, 2008, we estimate that our ethanol sales accounted for approximately 46.1 percent and 34.3 percent of our distillery segment revenues. Historically, we have produced substantially all of our food grade alcohol at Atchison and substantially all of our fuel grade alcohol at Pekin.

DEVELOPMENTS IN THE OTHER SEGMENT

For the quarter ended December 31, 2008, sales of our plant-based biopolymers increased substantially with a 40 percent increase in unit sales compared to the quarter ended December 30, 2007. These products continue to represent an emerging area of our business. Our plant-based biopolymers products continue to undergo further research and development as we explore additional enhancements to expand their functionality and use capabilities.

As previously reported, at the end of the third quarter of fiscal 2008 we concluded that our pet business assets in the other segment and certain of its ingredient solutions segment assets in a mixed use facility in Kansas City, Kansas at which the Company's pet treat resins are made were impaired. At that time, we recorded an impairment charge of \$8.1 million. At the end of the fiscal year ended June 30, 2008, the Company's management evaluated strategic alternatives with respect to the mixed use facility and committed to a plan to sell the assets at this facility. Buildings and equipment with an adjusted cost basis of \$5.6 million were reported as current assets as "Assets held for sale" on the Company's consolidated balance sheet as of June 30, 2008 and subsequently as of September 30, 2008. During the quarter ended December 31, 2008, the Company's management, after evaluating new strategic alternatives with respect to our Kansas City Kansas facility, concluded that the building and related land could be used for other manufacturing and storage purposes consistent with our updated business plan. Accordingly, assets consisting of a building with a net book value of \$1.1 million, land with a book value of \$0.5 million and equipment with a book value of \$0.7 million, for a total net book value of approximately \$2.3 million previously reported as current assets in "Assets held for sale", have been reclassified to non-current assets as "Property and equipment, at cost" and "Less: accumulated depreciation." Depreciation expense of \$132,000, representing cumulative depreciation expense since July 1, 2008 related to these assets, has been recorded in the quarter and year to date periods ended December 31, 2008, resulting in a charge to operating income of \$66,000 for the quarter ended December 31, 2008 for depreciation that would otherwise have been recorded in the quarter ended September 30, 2008.

We continue to evaluate the strategic alternatives for the equipment at our Kansas City facility, and are pursuing the sale of these assets. At December 31, 2008, these equipment assets remain presented as an asset held for sale. The related debt is presented as Liabilities Related to Assets Held for Sale on the balance sheet.

For the period ended December 31, 2008, based on a recent appraisal, we performed another test for impairment on this equipment resulting in a further charge of \$811,000.

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The following is a summary of revenues and pre-tax profits / (loss) allocated to each reportable operating segment for the quarterly and year to date periods ended December 31, 2008 and December 30, 2007. For additional information regarding our operating segments, see *Note 6-Operating Segments* included under *Part 1, Item 1, Financial Statements* of this Form 10-Q and incorporated herein by reference.

(in thousands)	Quarter Ended		Year to Date Ended	
	December 31, 2008	December 30, 2007	December 31, 2008	December 30, 2007
Ingredient solutions				
Net Sales	\$ 22,455	\$ 24,963	\$ 48,352	\$ 47,251
Pre-Tax Income (Loss)	(4,154)	859	(9,543)	2,966
Distillery products				
Net Sales	49,733	67,523	121,115	131,881
Pre-Tax Income (Loss)	(15,397)	3,129	(28,323)	5,537
Other				
Net Sales	1,054	1,509	2,795	2,840
Pre-Tax Income (Loss)	(1)	(2,232)	236	(2,288)

GENERAL

Consolidated earnings for the second quarter of fiscal 2009 decreased compared to the same period in fiscal 2008 with a loss of \$42,716,000 on consolidated sales of \$73,242,000 versus net income of \$5,229,000 on consolidated sales of \$93,995,000 during the same quarter of fiscal 2008. This decrease in net earnings was primarily the result of higher cost of sales due to higher grain costs partially offset by the positive impact of the discontinuation of production of certain commodity starch and protein products at our Pekin plant. Additionally, we realized a gain on the settlement of litigation, net of related expenses of \$7,046,000 during the second quarter of fiscal 2008. No such gain was incurred during the second quarter of fiscal 2009.

Consistent with the second quarter of fiscal 2009, consolidated earnings for the year to date period ended December 31, 2008 decreased compared to the year to date period ended December 30, 2007 with a loss of \$59,959,000 on consolidated sales of \$172,262,000 versus net income of \$4,876,000 on consolidated sales of \$181,972,000 for the year to date period ended December 30, 2007. Higher cost of sales resulting from higher grain costs were partially offset by the positive impact of the discontinuation of production of certain commodity starch and protein products at our Pekin plant. Additionally, we realized a gain on the settlement of litigation, net of related expenses, of \$7,046,000 during the second quarter of fiscal 2008. No such gain was incurred during the second quarter of fiscal 2009.

For both periods, higher wheat prices (for the ingredient solutions and other segments) and higher corn and natural gas prices (for the distillery products segment) served to increase cost of sales, although this increase was partially offset by the impact of reduced unit sales. For both the quarter and year to date periods ended December 31, 2008, the positive earnings performance in the other segment, consisting primarily of business lines for pet product and plant-based biopolymer applications, was primarily the result of improvements in our plant-based biopolymer business line as well as reduced per-unit operating costs in our pet product business line.

INGREDIENT SOLUTIONS

Total ingredient solutions sales revenue for the quarter ended December 31, 2008 decreased by \$2.5 million, or 10.0 percent, compared to the quarter ended December 30, 2007. Revenues for specialty ingredients, consisting of specialty proteins and specialty starches, increased during the quarter ended December 31, 2008 compared to the quarter ended December 30, 2007 by \$615,000, or 4.8 percent. Revenues for specialty proteins decreased as a result of lower unit sales partially offset by increased per unit prices. Revenues for specialty starches rose as a result of improved pricing as well as improved unit sales. Revenues for vital wheat gluten for the quarter ended December 31, 2008 decreased by \$2.8 million, or 33.1 percent, primarily as a result of reduced sales volume as well as reduced per unit pricing. The decline in unit sales resulted from our decision to focus on value-added specialty protein and starch products rather than commodity protein and starch products. Revenues for commodity starch increased \$619,000, or 77.0 percent, as a result of improved sales volume as well as improved pricing. Margins continued to be significantly impacted by increased cost of sales related to high wheat prices. As noted above in *Developments in the Ingredient Solutions Segment*, beginning in the quarter ended December 31, 2008, we entered into a supply contract for flour with ConAgra Mills whereby they are supplying our wheat flour requirements for use in the production of protein and starch ingredients. As a result, we no longer purchase wheat directly. However, the price we pay ConAgra for flour is a function of the per-bushel cost of wheat and, accordingly, wheat prices continue to directly impact the cost of raw materials for our ingredient solutions segment.

Total ingredient solutions sales revenue for the year to date period ended December 31, 2008 increased by \$1.1 million, or 2.3 percent, compared to the year to date period ended December 30, 2007. Revenues for specialty ingredients, consisting of specialty proteins and specialty starches, increased during the year to date period ended December 31, 2008 compared to the year to date period ended December 30, 2007 by \$4.3 million, or 17.9 percent. Revenues for specialty proteins increased as a result of increased per unit prices, partially offset by lower unit sales. Revenues for specialty starches rose as a result of improved pricing as well as improved unit sales. Revenues for vital wheat gluten for the year to date period ended December 31, 2008 decreased by \$3.7 million, or 23.0 percent, primarily as a result of reduced sales volume resulting from our decision to focus on value-added specialty protein and starch products rather than commodity protein and starch products. Revenues for commodity starch increased \$1.6 million, or 110.5 percent, as a result of improved sales volume as well as improved pricing. While revenues for the ingredient solutions segment improved overall, margins continued to be significantly impacted by increased cost of sales related to high wheat prices. Also, for the year to date period ended December 31, 2008, the price we paid ConAgra for flour was a function of the per-bushel cost of wheat.

DISTILLERY PRODUCTS

Total distillery products sales revenue for the quarter ended December 31, 2008 decreased \$17.8 million, or 26.4 percent, compared to the quarter ended December 30, 2007. This decrease was due to reduced revenues related to fuel grade alcohol of \$14.6 million, or 47.8 percent, as a result of a planned reduction of fuel grade alcohol related to poor market conditions. Subsequently, we decided to exit the production and sale of fuel grade alcohol. This decrease in distillery products revenue was partially offset by increased revenue for food grade alcohol with increases attributable to improved per-unit pricing partially offset by reduced volume. While revenues for distillery products improved for the quarter ended December 31, 2008, margins were still negatively impacted by increased cost of sales related to increased corn prices compared to the quarter ended December 30, 2007. For the quarter ended December 31, 2008, the per-bushel cost of corn, before adjustments for the impact of our hedging practices, averaged nearly 22.5 percent higher than the quarter ended December 30, 2007. These increased costs yielded a substantial loss for the segment.

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Total distillery products sales revenue for the year to date period ended December 31, 2008 decreased \$10.8 million, or 8.2 percent, compared to the year to date period ended December 30, 2007. This decrease was due to reduced revenues for fuel grade alcohol of \$19.0 million, or 31.4 percent, as a result of planned reduction of fuel grade alcohol related to poor market conditions. As noted above, we have subsequently decided to exit the production and sale of fuel grade alcohol. This decrease in distillery products revenue was partially offset by increased revenues related to food grade alcohol of \$9.9 million, or 19.3 percent, over the year to date period ended December 30, 2007. Increases in revenue for food grade alcohol were attributable to both increased volume as well as improved per-unit pricing. Also contributing to this increase were improvements in distillers feed revenue. While revenues for distillery products improved for the year to date period ended December 31, 2008, margins were still significantly impacted by increased cost of sales related to increased corn prices compared to the year to date period ended December 30, 2007. For the year to date period ended December 31, 2008, the per-bushel cost of corn, before adjustments for the impact of our hedging practices, averaged nearly 38.9 percent higher than the year to date period ended December 30, 2007. These increased costs yielded a substantial loss for the segment.

OTHER PRODUCTS

For the quarter and year to date periods ended December 31, 2008, revenues for other products, consisting primarily of pet products and plant-based biopolymers, decreased \$455,000, or 30.2 percent, and \$45,000, or 1.6 percent, respectively compared to the quarter and year to date periods ended December 30, 2007. For the quarter ended December 31, 2008, these decreases were the result of reduced unit sales of both our plant-based biopolymer products and our pet products. These factors, which served to reduce revenues for our other products, were partially offset by improvements in per-unit pricing for our biopolymer products. For the year to date period ended December 31, 2008, these decreases were a result of lower unit sales of pet products partially offset by higher unit sales for our biopolymer products as well as improved pricing for both pet products and biopolymer products.

SALES

Net sales for the quarter and year to date periods ended December 31, 2008 decreased \$20.8 million, or 22.1 percent, and \$9.7 million, or 5.3 percent, respectively, compared to the quarter and year to date periods ended December 30, 2007. These decreases were the result of decreased sales in all segments during the quarter ended December 31, 2008 and decreased sales in the distillery products and other segments partially offset by an increase in sales in the ingredient solutions segment for the year to date period ended December 31, 2008.

For the quarter ended December 31, 2008, decreased sales in the ingredient solutions segment were related to decreased unit sales for vital wheat gluten primarily related to planned reductions of sales following our decision to cease gluten and starch production at Pekin and to focus on the production of value-added ingredient products, and secondarily to reduced per-unit pricing. Specialty protein revenues declined due to reduced volume sales partially offset by improved per-unit pricing. Both commodity and specialty starch revenues improved as a result of both improved volumes as well as improved per-unit pricing. We were able to increase unit sales of our starch products notwithstanding cessation of production at Pekin through inventory reductions. Decreased sales in the distillery products segment were driven primarily by planned reductions in production and sales of fuel grade alcohol as well as, to a lesser degree, reduced per-unit pricing, with sales declining by \$14.6 million. As noted above, we have subsequently decided to exit the fuel grade business.

For the year to date period ended December 31, 2008, increased sales in the ingredient solutions segment were related to increased sales of both commodity and specialty starch products as well as

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specialty protein products partially offset by reduced sales of vital wheat gluten resulting from the planned reduction referred to above. Both commodity starch and specialty starch revenues increased as a result of increased sales volumes as well as improved per unit pricing, while specialty protein revenue increases were driven by improved per unit pricing partially offset by reduced volumes. Vital wheat gluten revenues declined as a result of reduced sales volumes. We were able to increase unit sales of our starch products notwithstanding cessation of production at Pekin through inventory reductions. Decreased sales in the distillery were primarily related to reductions in sales and production of fuel grade alcohol of \$19.0 million partially offset by increased sales of food grade alcohol as a result of both increased sales volume as well as improved per unit pricing.

COST OF SALES

For the quarter ended December 31, 2008, cost of sales rose \$6.1 million, or 6.7 percent, while sales decreased 22.1 percent compared to the quarter ended December 30, 2007. This increase was primarily the result of higher grain costs as well as increased costs of other inputs used in the manufacturing process. Our higher grain costs were directly the result of higher grain prices experienced during the quarter ended December 31, 2008. For the quarter ended December 31, 2008, before adjustment for the impact of our hedging practices, the per-bushel cost of corn averaged nearly 22.5 percent higher than the quarter ended December 30, 2007.

Beginning in the quarter ended December 31, 2008, we ceased purchasing and processing wheat into flour in favor of directly purchasing flour at a lower cost than for what we could manufacture. Our average cost for natural gas per million cubic feet ("mcf") increased 37.5 percent compared to the quarter ended December 30, 2007 and excludes unrealized loss on a natural gas contract as discussed below.

For the year to date period ended December 31, 2008, cost of sales rose \$39.7 million, or 23.0 percent, while sales decreased 5.3 percent compared to the year to date period ended December 30, 2007. This increase was primarily the result of higher grain costs as well as increased costs of other inputs used in the manufacturing process. Our higher grain costs were directly the result of higher grain prices experienced during the year to date period ended December 31, 2008. For the year to date period ended December 31, 2008, before adjustment for the impact of our hedging practices, the per-bushel cost of corn averaged nearly 38.9 percent higher than the year to date period ended December 30, 2007.

As discussed in *Note 4 - Derivative Instruments* included under *Part 1, Item 1, Financial Statements* of this Form 10-Q and incorporated herein by reference, effective April 1, 2008, we elected to discontinue the use of hedge accounting for all commodity derivative positions. Accordingly, changes in the value of derivatives subsequent to March 31, 2008 are recorded in cost of sales in the Company's Consolidated Statements of Income. As of March 31, 2008, the cumulative mark-to-market adjustment of \$4.2 million net of tax of \$2.8 million included in accumulated other comprehensive income was related to derivative instruments that had previously been designated for hedge accounting under the framework of SFAS 133. Gains related to those derivative instruments have remained in accumulated other comprehensive income until the forecasted transactions to which the specific hedged positions relate impact earnings. During the quarter ended December 31, 2008, the remaining \$1.1 million in deferred gains on previously designated derivative instruments was recognized in earnings. There remain no further deferred gains as of December 31, 2008.

Our production process involves the use of natural gas which we purchase under contracts that require us to commit to the purchase of certain quantities on a monthly basis and allow us 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, we have excluded the market value of these commitments

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within our contracts from our hedge accounting consistent with normal purchases and sales as defined under Statement of Financial Accounting Standards No. 133 as amended (“SFAS 133”).

With the shutdown of protein and starch operations and the reduction and temporary idling of distillery operations at our Pekin plant, commitments for the purchase of natural gas through the remainder of the fiscal year under a single contract for our Pekin plant are in excess of projected consumption after adjusting for such reduced production. Accordingly, we anticipate settling such commitments for the difference between the prices to which we committed to and the market price of natural gas upon settlement. We have recorded a charge of \$5.4 million to cost of sales for unrealized losses as of December 31, 2008, for projected settlements and will continue to mark this obligation to market through June 30, 2009 as the settlements come due.

As discussed in *Note 11-Assets Held for Sale* included under *Part 1, Item 1, Financial Statements* of this Form 10-Q and incorporated herein by reference, assets consisting of a building with a net book value of \$1.1 million, land with a book value of \$0.5 million, and equipment with a book value of \$0.7 million for a total net book value of approximately \$2.3 million previously reported as current assets in “Assets held for sale” have been reclassified to non-current assets as “Property and equipment, at cost, Less: accumulated depreciation.” Depreciation expense of \$132,000, representing cumulative depreciation expense since July 1, 2008 related to these assets, has been recorded in the quarter and year to date periods ended December 31, 2008, resulting in a charge to operating income of \$66,000 for the quarter ended December 31, 2008 for depreciation that would otherwise have been recorded in the quarter ended September 30, 2008.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the quarter and year to date periods ended December 31, 2008 increased \$922,000, or 19.1 percent, and \$758,000, or 6.8 percent, respectively, compared to the same periods ended December 30, 2007. These increases were primarily the result of increased expenses associated with maintaining our line of credit, increases in other professional fees and increased compensation expenses related to an expansion of our sales force related to our increased focus on the production and sale of specialty ingredients. These factors, which served to increase our selling, general and administrative expenses, were partially offset by other changes we made within the organization during the quarter ended December 31, 2008 and referred to in *Developments in the Ingredient Solutions Segment* and *Developments in the Distillery Products Segment* resulting in lower administrative headcount and related costs. During the quarter ended December 30, 2007, we reduced \$386,000 from selling, general and administrative expenses for Gain on Settlement of Litigation, Net of Related Expenses.

IMPAIRMENT: LONG LIVED ASSETS

In response to the losses incurred during the first quarter of fiscal 2009, we have taken actions since the end of the first quarter in an effort to return to profitability. These actions include significant changes to operations in our Atchison and Pekin facilities.

Ingredient Solutions Segment. On October 20, 2008 we announced that we had signed a non-binding letter of intent to acquire our flour requirements from a third party, were ceasing operations at our flour mill in Atchison, Kansas and were reducing our workforce by approximately 44 persons. The workforce reduction consisted of a combination of temporary lay-offs and early retirement offers. On November 6, we announced that the anticipated supply contract for flour had been signed, and the layoffs became permanent. Our decision to close our flour mill was due to the fact that we could no longer

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produce flour for our own use at costs that are competitive with those of third party producers. As a result of this action, we performed an impairment analysis and recorded a \$2.8 million non-cash impairment charge in the Condensed Consolidated Statements related to the flour mill assets.

On November 5, we announced plans to significantly reduce production of commodity wheat proteins and starches by ceasing protein and starch production operations at our Pekin, Illinois plant, effective November 12, 2008. The majority of the Pekin facility's protein and starch production consisted of gluten and commodity starches. The action resulted in an additional work force reduction of approximately 80 persons, consisting of a combination of lay-offs and early retirement offers. As a result of the shutdown, we performed an impairment analysis and recorded a \$5.0 million non-cash impairment charge in the Condensed Consolidated Statements related to the Pekin protein and starch assets. Going forward, we expect to concentrate our efforts on the production of value added proteins and starches.

On January 29, 2009, we determined to cease the manufacture and sale of personal care ingredients products at our Atchison facility. Currently we are in the process of concluding all contractual obligations with respect to our personal care customers and anticipate the completion of all production and liquidation of all remaining inventory during the third quarter of fiscal 2009. As a result of this action, we incurred a non-cash impairment charge of \$329,000 in the Condensed Consolidated Statements related to the write down of equipment used in the production of personal care products.

In measuring for impairment of assets at our flour mill and our Pekin facility's protein and starch production facility, management assumed no sales or other disposition but instead adjusted net values of these assets to zero as no further cash flow related to these assets was anticipated.

Distillery Segment. In November of 2008, we also determined to curtail fuel alcohol production at Pekin to approximately 30 million gallons annually until market conditions became more favorable. Subsequent to December 31, 2008, we determined that we could further adjust our production process at Pekin in a way that permitted us to produce only minor quantities of fuel grade alcohol as a by-product of the production of food grade alcohol and determined to otherwise terminate the production of fuel grade alcohol. We also determined to shut down food grade production at the plant for a temporary period. We performed an impairment analysis of our other long lived assets and determined no further impairment charges were necessary as a result of these activities.

Other Segment. As previously reported, at the end of the third quarter of fiscal 2008, we concluded that our pet business assets in the other segment and certain of our ingredient solutions segment assets in a mixed use facility in Kansas City, Kansas at which our pet treat resins are made were impaired. At that time, we recorded an impairment charge of \$8.1 million, of which \$4.7 million related to assets allocated to the Company's other segment. For the period ended December 31, 2008, management performed another test for impairment of these assets as a result of an appraisal resulting in a further charge of \$811,000.

SEVERANCE AND EARLY RETIREMENT COSTS

In connection with the production changes described above, we also incurred \$3.3 million in severance related charges associated with early retirements and job eliminations during the second quarter. These charges have been presented in the Company's Consolidated Statements of Income as "Severance and early retirement costs."

OTHER RESTRUCTURING COSTS

In connection with the production changes described above, we also have incurred a \$2.3 million net loss, which is net of approximately \$1.1 million in realized gains previously recorded in accumulated other comprehensive income. In addition, we have recognized \$2.9 million in lease termination costs which we expect to incur with respect to 147 rail cars which we formerly used to transport flour and whose leases expire through 2013. We have recognized this expense because we no longer utilize these cars in our business. Expected payments accrued reflect the net present value of the remaining obligation net of units which are estimated to be returned to the lessor sooner than the lease termination date. The discount rate used was 7.0 percent and was based on our borrowing costs at December 31, 2008. We expect to return sixty five of these rail cars to the lessor prior to March 31, 2009. We estimate that the remaining railcars will either be returned to the lessor or assigned to other third parties over the course of four years.

OTHER INCOME, NET

Other income, net, increased \$109,000, or 143.4 percent, for the quarter ended December 31, 2008 compared to the quarter ended December 30, 2007. For the year to date period ended December 31, 2008, other income, net, decreased \$40,000, compared to the quarter ended December 30, 2007. These changes were principally attributable to changes in interest capitalized as well as to the effect of certain other non-recurring, non-operating revenue items. It is our practice to credit other income for capitalized interest.

GAIN ON SETTLEMENT OF LITIGATION, NET OF RELATED EXPENSES

On December 27, 2007, the Company settled its two-year patent infringement and contract litigation. Under the terms of the settlement, the Company agreed to dismiss its lawsuit with prejudice and was paid \$8 million, which was received on December 28, 2007. In connection with the settlement, the Company also granted the other parties in the lawsuit a non-exclusive license under its U.S. Patent No. 5,665,152. During fiscal 2008, the Company incurred professional fees of \$954,000, related to this litigation. This amount has been netted against the gross proceeds for a net amount of \$7,046,000. The Company has recorded the settlement as a separate line item below income from operations. The Company used the proceeds from the settlement to reduce the amount outstanding under its line of credit.

No such settlements were incurred during the quarter or year to date periods ended December 31, 2008.

INTEREST EXPENSE

Interest expense for the quarter and year to date periods ended December 31, 2008 increased \$392,000, and \$844,000, respectively, compared to the same periods ended December 30, 2007. These increases were the result of higher balances and higher interest rates on our outstanding line of credit compared to the same periods in the prior year. These increases were partially offset by reduced balances on our long-term notes payable.

EQUITY IN LOSS OF JOINT VENTURE

Equity in the loss of our joint venture was \$18,000 and \$34,000 for the quarter and year to date periods ended December 31, 2008. On July 17, 2007, we completed a transaction with Crespel and Dieters GmbH & Co. KG for the formation and financing of a joint venture, D.M. Ingredients, GmbH ("DMI"), located in Ibbenburen, Germany. DMI's primary operation is the production and tolling of the Wheatex series of textured wheat proteins made from vital wheat gluten for marketing by MGPI domestically and,

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through our partner and third parties, internationally. Currently, the joint venture is utilizing a third party toller in the Netherlands to produce the Wheatex products. We own a 50 percent interest in DMI, and account for it using the equity method of accounting. As of December 31, 2008, we had invested \$375,000 in DMI since July 2007.

For the quarter ended December 31, 2008, DMI incurred a net loss of \$36,000 related to costs incurred as part of the initial implementation of operations. No sales revenue was reported. As a 50 percent joint venture holder, our equity in this loss was \$18,000.

For the year to date period ended December 31, 2008, DMI incurred a net loss of \$68,000 related to costs incurred for the initial implementation of operations. Again, no sales revenue was reported. As a 50 percent joint venture holder, our equity in this loss was \$34,000.

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.

INCOME TAXES

For the quarter ended December 31, 2008, we had an income tax benefit of \$4,911,000 resulting in an effective rate of 10.3 percent. For the quarter ended December 30, 2007, our income tax benefit was \$283,000 for an effective rate of 5.7 percent.

For the year to date period ended December 31, 2008, we had an income tax benefit of \$11,173,000, resulting in an effective rate of 15.7 percent. For the year to date period ended December 30, 2007, our income tax benefit was \$435,000 for an effective rate of 9.8 percent.

For the year to date period ended December 31, 2008, this rate differs from our statutory rate primarily due to the impact of a valuation allowance established during the year of approximately \$20,100,000. Management determined a valuation allowance was needed against Federal and state deferred tax assets, consisting largely of NOLs and credit carryforwards, that are not more likely than not of being realized. Since the end of the fiscal year ended June 30, 2008, there has been no material change in our uncertain tax positions. As a result of filing our fiscal 2008 tax return, we have received tax refunds of \$9,200,000. Based upon our operating results in the current fiscal year, we expect to be eligible to receive a tax refund of approximately \$5,900,000 after filing our current fiscal year tax return. The expected refund would exhaust our ability to carry back any further losses under current tax regulations.

NET INCOME

As the result of the factors outlined above, we experienced a net loss of \$42,716,000 and \$59,959,000 in the quarter and year to date periods ended December 31, 2008, respectively, compared to net income of \$5,229,000 in the quarter ended December 30, 2007 and net income of \$4,876,000 in the year to date period ended December 30, 2007.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

Historically, the principal sources of our cash have been operating cash flow and borrowings under our credit agreement. Historically, principal uses of cash are capital expenditures, payment of debt and the payment of dividends.

We have had negative cash flow from operations and have relied on borrowings under our credit agreement to operate. On January 30, 2009, we were notified by the lender's agent under our credit facility that we were in default under the credit facility. As a result, our lenders could, at their election and prior to February 27, 2009, the final date of our current forbearance period, terminate our ability to borrow under our credit facility and/or accelerate our obligations to repay amounts borrowed under the credit facility. The agent has advised us that in their discretion and subject to change day-to-day, the lenders are willing to continue extending credit to us in accordance with the provisions of the credit facility provided we have sufficient capacity under our borrowing base and otherwise meets the requirements of the credit facility. The borrowing base under the credit facility and the amount available to us thereunder fluctuate daily. From January 29, 2009 to February 4, 2009, the daily amount available to us has averaged approximately \$1,219,000, ranging from a low of \$7,700 to a high of \$2,760,000, and the amount available at the close of business on February 4, 2009 was approximately \$849,000. Our lenders have strongly encouraged us to obtain additional financing, and we believe that our cash needs over the next several months will exceed amounts available to us from operations and under our credit facility. We are currently in discussions with other prospective lenders. We have received commitment letters from two local banks dated February 4, 2009 for secured financings aggregating from \$4 million to \$4.5 million. We expect one of the banks will loan us an additional \$2 million which will be secured by a pledge of assets from a principal stockholder. However, the commitments are contingent on several conditions, including the agreement of our lenders under the credit facility to release or subordinate their liens in certain collateral in favor of the local banks and to extend the forbearance period under the credit facility to a date not earlier than September 3, 2009. The lenders under our credit facility have not responded to these requirements, and we cannot make any assurances that they will agree with these conditions. Our ability to continue as a going concern is dependent on our obtaining additional financing in the near term and on the willingness of our existing lenders to exercise further forbearance and extend the facility termination date beyond February 27, 2009.

Due to the limitations on amounts available under the credit agreement and negative operating cash flows, our cash flows have not been optimal for our needs and we have extended certain vendors past normal credit terms. Until we obtain additional financing, we will need to take particular care in managing our cash flows and may be unable to take advantage of certain business opportunities that would otherwise be available to us. For example, notwithstanding current favorable grain prices, we are not taking long forward positions in grain in order to conserve our cash. This could result in higher future expenses if prices change adversely.

In addition to obtaining continued forbearance from our lenders and additional financing, our prospects depend on a number of factors, some of which are beyond our control, including commodity prices, natural gas prices, our ability to liquidate inventories as planned, the level of our capital expenditures, the amount of margin calls on our commodity trading accounts and the willingness of the bulk of our suppliers to extend normal trading terms. In this regard, some of our suppliers, principally utilities, have required us to make significant deposits or advance payments to maintain service.

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

(Dollars in thousands)	December 31,	June 30,
	2008	2008
Cash and cash equivalents	\$ —	\$ —
Working capital	(2,545)	51,127
Amounts available under lines of credit	71	17,000
Credit facility, liabilities related to assets held for sale and long-term debt (including current maturities)	51,187	33,493
Stockholders' equity	74,273	136,874
	Year to Date Ended	
	December 31,	December 30,
	2008	2007
Depreciation and amortization	6,826	7,644
Capital expenditures	1,994	3,228
EBITDA(1)	(62,781)	12,766

(1) EBITDA equals earnings before interest, taxes, depreciation and amortization.

EBITDA

We have included EBITDA because we believe it provides investors with additional information to measure our performance and liquidity. EBITDA is not a recognized term under generally accepted accounting principles ("GAAP") and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, it is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Because not all companies use identical calculations, this presentation may not be comparable to other similarly titled measures of other companies.

The following table sets forth a reconciliation of net income to EBITDA for the year to date periods ended December 31, 2008 and December 30, 2007 (in thousands):

	Year to Date Ended	
	December 31,	December 30,
	2008	2007 (1)
Net income(loss)	\$ (59,959)	\$ 4,876
Provision (benefit) for income taxes	(11,173)	(435)
Interest expense	1,525	681
Depreciation	6,826	7,644
EBITDA	\$ (62,781)	\$ 12,766

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The following table sets forth a reconciliation of EBITDA to cash flows from operations for the year to date periods ended December 31, 2008 and December 30, 2007 (in thousands):

	Year to Date Ended	
	December 31, 2008	December 30, 2007 (1)
EBITDA	\$ (62,781)	\$ 12,766
Benefit (provision) for income taxes	11,173	435
Interest expense	(1,525)	(681)
Equity in loss of joint venture	34	—
Non-cash charges against (credits to) net income:		
Deferred income taxes	(7,217)	2,874
Loss (gain) on sale of assets	(53)	10
Loss on impairment of assets	8,931	—
Changes in operating assets and liabilities	35,505	(14,458)
Cash flow from operations	<u>\$ (15,933)</u>	<u>\$ 946</u>

(1) See Note 9 to Notes to Condensed Consolidated Financial Statements.

CASH FLOW INFORMATION

Summary cash flow information follows for the year to date periods ended December 31, 2008 and December 30, 2007, respectively: (Dollars in thousands)

	Year to Date Ended	
	December 31, 2008	December 30, 2007(1)
Cash flows provided by (used for):		
Operating activities	\$ (15,933)	\$ 946
Investing activities	(1,534)	(3,586)
Financing activities	17,467	(1,260)
Increase (decrease) in cash and cash equivalents	—	(3,900)
Cash and cash equivalents at beginning of year	—	3,900
Cash and cash equivalents at end of year	<u>\$ —</u>	<u>\$ —</u>

(1) See Note 9 to Notes to Condensed Consolidated Financial Statements.

During the year to date period ended December 31, 2008, our consolidated cash remained at zero compared to a decrease of \$3,900,000 during the year to date period ended December 30, 2007. Reduced operating cash flow resulted from a decrease in earnings from net income of \$4,876,000 for the year to date period ended December 30, 2007 to a net loss of \$59,959,000 for the year to date period ended December 31, 2008. This change in earnings, which served to decrease operating cash flow, was partially offset by the receipt of income tax refunds. Cash outflows related to capital expenditures during the year

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to date period ended December 31, 2008 compared to the year to date period ended December 30, 2007 were reduced. Additionally, net proceeds from our line of credit provided a source of cash.

Operating Cash Flows. Summary operating cash flow information for the year to date periods ended December 31, 2008 and December 30, 2007, respectively, is as follows: (Dollars in thousands):

	Year-to-Date Ended	
	December 31, 2008	December 30, 2007(1)
Net income (loss)	\$ (59,959)	\$ 4,876
Depreciation	6,826	7,644
Loss (gain) on sale of assets	(53)	10
Deferred income taxes	(7,217)	2,874
Loss on impairment of assets	8,931	
Equity in loss of joint venture	34	—
Changes in working capital items:		
Restricted cash	(1,358)	3,333
Accounts receivable	7,917	(486)
Inventory	24,219	(13,059)
Accounts payable and accrued expenses	2,540	348
Deferred credit	(440)	(619)
Income taxes payable/receivable	3,898	385
Accrued natural gas derivative	5,447	—
Gains previously deferred in other comprehensive income	(2,149)	—
Other	(4,569)	(4,360)
Net cash used in operating activities	\$ (15,933)	\$ 946

(1) See Note 9 to Notes to Condensed Consolidated Financial Statements.

Cash flow from operations for the quarter ended December 31, 2008 decreased \$16,879,000 to (\$15,933,000) from \$946,000 for the year to date period ended December 30, 2007. This decline in operating cash flow was primarily related to the decrease in earnings of \$64,835,000 from net income of \$4,876,000 for the year to date period ended December 30, 2007 to a net loss of \$59,959,000 for the year to date period ended December 31, 2008. Other factors leading to a decrease in operating cash flow were an increase in restricted cash of \$1,358,000 for the year to date period ended December 31, 2008 compared to a decrease of \$3,333,000 for the year to date period ended December 30, 2007 and an increase in taxes receivable of \$3,898,000 for the year to date period ended December 31, 2008 compared to a decrease of \$385,000 for the year to date period ended December 30, 2007. These factors, which served to reduce operating cash flow, were partially offset by a decrease in inventory and accounts receivable of \$24,219,000 and \$7,917,000, respectively. Additionally, operating cash flow was impacted by the timing of cash disbursements resulting in an increase in accounts payable, partially offset by the prepayment of certain expenses.

Investing Cash Flows. Net investing cash outflow for the year to date period ended December 31, 2008 was \$1,534,000 compared to \$3,586,000 for the year to date period ended December 30, 2007. During the year to date period ended December 31, 2008, we made investments to our operating plant of \$1,994,000. These investments were partially offset by the net proceeds from the sale of a corporate aircraft of \$460,000.

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Financing Cash Flows. Net financing cash flow for the year to date period ended December 31, 2008, was \$17,467,000 compared to net outflow of \$1,260,000 for the year to date period ended December 30, 2007 for a net increase in financing cash flow of \$18,727,000. During the year to date period ended December 31, 2008, we had net draws of \$19,483,000 under our operating line of credit compared to net draws of \$3,000,000 for the year to date period ended December 30, 2007. Proceeds from stock plans were relatively minimal due to reduced option exercise activity as a result of the reduced price of our stock.

HEDGING AND INVENTORY COSTS

Included within the carrying value of inventory of \$38,637,000 as of December 31, 2008 is the market value of derivative instruments related to our hedging strategy of (\$313,000). This value represents mark-to-market losses on open undesignated derivative contracts.

In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, we sometimes enter into various commodity derivative contracts to manage the risk of future grain price increases. During the quarter ended December 31, 2008, we utilized derivatives to hedge approximately 58 percent of corn processed compared with approximately 43 percent of corn processed in the quarter ended December 30, 2007. As further discussed under *Developments in the Ingredient Solutions Segment*, beginning in the quarter ended December 31, 2008, we entered into a supply contract for flour with ConAgra Mills whereby they are supplying our wheat flour requirements for use in the production of protein and starch ingredients. As a result, we have ceased hedging wheat purchases. For the quarter ended December 31, 2008, we recognized \$1.1 million in deferred gains on previously designated and liquidated wheat futures. Raw material costs in the quarter ended December 31, 2008 included a net hedging loss of approximately \$4,760,000 (excluding a \$1.1 million gain reclassified and reported under *Other restructuring costs* in our Condensed Financial Statements) compared to a net hedging gain of \$485,000 in the quarter ended December 30, 2007.

During the year to date period ended December 31, 2008, we utilized derivatives to hedge approximately 58 percent of corn processed compared with approximately 30 percent of corn processed in the year to date period ended December 30, 2007. For the year to date period ended December 31, 2008, we recognized \$3.3 million in deferred gains on previously designated and liquidated wheat futures. Raw material costs in the year to date period ended December 31, 2008 included a net hedging loss of approximately \$4.6 million (excluding a \$1.1 million gain reclassified and reported under *Other restructuring costs* in our Condensed Financial Statements) compared to a net hedging loss of \$245,000 in the year to date period ended December 30, 2007.

These hedge transactions are highly effective. Accordingly, nearly all related losses were entirely offset by reduced raw materials costs.

As of December 31, 2008, through the use of derivative contracts, we had hedged 17 percent of our projected corn consumption for the remainder of the fiscal year. Including cash purchases, we have hedged 26 percent of our projected corn consumption for the remainder of the fiscal year.

As described in Note 4 of our Notes to Condensed Consolidated Financial Statements included elsewhere herein, effective April 1, 2008, we elected to discontinue the use of hedge accounting for all commodity derivative positions. Accordingly, changes in the value of derivatives subsequent to March 31, 2008 are recorded in cost of sales in the Company's Consolidated Statements of Income. As of March 31, 2008, the cumulative mark-to-market adjustment of \$4.2 million net of tax of \$2.8 million included in accumulated other comprehensive income was related to derivative instruments that had previously been designated for hedge accounting under the framework of SFAS 133. Gains related to those derivative

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instruments have remained in accumulated other comprehensive income until the forecasted transactions to which the specific hedged positions relate occurred. As of December 31, 2008, all gains previously deferred have been recognized in earnings.

NATURAL GAS COMMITMENTS

Our production process involves the use of natural gas which we purchase under contracts that require us to commit to the purchase of certain quantities on a monthly basis and allow us 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, we have excluded the market value of these commitments within our contracts from our hedge accounting consistent with normal purchases and sales as defined under Statement of Financial Accounting Standards No. 133 as amended (“SFAS 133”).

We have recorded a charge of \$5.4 million to cost of sales for unrealized losses as of December 31, 2008 on a natural gas contract for our Pekin plant. With the shutdown of protein and starch operations and the reduction and temporary idling of distillery operations at the Pekin plant, the commitments for the purchase of natural gas through the remainder of the fiscal year under this contract are in excess of projected consumption. We will continue to settle and mark this obligation to market monthly until its expiration, which is scheduled to occur on June 30, 2009.

CONTRACTUAL OBLIGATIONS

On October 24, 2008, we entered into a Supply Agreement to purchase our requirements of wheat flour from Conagra Foods Food Ingredients Company, Inc. The Agreement has a term of five years and is automatically renewable for an additional term of 5 years unless either party gives at least 180 days written notice of termination. Pricing is based on a formula which varies depending on changes in several factors, including wheat futures prices, millfeed prices and freight costs. There is no stated minimum quantity required to be purchased.

On November 7, 2008, we entered into a new amendment to our credit agreement with our bank lenders which extended the standstill period thereunder and which imposed new interim financial covenants summarized below under “Financial Covenants.” Other terms in the amendment include (i) a provision limiting loans to base rate loans, with an increase in the interest rate on outstanding borrowings from LIBOR plus 2.75% or prime plus 0.50% to base rate, as defined plus 3%, with base rate being not less than the greater of 4%, Agent’s prime rate or the federal funds rate plus 1%, (ii) an amendment fee of \$110,000 (in addition to the banks’ out of pocket expenses), (iii) a fee of 1% of the outstanding credit commitment, as defined, payable on February 27, 2009 unless all outstanding obligations are paid in full and the credit agreement is terminated (this fee is expected to be \$430,000), (iv) the pledge of substantially all of the Company’s remaining unpledged assets, (v) limiting the Company’s use of the commitment under the credit agreement to either fund margin calls or for other grain hedging positions to an amount equal to a tax refund received in the second quarter (approximately \$9.2 million), and (vi) requiring us to use any portion of such anticipated tax refund received after November 7, 2008 (\$8.0 million) to reduce outstanding borrowings under the credit agreement.

The prepayment requirement referred to in clause (vi) above did not reduce the lenders’ total commitment under the credit agreement.

As noted above, the second amendment expands the lien securing our obligations to the lenders so that it now covers substantially all of our assets, excluding our new office building and laboratory in Atchison and our interest in our German joint venture, and property at our KCIT facility in Kansas City so

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long as it is encumbered by existing liens. We were also required to cause our commodity intermediary to execute a commodity account control agreement in favor of our lenders.

As a result of inventory reductions and continued operating losses, in December 2008, our outstanding borrowings under the Credit Agreement exceeded our borrowing base, and on December 19, 2009 the lenders agreed to a Third Amendment to the Credit Agreement which permits us, on a temporary basis, to obtain loans and other credit extensions under the Credit Agreement in amounts in excess of the borrowing base. Until January 30, 2009, we were permitted to obtain credit extensions of \$3 million over the borrowing base; thereafter, until February 26, 2009, we may obtain credit extensions of \$1.5 million over the borrowing base; and thereafter we may obtain credit extensions of \$500,000 over the borrowing base. The Third Amendment does not affect the standstill period to which the Company is presently subject or otherwise impose any duty on any lender to extend credit to us beyond any date after which such lender is not obligated to extend credit pursuant to the Credit Agreement as in effect immediately prior to the Third Amendment. As noted elsewhere herein, we are in forbearance default under the Credit Agreement and there can be no assurance that our lenders will continue to provide financing to us.

CAPITAL EXPENDITURES.

In the year to date we have spent \$2.0 million in capital expenditures. We presently expect to spend an additional \$89,000 in capital expenditures over the next 12 months.

We have been exploring alternative sources of energy for our Pekin, Illinois plant in the form of a coal-fired steam generation facility. We have applied for approvals for the construction of a 330,000 pound per hour high pressure solid fuel boiler cogeneration facility at the plant. The proposed facility would utilize coal as the primary fuel. The cost of the project is estimated at \$90 million to \$100 million. We have been seeking a third party energy provider to fund, own and operate the facility and enter a multi-year energy supply agreement with us. Our recent financial issues have forced us to slow down our efforts on this program.

The Illinois Environmental Protection Agency ("IEPA") held a public hearing regarding the fuel boiler cogeneration facility on July 14, 2008. This hearing represented one step toward receiving a permit for the facility. The hearing was followed by a written public comment period, which ended on August 13. If the IEPA determines to issue a construction permit, it would be effective 35 days after the date of issue to allow for an appeal period for interested parties. Barring an appeal, we would expect to receive a construction permit at the end of the 35 day waiting period. We expect that the IEPA will issue the permit during our third quarter of the current fiscal year.

After an operating license is granted and a third party energy provider is identified to build the facility, we anticipate that it would take approximately two years to construct and put the complete facility into operation. However, an auxiliary natural gas-only boiler could be constructed and placed in service in approximately twelve to eighteen months.

The facility is proposed to be located on a site that we would lease to the provider which is located on our plant's 49-acre site. It would be utilized to produce steam to power the plant's distillery production processes. In addition, a portion of the generated steam would be used to supply the plant's electrical needs. Excess energy could be available for sale by the provider to others.

As we explore our options for the Pekin plant, we will be reviewing the scope of this project. However, our current contract for steam generation at the Pekin plant expires on January 31, 2011, and to produce alcohol at the plant we will either have to acquire the current steam cogeneration facility, extend the current contract or seek an alternative steam supply such as the proposed coal fired project.

LINE OF CREDIT

Our credit agreement, as amended, provides a \$55 million revolving credit facility, (\$40.3 million at February 4 after considering the effect of borrowing base limitations) that, except as noted below, is available for general working capital needs in addition to permitted capital expenditures, investments, acquisitions and stock repurchases, as defined in the credit agreement. As amended as of November 7, 2008, we are not permitted to use more than \$9.2 million of the commitment for opening and maintaining grain hedging contracts. On December 19, 2008, our lenders agreed to a Third Amendment to the Credit Agreement which permits us, on a temporary basis, to obtain loans and other credit extensions under the Credit Agreement in amounts in excess of the borrowing base. Until January 30, 2009, we could obtain credit extensions of \$3.0 million over the borrowing base; thereafter, until February 26, 2009, we may obtain credit extensions of \$1.5 million over the borrowing base; and thereafter, we may obtain credit extensions of \$500,000 over the borrowing base. The Third Amendment does not affect the standstill period to which we are presently subject or otherwise impose any duty on any lender to extend credit to us beyond any date after which such lender is not obligated to extend credit pursuant to the Credit Agreement as in effect immediately prior to the Third Amendment. As noted elsewhere herein, we are in forbearance default under the credit agreement and there can be no assurance that our lenders will continue to provide financing to us.

As of February 4, 2009, after giving effect to the Third Amendment, the amount available to us under our Credit Agreement was \$849,000 and the amount of the outstanding borrowings under the Credit Agreement was \$39.5 million.

Unless sooner terminated because of our defaults, unless extended, our credit agreement will expire on February 27, 2009. Our lenders have strongly encouraged us to obtain additional financing. We have no assurances that they will extend beyond the credit agreement beyond February 27, 2009.

FINANCIAL COVENANTS

Under our credit agreement prior to its amendment we were required to maintain a fixed charge coverage ratio (adjusted EBITDA minus taxes and dividends to fixed charges) of not less than 1.5 to 1 on a trailing four quarter basis and were required to maintain at the end of each fiscal quarter;

- working capital (current assets minus the sum of current liabilities and the unpaid principal balance of the revolving credit loans to the extent not a current liability) of \$40 million;
- tangible net worth of not less than \$135 million plus (i) an amount equal to 50% of consolidated net income (but not loss) subsequent to June 30, 2008 minus (ii) cumulative stock purchases after June 30, 2008; and
- a leverage ratio (senior fund debt to adjusted EBITDA (EBITDA plus non cash losses, minus noncash gains, minus or plus, as the case may be, extraordinary income or losses)) of not more than 3.0 to 1.

In the Second Amendment to the Credit Agreement, our lenders agreed to a new standstill period and imposed new, interim financial covenants. These require us to maintain fiscal year to date adjusted

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EBITDA (EBITDA adjusted to eliminate any mark-to-market adjustments reflected in net income) of (\$30.0 million) at the end of October 2008, (\$44.0 million) at the end of November 2008, and (\$46.0 million) at the end of December 2008 and January 2009. We met these interim covenants for October and November but did not do so for December or January primarily because of impairment and other restructuring charges recognized in the quarter ended December 31, 2008, described herein.

Our credit agreement contains various other covenants, including ones limiting our ability to incur liens, incur debt, make investments, make capital expenditures, dispose of assets, issue stock, or purchase stock. While the initial agreement permitted us to pay dividends in the ordinary course, we were required to remain in compliance with our financial covenants. Due to market conditions and our resulting negative cash flow from operations, since June 30, 2008 we have not been able to pay dividends as a result of the fixed charge coverage ratio maintenance requirement in our credit agreement. Further, under subsequent amendments to the credit agreement we are prohibited from paying dividends without the consent of our lenders.

WORKING CAPITAL

COMPARISON TO JUNE 30, 2008

Our working capital decreased \$53,672,000 from June 30, 2008 to December 31, 2008. This decrease was primarily the result of higher outstanding balances on our revolving credit facility and reduced inventories.

COMPARISON TO DECEMBER 30, 2007

During the twelve month period ended December 31, 2008, our consolidated cash position remained unchanged at \$0.0. For the twelve month period ended December 31, 2008, cash was impacted primarily by lower operating cash flow related to reduced earnings. Additionally, we incurred capital expenditures of \$6,198,000 for the twelve month period ended December 31, 2008, yielding a higher investment in property and equipment. We financed capital expenditures, inventory and our operations using our revolving credit facility.

During the twelve month period ended December 31, 2008, our working capital decreased \$68,328,000, primarily as a result of increased balances outstanding on our revolving credit facility, reduced inventory, increased accounts payable, as well as accrued expenses. These factors, which served to reduce working capital, were partially offset by increased income taxes receivable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We make our products primarily from wheat and corn and, as such, are sensitive to changes in commodity prices. We use grain futures and/or options, which we account for as cash flow hedges, as a hedge to protect against fluctuations in the market. Fluctuations in the volume of hedging transactions are dictated by alcohol sales and are based on corn and gasoline prices. We have a risk management committee, comprised of senior management members, that meets bi-weekly to review futures contracts and positions. This group sets objectives and determines when futures positions should be held or terminated. A designated employee makes trades authorized by the risk management committee. The futures contracts that are used are exchange-traded contracts. We trade on the Kansas City and Chicago Boards of Trade and the New York Mercantile Board of Exchange.

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Our production process involves the use of natural gas which we purchase under contracts that require us to commit to the purchase of certain quantities on a monthly basis and allow us 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, we have excluded the market value of these commitments within our contracts from our hedge accounting consistent with normal purchases and sales as defined under Statement of Financial Accounting Standards No. 133 as amended (“SFAS 133”).

With the shutdown of protein and starch operations and the reduction of distillery operations at our Pekin plant, commitments for the purchase of natural gas through the remainder of the fiscal year under a single contract for our Pekin plant are in excess of projected consumption after adjusting for such reduced production. Accordingly, we will settle such commitments on a cash basis for an amount representing the difference between the prices to which we committed to and the current market price of natural gas. We have recorded a charge of \$5,447,000 for projected settlements based upon each month’s commitment and the futures price for natural gas for each respective month as of December 31, 2008. We will continue to mark this obligation to market through June 30, 2009 when the contract expires. As of February 1, 2009, our potential settlement, after adjusting for closed January settlements of \$365,000 million, was \$5.9 million. A 10% decrease in natural gas prices as of February 1, 2009, would increase our projected settlements by \$0.7 million and a 10% increase would decrease our projected settlements by \$0.6 million.

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For inventory and open futures, the table below presents the carrying amount and fair value at December 31, 2008 and June 30, 2008. We include the fair values of open contracts in inventories in our balance sheet.

As of December 31,	At December 31, 2008		At June 30, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Inventories				
Corn	\$ 3,354,000	\$ 3,540,000	\$ 6,485,147	\$ 7,311,379
Wheat	\$ —	\$ —	\$ 3,499,541	\$ 3,069,123
	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Corn Options				
Contract Volumes (bushels)			2,000,000	
Weighted Average				
Strike Price/Bushel				
Long Calls	\$ 3.62	\$ 395,969	\$ 5.40	\$ 4,387,500
Short Calls	\$ —	\$ —	\$ 6.20	\$ (2,990,000)
Short Puts	\$ 3.70	\$ (375,876)	\$ —	\$ —
Contract Amount		\$ 20,093		\$ 1,397,500
	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Corn Futures				
Contract Volumes (bushels)		1,300,000		
Weighted Average				
Strike Price/Bushel				
Futures Long	\$ 4.44	\$ (280,000)	\$ —	\$ —
Futures Short	\$ 4.11	\$ (53,000)	\$ —	\$ —
Contract Amount		\$ (333,000)		\$ —
	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Wheat Futures				
Contract Volumes (bushels)			400,000	
Weighted Average				
Strike Price/Bushel				
Futures Long	\$ —	\$ —	\$ 6.7775	\$ 3,585,000
Contract Amount		\$ —		\$ 3,585,000

*The latest expected maturity date occurs within one year from date indicated.

We also contractually sell a portion of our fuel grade alcohol at prices that fluctuate with gasoline futures.

Except for our credit facility, our outstanding debt at December 31, 2008 carries fixed interest rates, which limit our exposure to increases in market rates. We have a \$55 million credit facility (\$40.3 million at February 4, 2009 after giving effect to borrowing base limitations), which permits borrowings at a rate equal to either a base rate or LIBOR plus an applicable margin. 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 during the second quarter, a 100 basis point increase over the

rates actually in effect in the second quarter would have increased our interest expense in the second quarter by approximately \$118,000.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures.

As of the end of the quarter ended December 31, 2008 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 December 31, 2008 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.

The Company is party to a lawsuit filed August 19, 2008 styled *Daniel Martin v. MGP Ingredients, Inc., et al.*, No. 08-L-697 in the Circuit Court for the Third Circuit, Madison County, Illinois. This suit was originally brought against the Company and approximately 70 other defendants, wherein the claimant alleges that he contracted desmoplastic mesothelioma from exposure to asbestos. The Company understands that of the original group of defendants, the claim is being actively pursued against a lesser number of defendants but including the Company. The claimant alleges that in the late 1980's or early 1990's his company was retained to install insulation at the Pekin, Illinois facility at the same time that the Company was conducting asbestos abatement projects in the facility. The claimant seeks unspecified compensatory and punitive damages. The matter remains in discovery, but is on a fast track for trial and is scheduled for trial in April, 2009. Management is unable to estimate the amount of potential loss, if any, to the Company with respect to this claim.

Since September 16, 2008, tests on the Company's feed drying unit have not complied with the volatile organic compound emission limit established in the Consent Agreement and Final Order ("CAFO") entered into with the Kansas Department of Health and Environment ("KDHE") on January 11, 2006. The Company has retained the services of the feed dryer manufacturer to assist in returning the unit to compliance with the CAFO limit. Areas of concern were ascertained and addressed and pretesting performed in January 2009 demonstrated the unit to be in compliance. Official compliance testing for the system is scheduled during the second week of February 2009. The KDHE has discretion under its penalty policy to pursue an enforcement action against the Company for failing to comply with the emission limit. The Company's management has provided regular updates to the KDHE on efforts to bring the unit into compliance with the permit. Although no formal action has been taken, the KDHE may seek a penalty, but the Company is unable to predict the magnitude of any penalty that KDHE may ultimately assess against it.

ITEM 1A. RISK FACTORS.

Our failure to comply with covenants in our credit facility could result in the termination of our credit facility, in which case we may no longer be able to operate as a going concern.

As of February 4, 2009, the outstanding indebtedness under our credit facility was \$39.5. We are currently operating under a forbearance agreement with our lenders which expires on February 27, 2009. We are in forbearance default under the terms of the forbearance agreement and our lenders could, at their election and prior to February 27, terminate our ability to borrow under the credit facility and or accelerate our obligations to repay amounts borrowed under the credit agreement. If our bank lenders were to terminate our credit, we might not have sufficient funds available to us to continue normal operations. If our lenders were to accelerate our debt, it could result in the acceleration of debt under other secured obligations that we are subject to. We would be unable to repay our debt immediately. In the case of acceleration, we might suffer foreclosure on the assets we have pledged to our lenders. The agent for the lenders has advised us that in their discretion and subject to change day-to-day, the lenders are willing to continue extending credit to us in accordance with the provisions of the credit facility provided we have sufficient capacity under our borrowing base and otherwise meets the requirements of the credit facility. Our lenders have strongly encouraged us to obtain additional financing, and we believe that our cash needs over the

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next several months will exceed amounts available to us from operations and under our credit facility. Our ability to continue as a going concern is dependent on our obtaining additional financing in the near term and on the willingness of our existing lenders to exercise further forbearance and extend the facility termination date beyond February 27, 2009.

Our reduced liquidity could affect our operations.

The borrowing base under our credit facility and the amount available to us thereunder fluctuate daily. From January 29, 2009 to February 4, 2009, the daily amount available to us has averaged approximately \$1,219,000, ranging from a low of \$7,700 to a high of \$2,760,000, and the amount available at the close of business on February 4, 2009 was approximately \$849,000. Due to the limitations on amounts available under the credit agreement and negative operating cash flows, our cash flows have not been optimal for our needs and we have extended certain vendors past normal credit terms. Until we obtain additional financing, we will need to take particular care in managing our cash flows and may be unable to take advantage of certain business opportunities that would otherwise be available to us. For example, notwithstanding current favorable grain prices, we are not taking long forward positions in grain in order to conserve our cash. This could result in higher future expenses if prices change adversely.

In addition to obtaining continued forbearance from our lenders and additional financing, our prospects depend on a number of factors, some of which are beyond our control, including commodity prices, natural gas prices, our ability to liquidate inventories as planned, the level of our capital expenditures, the amount of margin calls on our commodity trading accounts and the willingness of the bulk of our suppliers to extend normal trading terms. In this regard, some of our suppliers, principally utilities, have required us to make significant deposits or advance payments to maintain service.

If we fail to continue to meet all applicable continued listing requirements of The NASDAQ Global Market and NASDAQ determines to delist our common stock, the market liquidity and market price of our common stock could decline.

Our common stock is listed on the NASDAQ Global Select Market. In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements. For example, NASDAQ rules require that we maintain a minimum bid price of \$1.00 per share for our common stock. Our common stock is currently below this minimum bid price requirement. NASDAQ has currently suspended this bid price requirement through April 20, 2009. If NASDAQ does not further extend this suspension and our stock price is below \$1.00 at the time the suspension is lifted or falls below \$1.00 after that time or if we in the future fail to meet other requirements for continued listing on the NASDAQ Global Select Market, our common stock could be delisted from The NASDAQ Global Select Market if we are unable to cure the events of noncompliance in a timely or effective manner. If our common stock were threatened with delisting from The NASDAQ Global Market, we may, depending on the circumstances, seek to extend the period for regaining compliance with NASDAQ listing requirements by moving our common stock to the NASDAQ Capital Market. If our common stock is not eligible for quotation on another market or exchange, trading of our common stock could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of or to obtain accurate quotations for the price of our common stock, and there would likely also be a reduction in our coverage by security analysts and the news media, which could cause the price of our common stock to decline further.

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

During the quarter ended December 31, 2008 we made no repurchases of our stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

As of January 30, 2009 we were notified by our lenders that we were in non-payment default under certain interim financial covenants and other terms of our credit facility and, as a result, were in cross default under our note to Commerce Bank relating to our corporate aircraft. See Note 2 in Notes to Condensed Consolidated Financial Statements set forth in Part I Item 1 for additional information.

ITEM 6. EXHIBITS

- 3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (File No. 0-17196))
- 3.2 Bylaws of the Company (Incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2008 (File Number 0-17196))
- *4.1 Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated December 23, 2008 from MGP Ingredients, Inc. to Commerce Bank, N.A., as agent, relating to vacant land property in Kansas City, Kansas.
- *4.2 Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated November 7, 2008 from MGP Ingredients, Inc. to Commerce Bank, N.A., as agent, relating to certain property in Atchison, Kansas (excluding new corporate office and technology center)
- *4.3 Commodity Account Control Agreement dated as of November 19, 2008 among MGP Ingredients, Inc., Commerce Bank, N.A., as agent and ADM Investor Services, Inc.
- *10.1 Supply Agreement dated as of October 24, 2008 by and between Conagra Foods Food Ingredients Company, Inc. and MGP Ingredients, Inc. (portions of this exhibit have been omitted pursuant to a request for confidential treatment)
- *31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002
- *31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- *32.1 Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *32.2 Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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: February 9, 2009

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

Date: February 9, 2009

By /s/ Robert Zonneveld
Robert Zonneveld, Vice President
and Chief Financial Officer

Drafted by and when recorded
mail to:

Mark Ovington, Esq.
Stinson Morrison Hecker LLP
1201 Walnut Street, Suite 2900
Kansas City, Missouri 64106

**MORTGAGE, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS
AND FIXTURE FILING**

(secures future advances and future obligations, but Maximum Amount Secured, as defined in and subject to the provisions of Section 1 below, equals \$700,000)

This Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "Mortgage") is given as of December 23, 2008, by MGP INGREDIENTS, INC., a Kansas corporation (the "Borrower"), with an office located at Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002, to COMMERCE BANK, N.A., a national banking association, as Agent for the Banks from time to time party to the Credit Agreement referred to below (in such capacity, the "Agent"), with an office located at 1000 Walnut Street, Kansas City, Missouri 64105.

WHEREAS, Borrower is the owner of the real property and improvements thereon legally described on Exhibit A attached hereto;

WHEREAS, Borrower has incurred and may hereafter incur indebtedness under the Credit Agreement, dated as of May 5, 2008, among Borrower, certain other borrower(s) thereunder (collectively, whether one or more, the "Other Borrower"), Commerce Bank, N.A., as Agent, Issuing Bank and Swingline Lender, and the Banks party thereto, as amended by a First Amendment to Credit Agreement dated as of September 3, 2008, a letter agreement dated October 31, 2008, a Second Amendment to Credit Agreement dated as of November 7, 2008, and a Third Amendment to Credit Agreement dated as of December 19, 2008 (as so amended and as otherwise amended, renewed, restated, replaced, consolidated or otherwise modified from time to time, the "Credit Agreement"), pursuant to which the Banks have agreed or may elect, in each case subject to the terms and conditions thereof and as of the

date hereof, to extend credit to or for the benefit of Borrower and/or Other Borrower in an aggregate outstanding principal amount not to exceed \$55,000,000 at any time;

WHEREAS, Borrower's and Other Borrower's obligations to the Banks under the Credit Agreement are evidenced by the following promissory notes: (a) an Amended and Restated Revolving Credit Note, dated on or about September 3, 2008, from Borrower and Other Borrower, as makers, to Commerce Bank, N.A., as payee, in the stated principal amount of \$21,175,000; (b) an Amended and Restated Revolving Credit Note, dated on or about September 3, 2008, from Borrower and Other Borrower, as makers, to BMO Capital Markets Financing, Inc., as payee, in the stated principal amount of \$16,912,500; (c) an Amended and Restated Revolving Credit Note, dated on or about September 3, 2008, from Borrower and Other Borrower, as makers, to National City Bank, as payee, in the stated principal amount of \$16,912,500; and (d) a Swingline Note, dated on or about May 5, 2008, from Borrower and Other Borrower, as makers, to Commerce Bank, N.A., as payee, in the stated principal amount of \$5,000,000;

WHEREAS, the foregoing promissory notes and any other promissory notes issued on or after the date hereof under the Credit Agreement — whether payable to the above specifically identified Banks or their respective permitted assignees under the Credit Agreement or to other lenders who may hereafter become Banks under the Credit Agreement or their respective permitted assignees under the Credit Agreement — as any of the foregoing may be amended, renewed, restated, replaced, consolidated or otherwise modified from time to time, are collectively referred to herein as the "Notes" and are individually referred to herein as a "Note";

WHEREAS, Borrower's and Other Borrower's obligations under the Credit Agreement, the Notes, this Mortgage and any other Credit Documents (as defined in the Credit Agreement), whether monetary, nonmonetary, direct, indirect, acquired, joint, several, joint and several, existing, future, contingent or otherwise, and any replacements, renewals, extensions and other modifications of any of the above, together with all principal, premium, interest, fees, expenses and other amounts and charges relating thereto, and any amounts expended by or on behalf of Agent or any Bank for the protection and preservation of the mortgage lien and security interest granted herein, are hereinafter sometimes collectively called the "Obligations"; and

WHEREAS, any agreements, documents or instruments evidencing, securing or otherwise relating to any of the Obligations (including, without limitation, any of the Credit Documents, as defined in the Credit Agreement), and any amendments, restatements, replacements, consolidations and other modifications of any of the foregoing are hereinafter sometimes collectively called the "Credit Documents."

NOW, THEREFORE, to secure the full and prompt payment and performance of the Obligations, Borrower hereby mortgages and warrants to Agent, on behalf of the Banks, and grants to Agent on behalf of the Banks, a security interest in, all of Borrower's right, title and interest in and to the following property, whether such property or interest therein is now owned or existing or hereafter acquired or arising (collectively, the "Property"): (a) all of the tracts, parcels or other units of land described in Exhibit A attached hereto (the "Premises"); (b) all of the buildings, structures and other improvements now or hereafter situated on the Premises, together with any alterations, additions and improvements thereto and all restorations and replacements thereof made from time to time (collectively, the "Building"); (c) all machinery, apparatus, equipment and fixtures of every kind and nature whatsoever now or hereafter located in, on or about the Building or upon the Premises, or attached to or used or usable in connection with the operation or maintenance of the Premises or the Building or in connection with any construction being conducted on the Premises, including, but not limited to, all heating, lighting and power equipment, engines, plumbing, electrical, mechanical, refrigeration, ventilating and

air-conditioning equipment and apparatus, elevators, cranes, fittings, tools, ducts and compressors (collectively, the “Building Equipment”), which Building Equipment shall, to the fullest extent permitted by law, be deemed to constitute fixtures and part of the real property encumbered by this Mortgage; (d) all easements, tenements, hereditaments, appurtenances, rights and rights of way, public or private, pertaining, belonging or otherwise relating to the Premises or the Building; (e) all insurance proceeds and any judgments, settlements, awards and other payments, including interest thereon, which may be made in respect of the Property as a result of damage to or destruction of the Property, the exercise of the right of condemnation or eminent domain over any interest in the Property, the closing of, or the alteration of the grade of, any street on or adjoining the Premises, or any other injury to or decrease in the value of the Property; (f) all franchises, permits, licenses and other rights therein respecting the use, occupation or operation of the Property or the activities conducted thereon or thereabout; (g) all rents, income and other benefits arising out of or otherwise related to the Property and all leases on or affecting the Property, and any security deposits, contract rights, general intangibles, actions, rights of action, and unearned insurance premiums relating to such leases or the Property; and (h) all accessions to, substitutes for, and all modifications, replacements, renewals, products and proceeds of any of the foregoing; *provided, however*, that the Property shall not include any Excluded GE Equipment Collateral (as defined in the Credit Agreement).

Borrower covenants, represents and warrants to Agent as follows:

1. Indebtedness Secured. This Mortgage has been given and is intended to secure the full and prompt payment and performance of the Obligations and constitutes a future advance mortgage under K.S.A. §58-2336. This Mortgage secures future advances from the Banks to Borrower or Other Borrower and other future obligations of Borrower and/or Other Borrower to the Banks and the Agent pursuant to the Credit Documents; *provided, however, that, notwithstanding anything to the contrary in this Mortgage, (i) the maximum aggregate principal balance secured hereby shall not exceed \$700,000 (the “Maximum Amount Secured”), and (ii) payments made on account of the obligations secured hereby or any portion thereof, whether in the ordinary course, as prepayments or otherwise, shall not reduce the Maximum Amount Secured unless the aggregate principal amount of obligations secured hereby is less than the Maximum Amount Secured.* The priority of the lien hereunder securing such future advances and future obligations shall relate back to the date this Mortgage was recorded. In addition, the Mortgage shall secure unpaid balances of advances made by Agent or any Bank with respect to the Property, for the payment of Impositions, as hereinafter defined, insurance premiums and costs incurred for the protection of the Property and any charges, expenses and fees, including, without limitation, attorneys’ fees, which, by the terms hereof, shall be added to and increase the Obligations. Borrower agrees that all of the duties and obligations imposed on it hereunder, whether absolute or contingent, due or to become due, are for the reasonable protection of the lien of this Mortgage. This Mortgage shall remain in full force and effect with respect to all of the Property until all Obligations shall have been paid and performed in full. If the Obligations are paid and performed in accordance with the terms of the applicable Credit Documents, including, without limitation, the observance of all the agreements contained in this Mortgage, this Mortgage shall be released at the expense of Borrower. Borrower acknowledges that nothing in this Section 1 obligates Agent or any Bank to make future advances to Borrower or any other Person.

2. Title to Property and Other Representations and Warranties. Borrower represents, warrants and covenants to Agent that: (a) Borrower owns the Premises and the improvements thereon in fee simple absolute and has good and marketable title to the remainder of the Property; (b) the Property is free of all liens, encumbrances, adverse claims and other defects of title whatsoever, except for Permitted Liens (as defined in the Credit Agreement) and the matters set forth on Exhibit B hereto (collectively, together with Permitted Liens as defined in the Credit Agreement, “Permitted Liens”); (c) Borrower does hereby and shall forever warrant and defend its title to and interest in the Property (and the validity and

priority of the lien of this Mortgage) to Agent against all claims and demands whatsoever of any Person; (d) the Building presently on the Premises complies in all material respects with all applicable zoning and building codes, ordinances and regulations, and such compliance is based solely upon Borrower's owning the Property and not upon Borrower's title to or interest in any other property; (e) any Building hereafter constructed on the Premises shall comply in all material respects with all applicable zoning and building codes, ordinances and regulations and shall lie wholly within the boundaries of the Premises; (f) there are no actions, suits or proceedings pending or, to Borrower's knowledge, threatened against or affecting the Property; and (g) Borrower has the good and unrestricted right, full power and lawful authority to subject the Property to this Mortgage.

3. Maintenance. Borrower shall maintain the Property in good order, condition and repair, excepting ordinary wear and tear. Borrower shall make, as and when the same shall become necessary, all structural and non-structural repairs, whether exterior or interior, ordinary or extraordinary, foreseen or unforeseen. Borrower shall not commit or suffer any waste of the Property. Borrower shall not construct any new or additional buildings on the Premises without the prior written consent of Agent, which consent shall not be unreasonably withheld so long as no Default or Event of Default exists. Notwithstanding the foregoing, if Borrower is required by applicable law to undertake any such alterations to the Building or the Building Equipment, Borrower may do so without obtaining Agent's consent thereto. In such event, Borrower shall promptly give Agent written notice of any such legal requirement and, prior to undertaking such alterations, shall notify Agent in writing of any such alterations that Borrower proposes to undertake. Agent and each of the Banks, and their respective agents, contractors and representatives, may enter upon and inspect the Property at all reasonable times until this Mortgage is released. Without limiting the generality of the foregoing, Agent, each of the Banks, and their respective agents, contractors and representatives, may from time to time enter upon the Property and conduct upon the Property inspections and tests to determine the extent to which any hazardous substances, wastes or other environmentally unsound materials have been placed or discharged upon or otherwise affect the Property, all at the sole expense of Borrower.

4. Restoration. If any of the improvements or equipment comprising the Property is damaged or destroyed, in whole or in part, by fire or other casualty (whether or not covered by insurance), or by any taking in condemnation proceedings or the exercise of any right of eminent domain, Borrower shall promptly restore, replace or rebuild the same to as nearly as possible the value, quality and condition they were in immediately prior to such fire or other casualty or taking, with such alterations or changes as may be approved in writing by Agent, which approval shall not be unreasonably withheld; *provided, however,* that Borrower shall be under no duty to so restore, rebuild or replace such property to the extent that Agent receives and applies any insurance, condemnation or similar proceeds relating to such casualty to satisfy any part of the Obligations. Borrower shall give prompt notice to Agent of any material damage to the Property.

5. Compliance with Laws; Use of Property. Borrower shall comply in all material respects with all present and future laws, statutes, ordinances, rules, regulations and other requirements (including, without limitation, applicable zoning and building requirements) of all governmental and quasi-governmental authorities whatsoever having jurisdiction with respect to the Property. Borrower shall promptly perform and observe all of the terms, covenants and conditions of all instruments of record affecting the Property, non-compliance with which may affect the security of this Mortgage, or which shall impose any duty or obligation upon Borrower or any tenant or other occupant of the Premises, and Borrower shall do all things necessary to preserve intact and unimpaired any and all easements, appurtenances and other interests and rights in favor of or constituting any portion of the Property. Borrower shall not use or permit the use of the Property in any manner which would tend to impair the value of the Property or materially increase the risk of fire or other casualty.

6. Impositions. Borrower shall pay when the same shall become due and payable all real estate taxes, assessments, water and sewer rates and charges, license fees and all other governmental levies and charges of every kind and nature whatsoever, general and special, ordinary and extraordinary, foreseen and unforeseen, which shall be assessed, levied, confirmed, imposed or become a lien upon or against the Property or which shall become payable with respect thereto (collectively, "Impositions"). Notwithstanding the foregoing, Borrower may contest any Imposition by appropriate and timely proceedings, provided that on or before the due date for payment of such Imposition Borrower shall establish an escrow or other provision for payment of such Imposition satisfactory to Agent in an amount estimated by Agent to be adequate to pay such Imposition and any interest or penalties that may result from its nonpayment on the due date. In all such cases of contest, Borrower shall pay the contested Imposition within 10 days after the dismissal of said proceedings or the final and unappealable determination of Borrower's or the Property's liability therefor, as the case may be. So long as any Event of Default exists, however, Borrower shall, upon demand by Agent, pay the whole of any assessment for local improvement which may be payable in installments, notwithstanding that such installments may not be due and payable at the time of such demand by Agent. Borrower shall deliver to Agent, within 10 days after the request of Agent therefor, the original or a photocopy of the official receipt evidencing such payment or other proof of payment satisfactory to Agent.

7. Insurance. (a) Borrower, at Borrower's sole expense, shall insure the Property for the benefit of Agent against loss or damage thereto and shall keep in effect, for Agent's benefit, comprehensive general public liability insurance against claims for bodily injury, death or property damage. The policies of insurance required by this Section shall be in companies, forms and amounts, and for such periods and with such deductibles, as shall be customary for property similar in use, location and condition to the Property, and shall insure the respective interests of Borrower and Agent. The insurance proceeds from all such policies of insurance (other than the proceeds in respect of any liability insurance policy) shall be payable to Agent pursuant to a noncontributing first mortgagee endorsement satisfactory in form and substance to Agent. Upon request by Agent, Borrower shall promptly furnish evidence of satisfactory insurance on the Property and that Borrower has complied with the other provisions of this Section. In addition to the other policies of insurance required hereunder, Borrower shall cause a title insurer reasonably acceptable to Agent to insure, in favor of Agent, Borrower's ownership of, and Agent's first priority lien on, the Property, subject only to Permitted Liens, in an amount equal to not less than \$700,000 in such form, and with such affirmative coverage and endorsements as Agent may reasonably request.

(b) Borrower irrevocably makes, constitutes and appoints Agent (and all officers, employees or agents designated by Agent) as Borrower's true and lawful attorney-in-fact and agent, with full power of substitution, for the purpose of making and adjusting claims the policies of insurance referred to herein, endorsing the name of Borrower on any check, draft, instrument or other item or payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect to such policies of insurance or to pay any premium in whole or in part relating thereto. Agent, without waiving or releasing any obligation or default by Borrower hereunder, may (but shall be under no obligation to do so) at any time maintain such action with respect thereto which Agent deems advisable. All sums disbursed by Agent in connection therewith, including attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, on demand, by Borrower to Agent and shall be additional Obligations hereunder secured by this Mortgage. Notwithstanding the foregoing, so long as no Default or Event of Default exists, Borrower may make and settle any insurance claims relating to the Property provided that Borrower first obtains Agent's written consent thereto, which consent shall not be unreasonably withheld.

(c) All proceeds of the insurance obtained by Borrower hereunder (other than those relating to any liability insurance policy), shall be paid to Agent, and Agent may deduct from such

proceeds any expenses, including, without limitation, legal fees, incurred by Agent in connection with adjusting and obtaining such proceeds (the balance remaining after such deduction being hereinafter referred to as the "Net Insurance Proceeds"). If an Event Default exists at the time Agent receives the Net Insurance Proceeds, Agent may apply the Net Insurance Proceeds in reduction or satisfaction of all or any part of the Obligations, whether then matured or not, in which event Borrower shall be relieved of its obligation under Sections 3 and 4 above to maintain and restore the Property relating to such proceeds to the extent that Agent so applies the Net Insurance Proceeds. If no Event of Default exists at such time (or if an Event of Default exists and Agent elects not to apply the Net Insurance Proceeds as provided in the previous sentence), Agent shall release the Net Insurance Proceeds to Borrower; *provided, however*, that, if the amount of the Net Insurance Proceeds exceeds \$50,000, Agent may condition the release of all or any part of the Net Insurance Proceeds on such escrow or other disbursement conditions as Agent may reasonably require to ensure that Borrower uses the Net Insurance Proceeds to maintain and the restore the Property as required under this Agreement and to ensure that the Property remains free of all mechanics' and other liens except for Permitted Liens.

(d) In the event of a foreclosure under this Mortgage, the purchaser of the Property shall succeed to all of the rights of Borrower, including any right to unearned premiums, in and to all policies of insurance which Borrower is required to maintain under this Section and to all proceeds of such insurance.

8. Deposits for Impositions and Insurance. Upon notice from Agent (which notice shall not be given unless an Event of Default exists), Borrower shall deposit with Agent on the first day of each month an amount equal to one-twelfth of (i) the aggregate annual payments for the Impositions, and (ii) the annual insurance premiums on the policies of insurance required to be obtained and kept in force by Borrower under this Mortgage. In addition, upon notice from Agent (which notice shall not be given unless an Event of Default exists), Borrower shall deposit with Agent such sum of money which, together with such monthly installments, shall be sufficient to pay all the Impositions and insurance premiums at least 30 days prior to the due date thereof. If the amounts of any Impositions are not ascertainable at the time any deposit is required to be made, the deposit shall be made on the basis of the amounts of the Impositions for the prior tax year and, upon the amounts of the Impositions being fixed for the then current year, Borrower shall, upon notice from Agent, deposit any deficiency with Agent. If the amount of the insurance premiums is not ascertainable at the time any deposit is required to be made, the deposit shall be made on the basis of the amount of the insurance premiums for the prior year of the policy or policies, and, upon the amount of the insurance premiums being fixed for the then current year of the policy or policies, Borrower shall, upon notice from Agent, deposit any deficiency with Agent. If on a date 30 days prior to the due date for the payment of any of the Impositions or the insurance premiums there shall be insufficient funds on deposit with Agent to pay the same, Borrower shall, upon notice from Agent, forthwith make a deposit with Agent in the amount of such deficiency. The funds so deposited with Agent shall be held by Agent without interest, and may be commingled with other funds of Agent, and provided that an Event of Default exists, such funds shall be applied in payment of the Impositions and insurance premiums when due to the extent that Borrower shall have deposited funds with Agent for such purpose. If an Event of Default exists, the funds deposited with Agent may, at the option of Agent, be retained and applied toward the payment of any or all of the Obligations, but no such application shall be deemed to have been made by operation of law or otherwise until actually made by Agent. Borrower shall furnish Agent with a bill for each of the Impositions and insurance premiums and such other documents necessary for their payment at least 30 days prior to the date they first become due. Upon an assignment of this Mortgage prior to any default hereunder by Borrower, Agent shall have the right and obligation to pay over the balance of such deposits in its possession to the assignee, and thereupon Agent shall be completely released from all liability with respect to such deposits and Borrower shall look solely to the assignee in reference thereto. The provisions of the preceding sentence shall apply to each and every assignment or transfer of such deposits to a new assignee.

9. Condemnation. (a) Borrower shall give immediate notice to Agent upon Borrower's learning of (i) any interest on the part of any Person possessing or who has expressed the intention to possess the power of eminent domain to purchase or otherwise acquire the Property, or (ii) the commencement of any action or proceeding to take the Property by exercise of the right of condemnation or eminent domain or of any action or proceeding to close or to alter the grade of any street on or adjoining the Premises. Agent may participate in any such actions or proceedings in the name of Agent or, whenever necessary, in the name of Borrower, and Borrower shall deliver to Agent such instruments as Agent shall request to permit such participation. Borrower shall not settle any such action or proceeding, whether by voluntary sale, stipulation or otherwise, or agree to accept any award or payment without the prior written consent of Agent, which consent shall not be unreasonably withheld so long as no Default or Event of Default exists. The total of all amounts awarded or allowed with respect to all right, title and interest in and to the Property or the portion or portions thereof taken or affected by such condemnation or eminent domain proceeding and any interest thereon (herein collectively called the "Award") is hereby assigned to and shall be paid upon receipt thereof to Agent and the amount received shall be retained and applied as provided in Section 9(b) below.

(b) If an Event of Default exists at the time Agent receives the Award, Agent may apply the Award in reduction or satisfaction of all or any part of the Obligations, whether then matured or not. If no Event of Default exists at such time (or if an Event of Default exists and Agent elects not to apply the Award as provided in the previous sentence), Agent shall release the Award to Borrower; *provided, however*, that, if the amount of the Award exceeds \$50,000, Agent may condition the release of all or any part of the Award on such escrow or other disbursement conditions as Agent may reasonably require to ensure that, in the case of a taking of all or substantially all of the Property, Buyer acquires replacement real property that is subject to a mortgage lien in favor of Agent subject to no lien or other encumbrance other than Permitted Liens and, in the case of any other taking, Borrower uses the Award to restore the Property remaining after such taking and to ensure that such Property remains free of all mechanics' and other liens except for Permitted Liens. In no event shall Agent be required to release this Mortgage until the Obligations are fully paid and performed nor shall Agent be required to release from the lien of this Mortgage any portion of the Property so taken until Agent receives the Award for the portion so taken.

10. Assignment of Rents and Leases. (a) Borrower hereby presently assigns to Agent all of Borrower's right, title and interest in and to any Leases, as defined hereinafter, with respect to the Property, and all rents, issues and profits of the Property. "Lease" means every lease or occupancy agreement for the use or hire of all or any portion of the Property which shall be in effect on the date hereof, or which shall hereafter be entered into, and by which Borrower is a lessor or the like, and any renewals, extensions or other modifications thereof. Borrower grants to Agent, with or without Agent or any other Person (including, without limitation, a receiver) taking possession of the Property, the right to give notice to the tenants of this assignment, to collect rents, issues and profits from the tenants and to enter onto the Property for the purpose of collecting the same and to let the Property and to apply such rents, issues and profits, after payment of all charges and expenses relating to the Property, to the Obligations. This assignment shall be an absolute assignment, subject to the license herein granted to Borrower and Borrower's obligations hereunder, and shall continue in effect until the Obligations are fully paid and performed. Agent hereby grants a revocable license to Borrower to collect and use such rents, issues and profits; *provided, however*, that the foregoing license shall be automatically revoked, without any action on Agent's part, upon the occurrence of an Event of Default. Notwithstanding any law to the contrary, if there is an Event of Default, and if there is any applicable law requiring Agent to take possession of the Property (or some action equivalent thereto, such as securing the appointment of a receiver) in order for Agent to "perfect" or otherwise "activate" its rights and remedies as set forth herein, then Borrower waives all benefits of such laws and agrees that such laws shall be fully satisfied, without any action on Agent's part, solely by the occurrence of such Event of Default. If, notwithstanding such

waiver by Borrower, such laws require the undertaking of some affirmative act by Agent, Borrower agrees that such laws shall be fully satisfied solely by Agent giving Borrower notice, written or oral, that such Event of Default has occurred and that Agent intends to enforce its rights in any Leases and/or any rents, issues and profits assigned herein.

(b) Borrower shall, from time to time upon request by Agent, execute, acknowledge and deliver to Agent, in form and substance satisfactory to Agent, separate assignments of any Leases in order to further evidence the foregoing assignment. Agent shall not be obligated to perform any obligation to be performed by Borrower under any Lease or other agreement affecting the Property, and Borrower hereby agrees to indemnify Agent for, and hold Agent harmless from, any and all liability and expenses arising from any such Lease or other agreement or any assignments thereof, and no assignment of any such Lease or other agreement shall place the responsibility for the control, care, management or repair of the Property upon Agent, nor make Agent liable for any negligence or other tortious conduct, whether by Agent or any other Person, with respect to the management, operation, upkeep, repair or control of the Property resulting in injury, death, property or other damage or loss of any nature whatsoever.

(c) Borrower shall not cancel, amend or otherwise modify the terms and conditions of any Lease without obtaining Agent's prior consent; nor shall Borrower accept payments of rent or the like more than one month in advance without obtaining Agent's prior consent.

(d) Agent may exercise its rights from time to time under this Section 10 without first commencing foreclosure proceedings against the Property if it so elects. Any such election by Agent to exercise its rights from time to time under this Section 10 shall not prohibit Agent from simultaneously or thereafter foreclosing upon the Property or exercising any other rights available to Agent hereunder or at law.

11. Agent's Right to Perform Borrower's Covenants. If Borrower shall fail promptly and fully to pay, perform or observe any of the Obligations, then Agent may, at its option, but without any obligation to do so, and without waiving or releasing Borrower from any of the Obligations, pay any Obligation or perform any Obligation or take such other action as Agent deems necessary or desirable in order to cause such Obligation to be paid, performed or observed, as the case may be. Borrower hereby grants to Agent, and agrees that Agent shall have, the absolute and immediate right to enter in and upon the Property to such extent and as often as Agent, in its discretion, deems necessary or desirable for such purpose. Agent may pay and expend such sums of money as Agent, in its discretion, deems necessary for any such purpose, and Borrower hereby agrees to pay to Agent, on demand, all such sums so paid or expended by Agent, together with interest thereon from the date of each such payment or expenditure at the rate (the "Default Rate") which is the lesser of (i) the default rate of interest specified in Section 3.1(b) of the Credit Agreement (or, if there any more than one such default rate, the highest default rate), or (ii) the maximum interest rate permitted by law. Any interest paid under this Section in excess of the maximum interest rate permitted by law shall be deemed payment in reduction of the principal amount of the Obligations and the excess, if any, shall be refunded to Borrower without interest. All sums so paid or expended by Agent, and the interest thereon, shall be added to the Obligations and shall be secured by the lien of this Mortgage.

12. No Claims Against Agent. Nothing contained in this Mortgage shall constitute any consent or request by Agent, expressed or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Property, or be construed to permit the making of any claim against Agent in respect of labor or services or the furnishing of any materials or other property or any claim that any lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the lien of this Mortgage.

13. Liens. This Mortgage is and shall be maintained as a valid first mortgage lien on the Property subject only to Permitted Liens. Borrower shall not, directly or indirectly, create or suffer or permit to be created, or to stand, against the Property or against the rents, issues and profits therefrom, any lien, charge, mortgage, deed of trust, adverse claim or other encumbrance other than Permitted Liens; *provided, however*, that nothing contained in this Section shall require Borrower to pay any real estate taxes or other Impositions prior to the time when same are required to be paid under this Mortgage. Borrower shall keep and maintain the Property free from all liens of Persons supplying labor or materials relating to the construction, alteration, modification or repair of the Property. In no event shall Borrower do or permit to be done, or omit to do or permit the omission of, any act or thing where such act or omission may impair the security of this Mortgage.

14. Security Agreement: Fixture Filing. Borrower, as debtor, grants to Agent on behalf of the Banks, as secured party, as further security for the Obligations, a security interest in all existing and future fixtures and all proceeds of the foregoing. This Mortgage shall be effective as a fixture filing and a financing statement for purposes of Article 9 of the Uniform Commercial Code as in effect in the State of Kansas.

15. Default. The Obligations shall become immediately due and payable in full at the option of Agent upon the occurrence of any one or more of the following (an "Event of Default"): (a) the occurrence of an Event of Default, as defined in the Credit Agreement; (b) Borrower shall fail to pay any Imposition on or before the date such Imposition may be paid without any penalty, interest or other premium; (c) Borrower shall fail to pay timely any premiums for insurance required under Section 7 or Borrower shall fail to reimburse Agent on demand for premiums paid by it on the insurance required under Section 7; (d) Borrower shall directly or indirectly create, suffer or permit to be created or to stand against the Property or against the rents, issues and profits therefrom, any lien, security interest, charge, mortgage, deed of trust or other encumbrance not expressly permitted herein or in the Credit Agreement without in each instance obtaining Agent's prior written consent thereto; (e) Borrower's default in the observance or performance of any other covenant of Borrower hereunder (other than a covenant the performance or observance of which is specifically referred to elsewhere in this Section 15), which default is not cured within 30 days after Agent gives Borrower notice thereof; (f) Borrower shall sell, convey, alienate, assign or otherwise transfer the Property, or any part thereof or interest therein, in any manner, whether voluntary, involuntary, by operation of law or otherwise, or Borrower shall enter into any agreement, written or oral, to so sell, convey, alienate, assign or otherwise transfer the Property, or any part thereof or interest therein; (g) there shall occur a default or an event of default under any other deed of trust, mortgage or like real property security instrument which encumbers the Property, or under any document evidencing any obligation secured thereby, or any foreclosure or similar proceeding shall commence with respect to the Property; (h) Borrower shall deliver to Agent any notice terminating or purporting to terminate, or Borrower shall take any other action to terminate or purporting to terminate, the operation of this Mortgage as security for any future advances or future obligations; or (i) the filing of any action to condemn, acquire by eminent domain or otherwise take any part of the Premises or Building which, in Agent's determination, materially and adversely affects the use or intended use of the Property as a whole or otherwise materially and adversely affects Borrower's business prospects.

16. Notice Upon Acceleration: Application of Payments. Whenever Agent in this Mortgage or in the other Credit Documents is given the option to accelerate the maturity of all or part of the Obligations, Agent may, to the extent permitted by law, do so without presentment, protest, notice to or demand upon Borrower. Agent shall have the sole and exclusive right, and Borrower irrevocably waives any right, to direct or redirect the application of any monies received by Agent on account of the Obligations (whether such monies are received before or after the occurrence of an Event of Default, in the ordinary course of affairs, by acceleration, maturity or otherwise) against the Obligations in such

manner as Agent may deem advisable, from time to time, notwithstanding any entry by Agent upon any of its books and records.

17. Appointment of Receiver. If an Event of Default exists, or if any action shall be commenced to foreclose this Mortgage, without obligation to do so, Agent, to the extent permitted by applicable law, may apply for the appointment of a receiver of the rents, issues and profits of the Property without notice or demand, and shall be entitled to the appointment of such receiver as a matter of right, without consideration of the value of the Property as security for the amounts due to Agent or the solvency of any Person liable for the payment of such amounts.

18. Foreclosure. If an Event of Default exists, Agent may, to the extent permitted by law, institute an action of judicial foreclosure, or take such other action as the law may allow, at law or in equity, to enforce this Mortgage and to realize upon the Property or any other security which is herein or elsewhere provided for, and to proceed to final judgment and execution for the entire unpaid balance of the Obligations at the rate stipulated herein or in the Credit Agreement or the other Credit Documents, as the case may be, to the date of default, and thereafter at the Default Rate, together with, to the extent permitted by applicable law, all other sums secured by this Mortgage, all costs of suit, and interest at the Default Rate on any judgment obtained by Agent from and after the date of any judicial sale of the Property (which may be sold in one parcel or part or in such parcels or parts, manner or order as Agent shall elect) until actual payment is made to Agent on the full amount due Agent. Agent may foreclose or otherwise realize upon one parcel or any other part of the Property, on one or more occasions, without releasing this Mortgage or precluding the further foreclosure or other realization hereunder of any other parcels or parts of the Property not so foreclosed or realized upon. Failure to join or to provide notice to tenants or any other Persons as defendants or otherwise in any foreclosure action or suit shall not constitute a defense to such foreclosure or other action. Upon any foreclosure sale, whether by virtue of judicial proceedings or otherwise, Agent or any Bank may bid and purchase the Property or any part thereof or interest therein, and upon compliance with the terms of the sale, may hold, retain, possess and dispose of the same in its own absolute right, without further accountability.

19. Possession of Property. To the extent permitted by applicable law, if an Event of Default exists, Agent and its agents, designees or assigns are authorized to (i) take possession of the Property, with or without legal action; (ii) lease the Property; (iii) collect all rents, issues and profits therefrom, with or without taking possession of the Property; and (iv) after deducting all costs of collection and administration expenses, apply the net rents, issues and profits to the payment of Impositions, insurance premiums and all other carrying charges (including, but not limited to, agents' compensation and fees and costs of counsel and receivers) and to the maintenance, repair or restoration of the Property, or on account and in reduction of the Obligations, in such order and amounts as Agent, in Agent's sole discretion, may elect. Agent shall be liable to account only for rents, issues and profits actually received by it.

20. Waivers. To the extent permitted by applicable law, Borrower hereby irrevocably waives and releases: (i) any right of redemption after the date of any sale of the Property upon foreclosure, whether statutory or otherwise, in respect of the Property now or hereafter in force (irrespective of whether Agent or any other Person purchases the Property at such foreclosure); (ii) the benefit of any and all valuation and appraisal laws now or hereafter in force; (iii) all exemption laws whatsoever and all moratoriums, extensions or stay laws or rules, or orders of court in the nature of either of them, now or hereafter in force; and (iv) any right to have the Property marshaled upon any foreclosure of this Mortgage.

21. Expenses of Agent. To the extent permitted by applicable law, all costs and expenses paid or incurred by Agent and/or any of the Banks, including, without limitation, attorneys' fees, in any action, proceeding or dispute of any kind in which Agent and/or any of the Banks is made a party or

appears as a plaintiff or defendant, affecting Agent, any of the Banks, this Mortgage, the other Credit Documents and/or the Property, including, but not limited to, the enforcement of this Mortgage, any condemnation action involving the Property, any action to protect the security hereof, or any case or proceeding under Title 11 of the United States Code shall be added to and included in the Obligations and shall be secured by this Mortgage and, upon demand, shall be immediately due from Borrower. Without limiting the generality of the foregoing, if this Mortgage shall be foreclosed, or if any of the other Credit Documents are placed in the hands of an attorney for collection or is collected through any court, including any bankruptcy court, Borrower, to the extent permitted by applicable law, shall pay to Agent the attorneys' fees, court costs, disbursements and other costs incurred (irrespective of whether litigation is commenced in pursuance thereof) in collecting or attempting to collect the Obligations or enforcing or defending Agent's rights hereunder, or under the other Credit Documents, or under any other collateral securing the Obligations, and all allowances provided by law, to the extent allowed by the laws of the state in which the Property is located, or any state in which any of such other collateral for the Obligations is situated, or other applicable law. All of Borrower's obligations under this Section shall survive the foreclosure, release or other termination of this Mortgage, the satisfaction of the other Obligations secured hereby, and any merger of this Mortgage into any judgment or the like, whether pursuant to foreclosure or otherwise.

22. Discontinuance of Action. Agent may from time to time, to the extent permitted by applicable law, take action to recover any sums, whether interest, principal or any other obligation or sums, required to be paid under this Mortgage or the other Credit Documents, as the same become due, without prejudice to the right of Agent thereafter to bring an action of foreclosure, or any other action, for a default existing when such earlier action was commenced. If Agent shall have proceeded to enforce any right under this Mortgage or the other Credit Documents, and such proceedings shall have been discontinued or abandoned for any reason, then in every such case Borrower and Agent shall be restored to their former positions and the rights, remedies and powers of all parties hereto shall continue as if no such proceedings had been taken.

23. Taxes. Upon passage after the date of this Mortgage of any law of the United States, the State of Kansas or any other governmental entity which deducts from the value of real property, for purposes of taxation, any indebtedness secured by mortgages or which changes in any way the laws for the taxation of mortgages or debts secured by mortgages for State or local purposes or the manner of the collection of any such taxes, and which imposes a tax, either directly or indirectly, on this Mortgage or all or any part of the sum secured hereby or the interest thereon, Agent may declare the whole of the Obligations and the interest accrued thereon, due on a date to be specified by not less than 30 days' written notice to Borrower; *provided, however*, that such declaration shall be ineffective if Borrower is permitted by law to pay such tax in addition to all other payments required hereunder, without any penalty or charge thereby accruing to Agent, and if Borrower pays such tax within such 30 day period. Borrower shall pay any taxes except income taxes imposed on Agent or any Bank relating to this Mortgage.

24. Recording and Other Fees; Further Assurances. Borrower shall pay all recording and filing fees, all recording taxes and all other costs and expenses in connection with the preparation, execution and recordation and other manner of perfection of this Mortgage and any other Credit Documents – including, without limitation, all mortgage registration fees payable under K.S.A. §79-3102 and/or other applicable law – and shall reimburse Agent on demand for all costs and expenses of any kind incurred by or on behalf of Agent in connection therewith. Borrower agrees to execute and deliver promptly such instruments and other documents, and promptly to take such action or promptly refrain from taking such action, as Agent may request, from time to time, to evidence, create, perfect, continue or otherwise assure Agent of the real and personal property security interests granted, or purported to be granted, to or for the benefit of Agent hereunder and all other rights and benefits granted, or purported to be granted, to or for the benefit of Agent hereunder; all at the sole cost and expense of Borrower. Without

limiting the generality of the foregoing, Borrower shall, at any time on request of Agent, execute or cause to be executed and shall deliver financing statements, continuation statements, security agreements, or the like, in respect of any Property and Borrower shall pay all filing fees, including, without limitation, fees for filing continuation statements, in connection with such financing statements.

25. No Waiver. Any failure by Agent to insist upon the strict performance by Borrower of any of the Obligations shall not be deemed to be a waiver of any of such Obligations, and Agent, notwithstanding any such failure, may thereafter insist upon the strict performance by Borrower of any and all of the Obligations.

26. No Release. Borrower and any other Person now or hereafter obligated for the payment or performance of all or any part of the Obligations shall not be released from paying and performing such Obligations and the lien of this Mortgage shall not be affected by reason of (i) the failure of Agent to comply with any request of Borrower, or of any other Person so obligated, to take action to foreclose this Mortgage or otherwise enforce any of the provisions of this Mortgage or of any of the Obligations secured by this Mortgage; (ii) the release, regardless of consideration, of the obligations of any Person or Persons liable for payment or performance of the Obligations or any part thereof; or (iii) any agreement or stipulation extending the time of payment or modifying the terms of any of the Credit Documents and in the event of such agreement or stipulation, Borrower and all such other Persons shall continue to be liable under such Credit Documents, as amended by such agreement or stipulation, unless expressly released and discharged in writing by Agent.

27. Release of Collateral. Agent may release or partially release, regardless of consideration, the obligation of any Person liable for payment of any of the Obligations secured hereby, or may release any part of the Property or any other collateral now or hereafter given to secure the payment of the Obligations or any part thereof, without impairing, reducing or otherwise affecting the obligations of Borrower under the Credit Agreement or any other Credit Documents, the remainder of the security of this Mortgage or the priority of the rights created by this Mortgage.

28. Rights Cumulative. The rights and remedies provided for in this Mortgage, or which Agent may have otherwise, at law or in equity, shall be distinct, separate and cumulative and shall not be deemed to be inconsistent with each other, and none of them, whether or not exercised by Agent, shall be deemed to be in exclusion of any other, and, to the extent permitted by law, any two or more of all such rights and remedies may be exercised at the same time.

29. Severability. If any term or provision of this Mortgage or the application thereof to any Person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Mortgage, or the application of such term or provision to Persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Mortgage shall be valid and enforceable to the fullest extent permitted by law. If any payments (including, without limitation, any interest payments) required to be made hereunder or under the other Credit Documents shall be in excess of the amounts allowed by law, the amounts of such payments shall be reduced to the maximum amounts allowed by law. Furthermore, all rights, powers and remedies provided in this Mortgage may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be modified to the extent necessary to comply with applicable law and are intended to be limited to the extent necessary so that they will not render this Mortgage invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

30. Notices. All notices, demands, consents, approvals and requests given or required to be given by any party hereto to any other party hereto shall be in writing and shall be given in accordance with the terms and provisions of the Credit Agreement.

31. Indemnification Against Liabilities. Borrower shall protect, indemnify, hold harmless and defend Agent and the Banks from and against any and all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, attorneys' fees and expenses) imposed upon incurred by or asserted against Agent or any of the Banks by reason of (a) ownership of an interest in the Property, (b) any accident or injury to or death of Persons or loss of or damage to or loss of the use of property occurring on or about the Property, or the adjoining sidewalks, curbs, vaults and vault spaces, if any, streets, alleys or ways, (c) any use, non-use or condition of the Property, or the adjoining sidewalks, curbs, vaults and vault spaces, if any, streets, alleys or ways, (d) any failure on the part of Borrower to perform or comply with any of the terms of this Mortgage or the other Credit Documents, (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Property made or suffered to be made by or on behalf of Borrower, (f) any acts or omissions on the part of Borrower or any of its agents, contractors, lessees, licensees or invitees, or (g) any work in connection with any alterations, changes, new construction or demolition of the Property; in each case irrespective of whether any such liabilities, obligations, claims, damages, penalties, causes of actions, costs or expenses are, caused by, or otherwise arise out of, in whole or in part, Agent's or any Bank's negligence or other tortious conduct (other than any gross negligence or willful misconduct by Agent of any Bank), whether active or passive. Borrower will pay and hold Agent and the Banks harmless against any and all liability with respect to any intangible personal property tax or similar imposition of the state in which the Property is located or any subdivision or authority thereof now or hereafter in effect, to the extent that the same may be payable by Agent or any Bank in respect of this Mortgage, the other Credit Documents or the Obligations. All amounts payable to Agent or any Bank under this Section shall be payable on demand and shall be deemed Obligations secured by this Mortgage. If any action, suit or proceeding is brought against Agent or any Bank by reason of any such occurrence, Borrower, upon request of Agent will, at Borrower's expense, resist and defend such action, suit or proceeding or cause the same to be resisted or defended by counsel designated by Borrower and approved by Agent. All of Borrower's obligations under this Section shall survive the foreclosure, release or other termination of this Mortgage and the satisfaction of the Obligations, and any merger of this Mortgage into any judgment or the like, whether pursuant to foreclosure or otherwise.

32. Environment. (a) Borrower shall comply with all applicable laws (whether statutory, common law or otherwise), rules, regulations, orders, permits, licenses, ordinances, judgments or decrees of all governmental authorities (whether federal, state, local or otherwise), including, without limitation, all laws regarding public health or welfare, environmental protection, water or air pollution, composition of products, underground storage tanks, toxic substances or chemicals, solid and special wastes, hazardous wastes, substances, material or chemicals, waste, used, or recycled oil, asbestos, occupational health and safety, nuisances, trespass, and negligence.

(b) Neither Agent nor any Bank shall assume or be deemed to assume any responsibility, liability, or obligation with respect to compliance with any federal, state, or local environmental law, rule, regulation, order, permit, license, ordinance, judgment or decree; *provided, however*, that in the event of the imposition or assumption for any reason whatsoever of any such responsibility, liability, or obligation, Borrower agrees to indemnify and hold Agent and the Banks harmless from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, of any kind or nature whatsoever, including without limitation, attorneys' and experts' fees, which may be imposed on, incurred by or asserted against it in any way relating to or arising from the Obligations, this Mortgage, the other Credit Documents and/or the Property. All of Borrower's obligations under this Section shall survive the foreclosure, release or other

termination of this Mortgage and the satisfaction of the Obligations, and any merger of this Mortgage into any judgment or the like, whether pursuant to foreclosure or otherwise.

33. Certain Definitions. The following terms shall, for purposes of this Mortgage, have the respective meanings herein specified unless the context otherwise requires: (a) "Agent" means the Agent herein named and any subsequent mortgagee under this Mortgage, and its, his, her or their respective successors, assigns, heirs and personal representatives. (b) "Bank" means each Bank referred to in the Credit Agreement and, subject to the terms and provisions of the Credit Agreement, its successors and assigns, and likewise includes, except if otherwise provided in the Credit Agreement, any swing line lender, letter of credit issuer, swap provider or other credit or financial service provider for whom, pursuant to the terms of the Credit Agreement, Agent is to act as collateral agent or the like. (c) "Borrower" means the Borrower herein named and any subsequent owner or owners of the Property and its, his, her or their respective successors, assigns, heirs and personal representatives. (d) "Building" means all of the Building described herein including any part thereof. (e) "Building Equipment" means all of the Building Equipment described herein including any part thereof. (f) "Person" means an individual, corporation, partnership, trust, unincorporated organization or government, or any agency or political subdivision thereof, or any other legal entity. (g) "Premises" means all of the Premises described herein including any part thereof. (h) "Property" means all of the Property described herein including any part thereof.

34. Successors and Assigns. The terms, covenants and provisions of this Mortgage shall apply to and be binding upon Borrower and all subsequent owners and other Persons who have an interest in the Property, and shall inure to benefit of Agent, the successors and assigns of Agent, and all subsequent holders of this Mortgage, but the provisions of this Section shall not be construed to modify the provisions of Section 15(f).

35. Related Obligations. If and to the extent the Credit Agreement at any time authorizes Agent to act as a collateral agent or the like for the benefit of any Bank or any affiliate of any Bank that may issue interest rate swaps or other hedging instruments to or for the benefit of Borrower, the Obligations secured hereby shall include Borrower's existing and future obligations with respect to any such interest rate swaps and/or other hedging instruments.

36. Miscellaneous. Borrower further agrees as follows: (a) This Mortgage cannot be changed, waived, discharged or terminated orally but only by an agreement in writing, signed by the party against whom enforcement of the change, waiver, discharge or termination is sought. (b) This Mortgage shall be construed without regard to any presumption or rule requiring construction against the party causing such instrument or any portion thereof to be drafted. (c) All terms and words used in this Mortgage, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. (d) If there shall be more than one Borrower, the representations, warranties, covenants and other obligations of Borrower hereunder shall be the joint and several representations, warranties, covenants and other obligations of each and every Borrower. Whenever the terms of this Mortgage prohibit Borrower from doing or permitting to be done, whether voluntarily or otherwise, any act or event, any such negative covenants shall apply to each and every Borrower and the failure of any one Borrower in respect thereof shall be deemed a default of such negative covenant notwithstanding that any other Borrower may not be in default of such negative covenant. (e) The Section headings in this Mortgage and any index at the beginning of this Mortgage are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof. (f) All covenants contained herein shall run with the Property until the Obligations have been fully paid and performed. (g) Time is of the essence in the payment and performance by Borrower of the Obligations. (h) This Mortgage shall be governed by the laws of the State of Kansas, without regard to any choice of law rule thereof which gives effect to the laws of any other jurisdiction.

IN WITNESS WHEREOF, this Mortgage has been duly executed by Borrower and delivered to Agent as of the day and year first above written.

MGP INGREDIENTS, INC.

By: /s/ Robert Zonneveld
Name: Robert Zonneveld
Title: V.P. Finance & CFO

STATE OF KANSAS)

) SS.

COUNTY OF ATCHISON)

The foregoing instrument was acknowledged before me on 30th day of December, 2008, by Robert Zonneveld, as FP/CFO of MGP INGREDIENTS, INC., a Kansas corporation, on behalf of the corporation.

/s/ Marta L. Myers
Notary Public

[Seal]

My Commission expires: 01/03/2010

Exhibit A

(legal description of Premises)

TRACT 1:

A TRACT OF LAND IN THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 11 SOUTH, RANGE 25 EAST OF THE SIXTH PRINCIPAL MERIDIAN IN KANSAS CITY, WYANDOTTE COUNTY, KANSAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHICH IS 27.22 FEET NORTH OF THE CENTER LINE OF VACATED CARR AVENUE AND 347.50 FEET EAST OF THE EAST RIGHT-OF-WAY LINE OF VACATED 1ST STREET AS SAID RIGHTS-OF-WAY ARE NOW ESTABLISHED, SAID POINT ALSO BEING 1513.24 FEET NORTH AND 1461.42 FEET EAST OF THE SOUTHWEST CORNER OF THE SOUTHEAST QUARTER OF SAID SECTION 15:

THENCE NORTH 0 DEGREES 20 MINUTES 15 SECONDS WEST, 2.78 FEET, ALONG A LINE PARALLEL WITH AND 347.50 FEET EAST OF THE EAST RIGHT-OF-WAY LINE OF VACATED 1ST STREET, TO A POINT ON THE NORTH LINE OF VACATED CARR AVENUE, SAID POINT ALSO BEING THE SOUTHEAST CORNER OF LOT 14, BLOCK 10 IN "MCALPINES ADDITION TO ARMOURDALE",

THENCE NORTH 0 DEGREES 16 MINUTES 33 SECONDS WEST, 407.70 FEET, ALONG A LINE WHICH MAKES AN ANGLE OF 90 DEGREES 05 MINUTES IN THE NORTHWEST QUADRANT WITH THE NORTH LINE OF VACATED CARR AVENUE;

THENCE NORTH 61 DEGREES 33 MINUTES 27 SECONDS EAST, 379.10 FEET;

THENCE NORTH 28 DEGREES 23 MINUTES 27 SECONDS EAST, 131.33 FEET TO THE SOUTHWEST CORNER OF A TRACT OF LAND CONVEYED TO THE UNION PACIFIC RAILROAD COMPANY BY SWIFT & COMPANY, AS RECORDED IN BOOK 2490 AT PAGE 301 ON JANUARY 5, 1976;

THENCE SOUTHEASTERLY 495.71 FEET, ALONG A CURVE CONCAVE TO THE SOUTHWEST, HAVING A RADIUS OF 433.11 FEET THROUGH A CENTRAL ANGLE OF 65 DEGREES 43 MINUTES 17 SECONDS AND TO WHICH THE CENTER OF SAID CURVE BEARS SOUTH 1 DEGREES 06 MINUTES 57 SECONDS WEST, TO A POINT 15.0 FEET WESTERLY AND AT RIGHT ANGLES TO THE CENTER OF THE ARMOURDALE SPUR OF THE UNION PACIFIC RAILROAD, AS NOW ESTABLISHED:

THENCE SOUTH 14 DEGREES 50 MINUTES 16 SECONDS EAST, 233.82 FEET, ALONG A LINE PARALLEL WITH AND 15.0 FEET WESTERLY FROM THE CENTERLINE OF SAID SPUR TRACK;

THENCE SOUTHEASTERLY 245.16 FEET, ALONG A CURVE CONCAVE TO THE SOUTHWEST, TANGENT TO THE LAST DESCRIBED COURSE, 15.00 FEET WESTERLY OF AND PARALLEL TO THE CENTERLINE OF SAID SPUR TRACK, HAVING A RADIUS OF 2774.03 FEET THROUGH A CENTRAL ANGLE OF 5 DEGREES 03 MINUTES 50 SECONDS, TO A POINT;

THENCE SOUTHERLY 65.74 FEET, ALONG A NON-TANGENT CURVE CONCAVE TO THE WEST, HAVING A RADIUS OF 463.34 FEET THROUGH A CENTRAL ANGLE OF 8 DEGREES 08 MINUTES 09 SECONDS AND TO WHICH THE CENTER OF THE CIRCLE OF SAID CURVE BEARS SOUTH 81 DEGREES 36 MINUTES 03 SECONDS WEST, TO A POINT WHICH IS 20.46 FEET WESTERLY OF AND PARALLEL TO THE CENTERLINE OF SAID SPUR TRACK;

THENCE NORTH 84 DEGREES 28 MINUTES 27 SECONDS WEST, 904.85 FEET, TO THE POINT OF BEGINNING OF THE TRACT HEREIN DESCRIBED, LESS THAT PART TAKEN OR USED FOR ROAD PURPOSES.

Exhibit B

(Permitted Liens)

1. Taxes and assessments for the calendar year 2008 and subsequent years, provided that payment of such taxes and assessments is not delinquent.
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Drafted by and when recorded
mail to:

Mark Ovington, Esq.
Stinson Morrison Hecker LLP
1201 Walnut Street, Suite 2900
Kansas City, Missouri 64106

**MORTGAGE, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS
AND FIXTURE FILING**

(secures future advances and future obligations, but Maximum Amount Secured, as defined in and subject to the provisions of Section 1 below, equals \$19,700,000)

This Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "Mortgage") is given as of November 7, 2008, by MGP INGREDIENTS, INC., a Kansas corporation formerly known as Midwest Grain Products, Inc. and, before that, as Midwest Solvents Company, Inc. and as successor by merger to Midwest Grain Processing Equipment Company, Inc. (the "Borrower"), with an office located at Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002, to COMMERCE BANK, N.A., a national banking association, as Agent for the Banks from time to time party to the Credit Agreement referred to below (in such capacity, the "Agent"), with an office located at 1000 Walnut Street, Kansas City, Missouri 64105.

WHEREAS, Borrower is the owner of the real property and improvements thereon legally described on Exhibit A attached hereto;

WHEREAS, Borrower was formerly known as Midwest Solvents Company, Inc. and acquired under such former name Parcels 1 and 50 described on Exhibit A attached hereto;

WHEREAS, Borrower was also formerly known as Midwest Grain Products, Inc. and acquired under such former name Parcels 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 27, 28, 29, 30, 31, 32, 33, 34, 37, 38, 39, 40, 42, 43, 44 and 48 described on Exhibit A attached hereto;

WHEREAS, Midwest Grain Processing Equipment Company, Inc., also sometimes referred to as Midwest Grain Processing Equipment Co., Inc. and Midwest Grain Processing Equipment Company, acquired Parcels 18, 19, 20, 21, 22, 23, 25, 35 and 46 described on Exhibit A attached hereto under the name Midwest Grain Processing Equipment Company, Inc., and acquired Parcels 24, 26, 47 and 49 described on Exhibit A attached hereto under the name Midwest Grain Processing Equipment Co., Inc., and acquired Parcel 45 described on Exhibit A attached hereto under the name Midwest Grain Processing Equipment Company, in each case before Midwest Grain Processing Equipment Company, Inc. was merged with and into Borrower, with Borrower being the sole surviving entity;

WHEREAS, Borrower has incurred and may hereafter incur indebtedness under the Credit Agreement, dated as of May 5, 2008, among Borrower, certain other borrower(s) thereunder (collectively, whether one or more, the "Other Borrower"), Commerce Bank, N.A., as Agent, Issuing Bank and Swingline Lender, and the Banks party thereto, as amended by a First Amendment to Credit Agreement dated as of September 3, 2008, a letter agreement dated October 31, 2008, and a Second Amendment to Credit Agreement dated on or about the date hereof (as so amended and as otherwise amended, renewed, restated, replaced, consolidated or otherwise modified from time to time, the "Credit Agreement"), pursuant to which the Banks have agreed or may elect, in each case subject to the terms and conditions thereof and as of the date hereof, to extend credit to or for the benefit of Borrower and/or Other Borrower in an aggregate outstanding principal amount not to exceed \$55,000,000 at any time;

WHEREAS, Borrower's and Other Borrower's obligations to the Banks under the Credit Agreement are evidenced by the following promissory notes: (a) an Amended and Restated Revolving Credit Note, dated on or about September 3, 2008, from Borrower and Other Borrower, as makers, to Commerce Bank, N.A., as payee, in the stated principal amount of \$21,175,000; (b) an Amended and Restated Revolving Credit Note, dated on or about September 3, 2008, from Borrower and Other Borrower, as makers, to BMO Capital Markets Financing, Inc., as payee, in the stated principal amount of \$16,912,500; (c) an Amended and Restated Revolving Credit Note, dated on or about September 3, 2008, from Borrower and Other Borrower, as makers, to National City Bank, as payee, in the stated principal amount of \$16,912,500; and (d) a Swingline Note, dated on or about May 5, 2008, from Borrower and Other Borrower, as makers, to Commerce Bank, N.A., as payee, in the stated principal amount of \$5,000,000;

WHEREAS, the foregoing promissory notes and any other promissory notes issued on or after the date hereof under the Credit Agreement — whether payable to the above specifically identified Banks or their respective permitted assignees under the Credit Agreement or to other lenders who may hereafter become Banks under the Credit Agreement or their respective permitted assignees under the Credit Agreement — as any of the foregoing may be amended, renewed, restated, replaced, consolidated or otherwise modified from time to time, are collectively referred to herein as the "Notes" and are individually referred to herein as a "Note";

WHEREAS, Borrower's and Other Borrower's obligations under the Credit Agreement, the Notes, this Mortgage and any other Credit Documents (as defined in the Credit Agreement), whether monetary, nonmonetary, direct, indirect, acquired, joint, several, joint and several, existing, future, contingent or otherwise, and any replacements, renewals, extensions and other modifications of any of the above, together with all principal, premium, interest, fees, expenses and other amounts and charges relating thereto, and any amounts expended by or on behalf of Agent or any Bank for the protection and preservation of the mortgage lien and security interest granted herein, are hereinafter sometimes collectively called the "Obligations"; and

WHEREAS, any agreements, documents or instruments evidencing, securing or otherwise relating to any of the Obligations (including, without limitation, any of the Credit Documents, as defined

in the Credit Agreement), and any amendments, restatements, replacements, consolidations and other modifications of any of the foregoing are hereinafter sometimes collectively called the “Credit Documents.”

NOW, THEREFORE, to secure the full and prompt payment and performance of the Obligations, Borrower hereby mortgages and warrants to Agent, on behalf of the Banks, and grants to Agent on behalf of the Banks, a security interest in, all of Borrower’s right, title and interest in and to the following property, whether such property or interest therein is now owned or existing or hereafter acquired or arising (collectively, the “Property”): (a) all of the tracts, parcels or other units of land described in Exhibit A attached hereto (the “Premises”); (b) all of the buildings, structures and other improvements now or hereafter situated on the Premises, together with any alterations, additions and improvements thereto and all restorations and replacements thereof made from time to time (collectively, the “Building”); (c) all machinery, apparatus, equipment and fixtures of every kind and nature whatsoever now or hereafter located in, on or about the Building or upon the Premises, or attached to or used or usable in connection with the operation or maintenance of the Premises or the Building or in connection with any construction being conducted on the Premises, including, but not limited to, all heating, lighting and power equipment, engines, plumbing, electrical, mechanical, refrigeration, ventilating and air-conditioning equipment and apparatus, elevators, cranes, fittings, tools, ducts and compressors (collectively, the “Building Equipment”), which Building Equipment shall, to the fullest extent permitted by law, be deemed to constitute fixtures and part of the real property encumbered by this Mortgage; (d) all easements, tenements, hereditaments, appurtenances, rights and rights of way, public or private, pertaining, belonging or otherwise relating to the Premises or the Building; (e) all insurance proceeds and any judgments, settlements, awards and other payments, including interest thereon, which may be made in respect of the Property as a result of damage to or destruction of the Property, the exercise of the right of condemnation or eminent domain over any interest in the Property, the closing of, or the alteration of the grade of, any street on or adjoining the Premises, or any other injury to or decrease in the value of the Property; (f) all franchises, permits, licenses and other rights therein respecting the use, occupation or operation of the Property or the activities conducted thereon or thereabout; (g) all rents, income and other benefits arising out of or otherwise related to the Property and all leases on or affecting the Property, and any security deposits, contract rights, general intangibles, actions, rights of action, and unearned insurance premiums relating to such leases or the Property; and (h) all accessions to, substitutes for, and all modifications, replacements, renewals, products and proceeds of any of the foregoing; *provided, however*, that the Property shall not include any Excluded GE Equipment Collateral (as defined in the Credit Agreement).

Borrower covenants, represents and warrants to Agent as follows:

1. Indebtedness Secured. This Mortgage has been given and is intended to secure the full and prompt payment and performance of the Obligations and constitutes a future advance mortgage under K.S.A. §58-2336. This Mortgage secures future advances from the Banks to Borrower or Other Borrower and other future obligations of Borrower and/or Other Borrower to the Banks and the Agent pursuant to the Credit Documents; ***provided, however, that, notwithstanding anything to the contrary in this Mortgage, (i) the maximum aggregate principal balance secured hereby shall not exceed \$19,700,000 (the “Maximum Amount Secured”), and (ii) payments made on account of the obligations secured hereby or any portion thereof, whether in the ordinary course, as prepayments or otherwise, shall not reduce the Maximum Amount Secured unless the aggregate principal amount of obligations secured hereby is less than the Maximum Amount Secured.*** The priority of the lien hereunder securing such future advances and future obligations shall relate back to the date this Mortgage was recorded. In addition, the Mortgage shall secure unpaid balances of advances made by Agent or any Bank with respect to the Property, for the payment of Impositions, as hereinafter defined, insurance premiums and costs incurred for the protection of the Property and any charges, expenses and fees, including, without limitation,

attorneys' fees, which, by the terms hereof, shall be added to and increase the Obligations. Borrower agrees that all of the duties and obligations imposed on it hereunder, whether absolute or contingent, due or to become due, are for the reasonable protection of the lien of this Mortgage. This Mortgage shall remain in full force and effect with respect to all of the Property until all Obligations shall have been paid and performed in full. If the Obligations are paid and performed in accordance with the terms of the applicable Credit Documents, including, without limitation, the observance of all the agreements contained in this Mortgage, this Mortgage shall be released at the expense of Borrower. Borrower acknowledges that nothing in this Section 1 obligates Agent or any Bank to make future advances to Borrower or any other Person.

2. Title to Property and Other Representations and Warranties. Borrower represents, warrants and covenants to Agent that: (a) Borrower owns the Premises and the improvements thereon in fee simple absolute and has good and marketable title to the remainder of the Property; (b) the Property is free of all liens, encumbrances, adverse claims and other defects of title whatsoever, except for Permitted Liens (as defined in the Credit Agreement) and the matters set forth on Exhibit B hereto (collectively, together with Permitted Liens as defined in the Credit Agreement, "Permitted Liens"); (c) Borrower does hereby and shall forever warrant and defend its title to and interest in the Property (and the validity and priority of the lien of this Mortgage) to Agent against all claims and demands whatsoever of any Person; (d) the Building presently on the Premises complies in all material respects with all applicable zoning and building codes, ordinances and regulations, and such compliance is based solely upon Borrower's owning the Property and not upon Borrower's title to or interest in any other property; (e) any Building hereafter constructed on the Premises shall comply in all material respects with all applicable zoning and building codes, ordinances and regulations and shall lie wholly within the boundaries of the Premises; (f) there are no actions, suits or proceedings pending or, to Borrower's knowledge, threatened against or affecting the Property; and (g) Borrower has the good and unrestricted right, full power and lawful authority to subject the Property to this Mortgage.

3. Maintenance. Borrower shall maintain the Property in good order, condition and repair, excepting ordinary wear and tear. Borrower shall make, as and when the same shall become necessary, all structural and non-structural repairs, whether exterior or interior, ordinary or extraordinary, foreseen or unforeseen. Borrower shall not commit or suffer any waste of the Property. Borrower shall not construct any new or additional buildings on the Premises without the prior written consent of Agent, which consent shall not be unreasonably withheld so long as no Default or Event of Default exists. Notwithstanding the foregoing, if Borrower is required by applicable law to undertake any such alterations to the Building or the Building Equipment, Borrower may do so without obtaining Agent's consent thereto. In such event, Borrower shall promptly give Agent written notice of any such legal requirement and, prior to undertaking such alterations, shall notify Agent in writing of any such alterations that Borrower proposes to undertake. Agent and each of the Banks, and their respective agents, contractors and representatives, may enter upon and inspect the Property at all reasonable times until this Mortgage is released. Without limiting the generality of the foregoing, Agent, each of the Banks, and their respective agents, contractors and representatives, may from time to time enter upon the Property and conduct upon the Property inspections and tests to determine the extent to which any hazardous substances, wastes or other environmentally unsound materials have been placed or discharged upon or otherwise affect the Property, all at the sole expense of Borrower.

4. Restoration. If any of the improvements or equipment comprising the Property is damaged or destroyed, in whole or in part, by fire or other casualty (whether or not covered by insurance), or by any taking in condemnation proceedings or the exercise of any right of eminent domain, Borrower shall promptly restore, replace or rebuild the same to as nearly as possible the value, quality and condition they were in immediately prior to such fire or other casualty or taking, with such alterations or changes as may be approved in writing by Agent, which approval shall not be unreasonably withheld; *provided*,

however, that Borrower shall be under no duty to so restore, rebuild or replace such property to the extent that Agent receives and applies any insurance, condemnation or similar proceeds relating to such casualty to satisfy any part of the Obligations. Borrower shall give prompt notice to Agent of any material damage to the Property.

5. Compliance with Laws; Use of Property. Borrower shall comply in all material respects with all present and future laws, statutes, ordinances, rules, regulations and other requirements (including, without limitation, applicable zoning and building requirements) of all governmental and quasi-governmental authorities whatsoever having jurisdiction with respect to the Property. Borrower shall promptly perform and observe all of the terms, covenants and conditions of all instruments of record affecting the Property, non-compliance with which may affect the security of this Mortgage, or which shall impose any duty or obligation upon Borrower or any tenant or other occupant of the Premises, and Borrower shall do all things necessary to preserve intact and unimpaired any and all easements, appurtenances and other interests and rights in favor of or constituting any portion of the Property. Borrower shall not use or permit the use of the Property in any manner which would tend to impair the value of the Property or materially increase the risk of fire or other casualty.

6. Impositions. Borrower shall pay when the same shall become due and payable all real estate taxes, assessments, water and sewer rates and charges, license fees and all other governmental levies and charges of every kind and nature whatsoever, general and special, ordinary and extraordinary, foreseen and unforeseen, which shall be assessed, levied, confirmed, imposed or become a lien upon or against the Property or which shall become payable with respect thereto (collectively, "Impositions"). Notwithstanding the foregoing, Borrower may contest any Imposition by appropriate and timely proceedings, provided that on or before the due date for payment of such Imposition Borrower shall establish an escrow or other provision for payment of such Imposition satisfactory to Agent in an amount estimated by Agent to be adequate to pay such Imposition and any interest or penalties that may result from its nonpayment on the due date. In all such cases of contest, Borrower shall pay the contested Imposition within 10 days after the dismissal of said proceedings or the final and unappealable determination of Borrower's or the Property's liability therefor, as the case may be. So long as any Event of Default exists, however, Borrower shall, upon demand by Agent, pay the whole of any assessment for local improvement which may be payable in installments, notwithstanding that such installments may not be due and payable at the time of such demand by Agent. Borrower shall deliver to Agent, within 10 days after the request of Agent therefor, the original or a photocopy of the official receipt evidencing such payment or other proof of payment satisfactory to Agent.

7. Insurance. (a) Borrower, at Borrower's sole expense, shall insure the Property for the benefit of Agent against loss or damage thereto and shall keep in effect, for Agent's benefit, comprehensive general public liability insurance against claims for bodily injury, death or property damage. The policies of insurance required by this Section shall be in companies, forms and amounts, and for such periods and with such deductibles, as shall be customary for property similar in use, location and condition to the Property, and shall insure the respective interests of Borrower and Agent. The insurance proceeds from all such policies of insurance (other than the proceeds in respect of any liability insurance policy) shall be payable to Agent pursuant to a noncontributing first mortgagee endorsement satisfactory in form and substance to Agent. Upon request by Agent, Borrower shall promptly furnish evidence of satisfactory insurance on the Property and that Borrower has complied with the other provisions of this Section. In addition to the other policies of insurance required hereunder, Borrower shall cause a title insurer reasonably acceptable to Agent to insure, in favor of Agent, Borrower's ownership of, and Agent's first priority lien on, the Property, subject only to Permitted Liens, in an amount equal to not less than \$19,700,000 in such form, and with such affirmative coverage and endorsements as Agent may reasonably request.

(b) Borrower irrevocably makes, constitutes and appoints Agent (and all officers, employees or agents designated by Agent) as Borrower's true and lawful attorney-in-fact and agent, with full power of substitution, for the purpose of making and adjusting claims the policies of insurance referred to herein, endorsing the name of Borrower on any check, draft, instrument or other item or payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect to such policies of insurance or to pay any premium in whole or in part relating thereto. Agent, without waiving or releasing any obligation or default by Borrower hereunder, may (but shall be under no obligation to do so) at any time maintain such action with respect thereto which Agent deems advisable. All sums disbursed by Agent in connection therewith, including attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, on demand, by Borrower to Agent and shall be additional Obligations hereunder secured by this Mortgage. Notwithstanding the foregoing, so long as no Default or Event of Default exists, Borrower may make and settle any insurance claims relating to the Property provided that Borrower first obtains Agent's written consent thereto, which consent shall not be unreasonably withheld.

(c) All proceeds of the insurance obtained by Borrower hereunder (other than those relating to any liability insurance policy), shall be paid to Agent, and Agent may deduct from such proceeds any expenses, including, without limitation, legal fees, incurred by Agent in connection with adjusting and obtaining such proceeds (the balance remaining after such deduction being hereinafter referred to as the "Net Insurance Proceeds"). If an Event Default exists at the time Agent receives the Net Insurance Proceeds, Agent may apply the Net Insurance Proceeds in reduction or satisfaction of all or any part of the Obligations, whether then matured or not, in which event Borrower shall be relieved of its obligation under Sections 3 and 4 above to maintain and restore the Property relating to such proceeds to the extent that Agent so applies the Net Insurance Proceeds. If no Event of Default exists at such time (or if an Event of Default exists and Agent elects not to apply the Net Insurance Proceeds as provided in the previous sentence), Agent shall release the Net Insurance Proceeds to Borrower; *provided, however*, that, if the amount of the Net Insurance Proceeds exceeds \$50,000, Agent may condition the release of all or any part of the Net Insurance Proceeds on such escrow or other disbursement conditions as Agent may reasonably require to ensure that Borrower uses the Net Insurance Proceeds to maintain and the restore the Property as required under this Agreement and to ensure that the Property remains free of all mechanics' and other liens except for Permitted Liens.

(d) In the event of a foreclosure under this Mortgage, the purchaser of the Property shall succeed to all of the rights of Borrower, including any right to unearned premiums, in and to all policies of insurance which Borrower is required to maintain under this Section and to all proceeds of such insurance.

8. Deposits for Impositions and Insurance. Upon notice from Agent (which notice shall not be given unless an Event of Default exists), Borrower shall deposit with Agent on the first day of each month an amount equal to one-twelfth of (i) the aggregate annual payments for the Impositions, and (ii) the annual insurance premiums on the policies of insurance required to be obtained and kept in force by Borrower under this Mortgage. In addition, upon notice from Agent (which notice shall not be given unless an Event of Default exists), Borrower shall deposit with Agent such sum of money which, together with such monthly installments, shall be sufficient to pay all the Impositions and insurance premiums at least 30 days prior to the due date thereof. If the amounts of any Impositions are not ascertainable at the time any deposit is required to be made, the deposit shall be made on the basis of the amounts of the Impositions for the prior tax year and, upon the amounts of the Impositions being fixed for the then current year, Borrower shall, upon notice from Agent, deposit any deficiency with Agent. If the amount of the insurance premiums is not ascertainable at the time any deposit is required to be made, the deposit shall be made on the basis of the amount of the insurance premiums for the prior year of the policy or policies, and, upon the amount of the insurance premiums being fixed for the then current year of the

policy or policies, Borrower shall, upon notice from Agent, deposit any deficiency with Agent. If on a date 30 days prior to the due date for the payment of any of the Impositions or the insurance premiums there shall be insufficient funds on deposit with Agent to pay the same, Borrower shall, upon notice from Agent, forthwith make a deposit with Agent in the amount of such deficiency. The funds so deposited with Agent shall be held by Agent without interest, and may be commingled with other funds of Agent, and provided that an Event of Default exists, such funds shall be applied in payment of the Impositions and insurance premiums when due to the extent that Borrower shall have deposited funds with Agent for such purpose. If an Event of Default exists, the funds deposited with Agent may, at the option of Agent, be retained and applied toward the payment of any or all of the Obligations, but no such application shall be deemed to have been made by operation of law or otherwise until actually made by Agent. Borrower shall furnish Agent with a bill for each of the Impositions and insurance premiums and such other documents necessary for their payment at least 30 days prior to the date they first become due. Upon an assignment of this Mortgage prior to any default hereunder by Borrower, Agent shall have the right and obligation to pay over the balance of such deposits in its possession to the assignee, and thereupon Agent shall be completely released from all liability with respect to such deposits and Borrower shall look solely to the assignee in reference thereto. The provisions of the preceding sentence shall apply to each and every assignment or transfer of such deposits to a new assignee.

9. Condemnation. (a) Borrower shall give immediate notice to Agent upon Borrower's learning of (i) any interest on the part of any Person possessing or who has expressed the intention to possess the power of eminent domain to purchase or otherwise acquire the Property, or (ii) the commencement of any action or proceeding to take the Property by exercise of the right of condemnation or eminent domain or of any action or proceeding to close or to alter the grade of any street on or adjoining the Premises. Agent may participate in any such actions or proceedings in the name of Agent or, whenever necessary, in the name of Borrower, and Borrower shall deliver to Agent such instruments as Agent shall request to permit such participation. Borrower shall not settle any such action or proceeding, whether by voluntary sale, stipulation or otherwise, or agree to accept any award or payment without the prior written consent of Agent, which consent shall not be unreasonably withheld so long as no Default or Event of Default exists. The total of all amounts awarded or allowed with respect to all right, title and interest in and to the Property or the portion or portions thereof taken or affected by such condemnation or eminent domain proceeding and any interest thereon (herein collectively called the "Award") is hereby assigned to and shall be paid upon receipt thereof to Agent and the amount received shall be retained and applied as provided in Section 9(b) below.

(b) If an Event of Default exists at the time Agent receives the Award, Agent may apply the Award in reduction or satisfaction of all or any part of the Obligations, whether then matured or not. If no Event of Default exists at such time (or if an Event of Default exists and Agent elects not to apply the Award as provided in the previous sentence), Agent shall release the Award to Borrower; *provided, however*, that, if the amount of the Award exceeds \$50,000, Agent may condition the release of all or any part of the Award on such escrow or other disbursement conditions as Agent may reasonably require to ensure that, in the case of a taking of all or substantially all of the Property, Buyer acquires replacement real property that is subject to a mortgage lien in favor of Agent subject to no lien or other encumbrance other than Permitted Liens and, in the case of any other taking, Borrower uses the Award to restore the Property remaining after such taking and to ensure that such Property remains free of all mechanics' and other liens except for Permitted Liens. In no event shall Agent be required to release this Mortgage until the Obligations are fully paid and performed nor shall Agent be required to release from the lien of this Mortgage any portion of the Property so taken until Agent receives the Award for the portion so taken.

10. Assignment of Rents and Leases. (a) Borrower hereby presently assigns to Agent all of Borrower's right, title and interest in and to any Leases, as defined hereinafter, with respect to the

Property, and all rents, issues and profits of the Property. “Lease” means every lease or occupancy agreement for the use or hire of all or any portion of the Property which shall be in effect on the date hereof, or which shall hereafter be entered into, and by which Borrower is a lessor or the like, and any renewals, extensions or other modifications thereof. Borrower grants to Agent, with or without Agent or any other Person (including, without limitation, a receiver) taking possession of the Property, the right to give notice to the tenants of this assignment, to collect rents, issues and profits from the tenants and to enter onto the Property for the purpose of collecting the same and to let the Property and to apply such rents, issues and profits, after payment of all charges and expenses relating to the Property, to the Obligations. This assignment shall be an absolute assignment, subject to the license herein granted to Borrower and Borrower’s obligations hereunder, and shall continue in effect until the Obligations are fully paid and performed. Agent hereby grants a revocable license to Borrower to collect and use such rents, issues and profits; *provided, however*, that the foregoing license shall be automatically revoked, without any action on Agent’s part, upon the occurrence of an Event of Default. Notwithstanding any law to the contrary, if there is an Event of Default, and if there is any applicable law requiring Agent to take possession of the Property (or some action equivalent thereto, such as securing the appointment of a receiver) in order for Agent to “perfect” or otherwise “activate” its rights and remedies as set forth herein, then Borrower waives all benefits of such laws and agrees that such laws shall be fully satisfied, without any action on Agent’s part, solely by the occurrence of such Event of Default. If, notwithstanding such waiver by Borrower, such laws require the undertaking of some affirmative act by Agent, Borrower agrees that such laws shall be fully satisfied solely by Agent giving Borrower notice, written or oral, that such Event of Default has occurred and that Agent intends to enforce its rights in any Leases and/or any rents, issues and profits assigned herein.

(b) Borrower shall, from time to time upon request by Agent, execute, acknowledge and deliver to Agent, in form and substance satisfactory to Agent, separate assignments of any Leases in order to further evidence the foregoing assignment. Agent shall not be obligated to perform any obligation to be performed by Borrower under any Lease or other agreement affecting the Property, and Borrower hereby agrees to indemnify Agent for, and hold Agent harmless from, any and all liability and expenses arising from any such Lease or other agreement or any assignments thereof, and no assignment of any such Lease or other agreement shall place the responsibility for the control, care, management or repair of the Property upon Agent, nor make Agent liable for any negligence or other tortious conduct, whether by Agent or any other Person, with respect to the management, operation, upkeep, repair or control of the Property resulting in injury, death, property or other damage or loss of any nature whatsoever.

(c) Borrower shall not cancel, amend or otherwise modify the terms and conditions of any Lease without obtaining Agent’s prior consent; nor shall Borrower accept payments of rent or the like more than one month in advance without obtaining Agent’s prior consent.

(d) Agent may exercise its rights from time to time under this Section 10 without first commencing foreclosure proceedings against the Property if it so elects. Any such election by Agent to exercise its rights from time to time under this Section 10 shall not prohibit Agent from simultaneously or thereafter foreclosing upon the Property or exercising any other rights available to Agent hereunder or at law.

11. Agent’s Right to Perform Borrower’s Covenants. If Borrower shall fail promptly and fully to pay, perform or observe any of the Obligations, then Agent may, at its option, but without any obligation to do so, and without waiving or releasing Borrower from any of the Obligations, pay any Obligation or perform any Obligation or take such other action as Agent deems necessary or desirable in order to cause such Obligation to be paid, performed or observed, as the case may be. Borrower hereby grants to Agent, and agrees that Agent shall have, the absolute and immediate right to enter in and upon

the Property to such extent and as often as Agent, in its discretion, deems necessary or desirable for such purpose. Agent may pay and expend such sums of money as Agent, in its discretion, deems necessary for any such purpose, and Borrower hereby agrees to pay to Agent, on demand, all such sums so paid or expended by Agent, together with interest thereon from the date of each such payment or expenditure at the rate (the "Default Rate") which is the lesser of (i) the default rate of interest specified in Section 3.1(b) of the Credit Agreement (or, if there any more than one such default rate, the highest default rate), or (ii) the maximum interest rate permitted by law. Any interest paid under this Section in excess of the maximum interest rate permitted by law shall be deemed payment in reduction of the principal amount of the Obligations and the excess, if any, shall be refunded to Borrower without interest. All sums so paid or expended by Agent, and the interest thereon, shall be added to the Obligations and shall be secured by the lien of this Mortgage.

12. No Claims Against Agent. Nothing contained in this Mortgage shall constitute any consent or request by Agent, expressed or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Property, or be construed to permit the making of any claim against Agent in respect of labor or services or the furnishing of any materials or other property or any claim that any lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the lien of this Mortgage.

13. Liens. This Mortgage is and shall be maintained as a valid first mortgage lien on the Property subject only to Permitted Liens. Borrower shall not, directly or indirectly, create or suffer or permit to be created, or to stand, against the Property or against the rents, issues and profits therefrom, any lien, charge, mortgage, deed of trust, adverse claim or other encumbrance other than Permitted Liens; *provided, however*, that nothing contained in this Section shall require Borrower to pay any real estate taxes or other Impositions prior to the time when same are required to be paid under this Mortgage. Borrower shall keep and maintain the Property free from all liens of Persons supplying labor or materials relating to the construction, alteration, modification or repair of the Property. In no event shall Borrower do or permit to be done, or omit to do or permit the omission of, any act or thing where such act or omission may impair the security of this Mortgage.

14. Security Agreement; Fixture Filing. Borrower, as debtor, grants to Agent on behalf of the Banks, as secured party, as further security for the Obligations, a security interest in all existing and future fixtures and all proceeds of the foregoing. This Mortgage shall be effective as a fixture filing and a financing statement for purposes of Article 9 of the Uniform Commercial Code as in effect in the State of Kansas.

15. Default. The Obligations shall become immediately due and payable in full at the option of Agent upon the occurrence of any one or more of the following (an "Event of Default"): (a) the occurrence of an Event of Default, as defined in the Credit Agreement; (b) Borrower shall fail to pay any Imposition on or before the date such Imposition may be paid without any penalty, interest or other premium; (c) Borrower shall fail to pay timely any premiums for insurance required under Section 7 or Borrower shall fail to reimburse Agent on demand for premiums paid by it on the insurance required under Section 7; (d) Borrower shall directly or indirectly create, suffer or permit to be created or to stand against the Property or against the rents, issues and profits therefrom, any lien, security interest, charge, mortgage, deed of trust or other encumbrance not expressly permitted herein or in the Credit Agreement without in each instance obtaining Agent's prior written consent thereto; (e) Borrower's default in the observance or performance of any other covenant of Borrower hereunder (other than a covenant the performance or observance of which is specifically referred to elsewhere in this Section 15), which default is not cured within 30 days after Agent gives Borrower notice thereof; (f) Borrower shall sell, convey, alienate, assign or otherwise transfer the Property, or any part thereof or interest therein, in any manner, whether voluntary, involuntary, by operation of law or otherwise, or Borrower shall enter into

any agreement, written or oral, to so sell, convey, alienate, assign or otherwise transfer the Property, or any part thereof or interest therein; (g) there shall occur a default or an event of default under any other deed of trust, mortgage or like real property security instrument which encumbers the Property, or under any document evidencing any obligation secured thereby, or any foreclosure or similar proceeding shall commence with respect to the Property; (h) Borrower shall deliver to Agent any notice terminating or purporting to terminate, or Borrower shall take any other action to terminate or purporting to terminate, the operation of this Mortgage as security for any future advances or future obligations; or (i) the filing of any action to condemn, acquire by eminent domain or otherwise take any part of the Premises or Building which, in Agent's determination, materially and adversely affects the use or intended use of the Property as a whole or otherwise materially and adversely affects Borrower's business prospects.

16. Notice Upon Acceleration; Application of Payments. Whenever Agent in this Mortgage or in the other Credit Documents is given the option to accelerate the maturity of all or part of the Obligations, Agent may, to the extent permitted by law, do so without presentment, protest, notice to or demand upon Borrower. Agent shall have the sole and exclusive right, and Borrower irrevocably waives any right, to direct or redirect the application of any monies received by Agent on account of the Obligations (whether such monies are received before or after the occurrence of an Event of Default, in the ordinary course of affairs, by acceleration, maturity or otherwise) against the Obligations in such manner as Agent may deem advisable, from time to time, notwithstanding any entry by Agent upon any of its books and records.

17. Appointment of Receiver. If an Event of Default exists, or if any action shall be commenced to foreclose this Mortgage, without obligation to do so, Agent, to the extent permitted by applicable law, may apply for the appointment of a receiver of the rents, issues and profits of the Property without notice or demand, and shall be entitled to the appointment of such receiver as a matter of right, without consideration of the value of the Property as security for the amounts due to Agent or the solvency of any Person liable for the payment of such amounts.

18. Foreclosure. If an Event of Default exists, Agent may, to the extent permitted by law, institute an action of judicial foreclosure, or take such other action as the law may allow, at law or in equity, to enforce this Mortgage and to realize upon the Property or any other security which is herein or elsewhere provided for, and to proceed to final judgment and execution for the entire unpaid balance of the Obligations at the rate stipulated herein or in the Credit Agreement or the other Credit Documents, as the case may be, to the date of default, and thereafter at the Default Rate, together with, to the extent permitted by applicable law, all other sums secured by this Mortgage, all costs of suit, and interest at the Default Rate on any judgment obtained by Agent from and after the date of any judicial sale of the Property (which may be sold in one parcel or part or in such parcels or parts, manner or order as Agent shall elect) until actual payment is made to Agent on the full amount due Agent. Agent may foreclose or otherwise realize upon one parcel or any other part of the Property, on one or more occasions, without releasing this Mortgage or precluding the further foreclosure or other realization hereunder of any other parcels or parts of the Property not so foreclosed or realized upon. Failure to join or to provide notice to tenants or any other Persons as defendants or otherwise in any foreclosure action or suit shall not constitute a defense to such foreclosure or other action. Upon any foreclosure sale, whether by virtue of judicial proceedings or otherwise, Agent or any Bank may bid and purchase the Property or any part thereof or interest therein, and upon compliance with the terms of the sale, may hold, retain, possess and dispose of the same in its own absolute right, without further accountability.

19. Possession of Property. To the extent permitted by applicable law, if an Event of Default exists, Agent and its agents, designees or assigns are authorized to (i) take possession of the Property, with or without legal action; (ii) lease the Property; (iii) collect all rents, issues and profits therefrom, with or without taking possession of the Property; and (iv) after deducting all costs of collection and

administration expenses, apply the net rents, issues and profits to the payment of Impositions, insurance premiums and all other carrying charges (including, but not limited to, agents' compensation and fees and costs of counsel and receivers) and to the maintenance, repair or restoration of the Property, or on account and in reduction of the Obligations, in such order and amounts as Agent, in Agent's sole discretion, may elect. Agent shall be liable to account only for rents, issues and profits actually received by it.

20. Waivers. To the extent permitted by applicable law, Borrower hereby irrevocably waives and releases: (i) any right of redemption after the date of any sale of the Property upon foreclosure, whether statutory or otherwise, in respect of the Property now or hereafter in force (irrespective of whether Agent or any other Person purchases the Property at such foreclosure); (ii) the benefit of any and all valuation and appraisal laws now or hereafter in force; (iii) all exemption laws whatsoever and all moratoriums, extensions or stay laws or rules, or orders of court in the nature of either of them, now or hereafter in force; and (iv) any right to have the Property marshaled upon any foreclosure of this Mortgage.

21. Expenses of Agent. To the extent permitted by applicable law, all costs and expenses paid or incurred by Agent and/or any of the Banks, including, without limitation, attorneys' fees, in any action, proceeding or dispute of any kind in which Agent and/or any of the Banks is made a party or appears as a plaintiff or defendant, affecting Agent, any of the Banks, this Mortgage, the other Credit Documents and/or the Property, including, but not limited to, the enforcement of this Mortgage, any condemnation action involving the Property, any action to protect the security hereof, or any case or proceeding under Title 11 of the United States Code shall be added to and included in the Obligations and shall be secured by this Mortgage and, upon demand, shall be immediately due from Borrower. Without limiting the generality of the foregoing, if this Mortgage shall be foreclosed, or if any of the other Credit Documents are placed in the hands of an attorney for collection or is collected through any court, including any bankruptcy court, Borrower, to the extent permitted by applicable law, shall pay to Agent the attorneys' fees, court costs, disbursements and other costs incurred (irrespective of whether litigation is commenced in pursuance thereof) in collecting or attempting to collect the Obligations or enforcing or defending Agent's rights hereunder, or under the other Credit Documents, or under any other collateral securing the Obligations, and all allowances provided by law, to the extent allowed by the laws of the state in which the Property is located, or any state in which any of such other collateral for the Obligations is situated, or other applicable law. All of Borrower's obligations under this Section shall survive the foreclosure, release or other termination of this Mortgage, the satisfaction of the other Obligations secured hereby, and any merger of this Mortgage into any judgment or the like, whether pursuant to foreclosure or otherwise.

22. Discontinuance of Action. Agent may from time to time, to the extent permitted by applicable law, take action to recover any sums, whether interest, principal or any other obligation or sums, required to be paid under this Mortgage or the other Credit Documents, as the same become due, without prejudice to the right of Agent thereafter to bring an action of foreclosure, or any other action, for a default existing when such earlier action was commenced. If Agent shall have proceeded to enforce any right under this Mortgage or the other Credit Documents, and such proceedings shall have been discontinued or abandoned for any reason, then in every such case Borrower and Agent shall be restored to their former positions and the rights, remedies and powers of all parties hereto shall continue as if no such proceedings had been taken.

23. Taxes. Upon passage after the date of this Mortgage of any law of the United States, the State of Kansas or any other governmental entity which deducts from the value of real property, for purposes of taxation, any indebtedness secured by mortgages or which changes in any way the laws for the taxation of mortgages or debts secured by mortgages for State or local purposes or the manner of the collection of any such taxes, and which imposes a tax, either directly or indirectly, on this Mortgage or all

or any part of the sum secured hereby or the interest thereon, Agent may declare the whole of the Obligations and the interest accrued thereon, due on a date to be specified by not less than 30 days' written notice to Borrower; *provided, however*, that such declaration shall be ineffective if Borrower is permitted by law to pay such tax in addition to all other payments required hereunder, without any penalty or charge thereby accruing to Agent, and if Borrower pays such tax within such 30 day period. Borrower shall pay any taxes except income taxes imposed on Agent or any Bank relating to this Mortgage.

24. Recording and Other Fees; Further Assurances. Borrower shall pay all recording and filing fees, all recording taxes and all other costs and expenses in connection with the preparation, execution and recordation and other manner of perfection of this Mortgage and any other Credit Documents – including, without limitation, all mortgage registration fees payable under K.S.A. §79-3102 and/or other applicable law – and shall reimburse Agent on demand for all costs and expenses of any kind incurred by or on behalf of Agent in connection therewith. Borrower agrees to execute and deliver promptly such instruments and other documents, and promptly to take such action or promptly refrain from taking such action, as Agent may request, from time to time, to evidence, create, perfect, continue or otherwise assure Agent of the real and personal property security interests granted, or purported to be granted, to or for the benefit of Agent hereunder and all other rights and benefits granted, or purported to be granted, to or for the benefit of Agent hereunder; all at the sole cost and expense of Borrower. Without limiting the generality of the foregoing, Borrower shall, at any time on request of Agent, execute or cause to be executed and shall deliver financing statements, continuation statements, security agreements, or the like, in respect of any Property and Borrower shall pay all filing fees, including, without limitation, fees for filing continuation statements, in connection with such financing statements.

25. No Waiver. Any failure by Agent to insist upon the strict performance by Borrower of any of the Obligations shall not be deemed to be a waiver of any of such Obligations, and Agent, notwithstanding any such failure, may thereafter insist upon the strict performance by Borrower of any and all of the Obligations.

26. No Release. Borrower and any other Person now or hereafter obligated for the payment or performance of all or any part of the Obligations shall not be released from paying and performing such Obligations and the lien of this Mortgage shall not be affected by reason of (i) the failure of Agent to comply with any request of Borrower, or of any other Person so obligated, to take action to foreclose this Mortgage or otherwise enforce any of the provisions of this Mortgage or of any of the Obligations secured by this Mortgage; (ii) the release, regardless of consideration, of the obligations of any Person or Persons liable for payment or performance of the Obligations or any part thereof; or (iii) any agreement or stipulation extending the time of payment or modifying the terms of any of the Credit Documents and in the event of such agreement or stipulation, Borrower and all such other Persons shall continue to be liable under such Credit Documents, as amended by such agreement or stipulation, unless expressly released and discharged in writing by Agent.

27. Release of Collateral. Agent may release or partially release, regardless of consideration, the obligation of any Person liable for payment of any of the Obligations secured hereby, or may release any part of the Property or any other collateral now or hereafter given to secure the payment of the Obligations or any part thereof, without impairing, reducing or otherwise affecting the obligations of Borrower under the Credit Agreement or any other Credit Documents, the remainder of the security of this Mortgage or the priority of the rights created by this Mortgage.

28. Rights Cumulative. The rights and remedies provided for in this Mortgage, or which Agent may have otherwise, at law or in equity, shall be distinct, separate and cumulative and shall not be deemed to be inconsistent with each other, and none of them, whether or not exercised by Agent, shall be

deemed to be in exclusion of any other, and, to the extent permitted by law, any two or more of all such rights and remedies may be exercised at the same time.

29. Severability. If any term or provision of this Mortgage or the application thereof to any Person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Mortgage, or the application of such term or provision to Persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Mortgage shall be valid and enforceable to the fullest extent permitted by law. If any payments (including, without limitation, any interest payments) required to be made hereunder or under the other Credit Documents shall be in excess of the amounts allowed by law, the amounts of such payments shall be reduced to the maximum amounts allowed by law. Furthermore, all rights, powers and remedies provided in this Mortgage may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be modified to the extent necessary to comply with applicable law and are intended to be limited to the extent necessary so that they will not render this Mortgage invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

30. Notices. All notices, demands, consents, approvals and requests given or required to be given by any party hereto to any other party hereto shall be in writing and shall be given in accordance with the terms and provisions of the Credit Agreement.

31. Indemnification Against Liabilities. Borrower shall protect, indemnify, hold harmless and defend Agent and the Banks from and against any and all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, attorneys' fees and expenses) imposed upon incurred by or asserted against Agent or any of the Banks by reason of (a) ownership of an interest in the Property, (b) any accident or injury to or death of Persons or loss of or damage to or loss of the use of property occurring on or about the Property, or the adjoining sidewalks, curbs, vaults and vault spaces, if any, streets, alleys or ways, (c) any use, non-use or condition of the Property, or the adjoining sidewalks, curbs, vaults and vault spaces, if any, streets, alleys or ways, (d) any failure on the part of Borrower to perform or comply with any of the terms of this Mortgage or the other Credit Documents, (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Property made or suffered to be made by or on behalf of Borrower, (f) any acts or omissions on the part of Borrower or any of its agents, contractors, lessees, licensees or invitees, or (g) any work in connection with any alterations, changes, new construction or demolition of the Property; in each case irrespective of whether any such liabilities, obligations, claims, damages, penalties, causes of actions, costs or expenses are, caused by, or otherwise arise out of, in whole or in part, Agent's or any Bank's negligence or other tortious conduct (other than any gross negligence or willful misconduct by Agent of any Bank), whether active or passive. Borrower will pay and hold Agent and the Banks harmless against any and all liability with respect to any intangible personal property tax or similar imposition of the state in which the Property is located or any subdivision or authority thereof now or hereafter in effect, to the extent that the same may be payable by Agent or any Bank in respect of this Mortgage, the other Credit Documents or the Obligations. All amounts payable to Agent or any Bank under this Section shall be payable on demand and shall be deemed Obligations secured by this Mortgage. If any action, suit or proceeding is brought against Agent or any Bank by reason of any such occurrence, Borrower, upon request of Agent will, at Borrower's expense, resist and defend such action, suit or proceeding or cause the same to be resisted or defended by counsel designated by Borrower and approved by Agent. All of Borrower's obligations under this Section shall survive the foreclosure, release or other termination of this Mortgage and the satisfaction of the Obligations, and any merger of this Mortgage into any judgment or the like, whether pursuant to foreclosure or otherwise.

32. Environment. (a) Borrower shall comply with all applicable laws (whether statutory, common law or otherwise), rules, regulations, orders, permits, licenses, ordinances, judgments or decrees of all governmental authorities (whether federal, state, local or otherwise), including, without limitation, all laws regarding public health or welfare, environmental protection, water or air pollution, composition of products, underground storage tanks, toxic substances or chemicals, solid and special wastes, hazardous wastes, substances, material or chemicals, waste, used, or recycled oil, asbestos, occupational health and safety, nuisances, trespass, and negligence.

(b) Neither Agent nor any Bank shall assume or be deemed to assume any responsibility, liability, or obligation with respect to compliance with any federal, state, or local environmental law, rule, regulation, order, permit, license, ordinance, judgment or decree; *provided, however*, that in the event of the imposition or assumption for any reason whatsoever of any such responsibility, liability, or obligation, Borrower agrees to indemnify and hold Agent and the Banks harmless from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, of any kind or nature whatsoever, including without limitation, attorneys' and experts' fees, which may be imposed on, incurred by or asserted against it in any way relating to or arising from the Obligations, this Mortgage, the other Credit Documents and/or the Property. All of Borrower's obligations under this Section shall survive the foreclosure, release or other termination of this Mortgage and the satisfaction of the Obligations, and any merger of this Mortgage into any judgment or the like, whether pursuant to foreclosure or otherwise.

33. Certain Definitions. The following terms shall, for purposes of this Mortgage, have the respective meanings herein specified unless the context otherwise requires: (a) "Agent" means the Agent herein named and any subsequent mortgagee under this Mortgage, and its, his, her or their respective successors, assigns, heirs and personal representatives. (b) "Bank" means each Bank referred to in the Credit Agreement and, subject to the terms and provisions of the Credit Agreement, its successors and assigns, and likewise includes, except if otherwise provided in the Credit Agreement, any swing line lender, letter of credit issuer, swap provider or other credit or financial service provider for whom, pursuant to the terms of the Credit Agreement, Agent is to act as collateral agent or the like. (c) "Borrower" means the Borrower herein named and any subsequent owner or owners of the Property and its, his, her or their respective successors, assigns, heirs and personal representatives. (d) "Building" means all of the Building described herein including any part thereof. (e) "Building Equipment" means all of the Building Equipment described herein including any part thereof. (f) "Person" means an individual, corporation, partnership, trust, unincorporated organization or government, or any agency or political subdivision thereof, or any other legal entity. (g) "Premises" means all of the Premises described herein including any part thereof. (h) "Property" means all of the Property described herein including any part thereof.

34. Successors and Assigns. The terms, covenants and provisions of this Mortgage shall apply to and be binding upon Borrower and all subsequent owners and other Persons who have an interest in the Property, and shall inure to benefit of Agent, the successors and assigns of Agent, and all subsequent holders of this Mortgage, but the provisions of this Section shall not be construed to modify the provisions of Section 15(g).

35. Related Obligations. If and to the extent the Credit Agreement at any time authorizes Agent to act as a collateral agent or the like for the benefit of any Bank or any affiliate of any Bank that may issue interest rate swaps or other hedging instruments to or for the benefit of Borrower, the Obligations secured hereby shall include Borrower's existing and future obligations with respect to any such interest rate swaps and/or other hedging instruments.

36. Miscellaneous. Borrower further agrees as follows: (a) This Mortgage cannot be changed, waived, discharged or terminated orally but only by an agreement in writing, signed by the party against whom enforcement of the change, waiver, discharge or termination is sought. (b) This Mortgage shall be construed without regard to any presumption or rule requiring construction against the party causing such instrument or any portion thereof to be drafted. (c) All terms and words used in this Mortgage, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. (d) If there shall be more than one Borrower, the representations, warranties, covenants and other obligations of Borrower hereunder shall be the joint and several representations, warranties, covenants and other obligations of each and every Borrower. Whenever the terms of this Mortgage prohibit Borrower from doing or permitting to be done, whether voluntarily or otherwise, any act or event, any such negative covenants shall apply to each and every Borrower and the failure of any one Borrower in respect thereof shall be deemed a default of such negative covenant notwithstanding that any other Borrower may not be in default of such negative covenant. (e) The Section headings in this Mortgage and any index at the beginning of this Mortgage are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof. (f) All covenants contained herein shall run with the Property until the Obligations have been fully paid and performed. (g) Time is of the essence in the payment and performance by Borrower of the Obligations. (h) This Mortgage shall be governed by the laws of the State of Kansas, without regard to any choice of law rule thereof which gives effect to the laws of any other jurisdiction.

IN WITNESS WHEREOF, this Mortgage has been duly executed by Borrower and delivered to Agent as of the day and year first above written.

MGP INGREDIENTS, INC., a Kansas corporation formerly known as Midwest Grain Products, Inc. and, before that, as Midwest Solvents Company, Inc. and as successor by merger to Midwest Grain Processing Equipment Company, Inc.

By /s/ Robert Zonneveld
Name: Robert Zonneveld
Title: V.P Finance & CFO

STATE OF KANSAS)

) SS.

COUNTY OFATCHISON)

The foregoing instrument was acknowledged before me on December 11_, 2008, by _Robert Zonneveld, as V.P Finance of MGP INGREDIENTS, INC., a Kansas corporation, on behalf of the corporation.

/s/ Marta L. MyersNotary Public

[Seal]

My Commission expires: 01/03/2010

Exhibit A

(legal description of Premises)

PARCEL 1:

LOTS FOUR, FIVE, SIX AND SEVEN (LOTS 4, 5, 6 & 7), IN BLOCK FIFTEEN (BLK 15), BRANCHTON ADDITION, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 2:

THE WEST FIFTY FEET (W. 50') OF LOT TWELVE (12), BLOCK EIGHTEEN (18), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 3:

WEST THIRTY-FIVE FEET (35') OF LOT THREE (3), BLOCK TWENTY AND ONE-HALF (20½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 4:

THE WEST HALF OF LOT TWO (2), IN BLOCK TWENTY AND ONE-HALF (20½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 5:

LOT ONE (1) AND THE EAST HALF OF LOT TWO (2), IN BLOCK TWENTY AND ONE-HALF (20½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 6:

THE EAST THIRTY-EIGHT AND THREE-FOURTHS FEET (E38.75') OF LOT THREE (3), BLOCK TWENTY AND ONE-HALF (20½), IN THAT PART OF THE CITY OF ATCHISON KNOWN AND DESIGNATED AS WEST ATCHISON.

PARCEL 7:

THE EAST ONE-HALF ($E\frac{1}{2}$) OF LOT FOUR (4), BLOCK TWENTY AND ONE-HALF ($20\frac{1}{2}$) IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 8:

THE WEST ONE-HALF ($W\frac{1}{2}$) OF LOT FOUR (4), BLOCK TWENTY AND ONE-HALF ($20\frac{1}{2}$), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 9:

LOT FIVE (5) IN BLOCK TWENTY AND ONE-HALF ($20\frac{1}{2}$), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 10:

THE SOUTH THIRTY FEET (30') OF LOT SIX (6), BLOCK TWENTY, WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 11:

THE NORTH NINETY FEET OF LOT SIX, IN BLOCK TWENTY IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, TOGETHER WITH THE WEST VACATED THIRTY FEET OF ROBERTS STREET, WHICH ABUT ON THE EAST OF SAID NORTH NINETY FEET OF LOT SIX.

PARCEL 12:

THE EAST (E) FORTY (40) FEET OF LOT SEVEN (LT 7), IN BLOCK TWENTY (BLK 20), IN WEST ATCHISON (WA), AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 13:

THE WEST THIRTY-THREE AND THREE-FOURTHS FEET ($33\frac{3}{4}$) OF LOT SEVEN (7), THE EAST ELEVEN AND ONE-FOURTH FEET ($11\frac{1}{4}$) OF LOT EIGHT (8), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 14:

THE EAST THIRTY FEET (30') OF THE WEST SIXTY-TWO AND ONE-HALF FEET (62½') OF LOT EIGHT (8), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 15:

ALL OF THE WEST THIRTY-TWO AND ONE-HALF FEET (32-½') OF LOT EIGHT (8), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 16:

THE EAST FORTY-SEVEN FEET (47') OF LOT TEN (10), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 17:

NORTH THIRTY FEET (30') OF THE SOUTH SIXTY FEET (60') OF LOT SIX (6), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 18:

THE EAST FIFTY-EIGHT FEET (E 58') OF LOT EIGHT (8), BLOCK TWENTY AND ONE-HALF (20-½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 19:

THE EAST (E) SEVENTY-THREE AND ONE-THIRD (73 1/3RD) FEET OF LOT SEVEN (LT 7), AND THE WEST (W) FIFTY-TWO (52) FEET OF LOT EIGHT (LT 8), BLOCK TWENTY AND ONE-HALF (BLK 20 ½) IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 20:

THE EAST THREE FEET (E 3') AND NINE INCHES (9") OF LOT SIX (6) AND THE WEST THIRTY-SIX FEET (W 36') AND EIGHT INCHES (8") OF LOT SEVEN (7), ALL IN BLOCK TWENTY AND ONE-HALF (20 ½) IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 21:

THE WEST EIGHTY-FIVE FEET (W 85') OF LOT SIX (LT 6), IN BLOCK TWENTY AND ONE-HALF (BLK 20 ½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 22:

LOT ELEVEN (LT 11) AND THE WEST (W) THIRTY (30) FEET OF VACATED ROBERTS STREET, ALL IN BLOCK TWENTY (BLK 20), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS.

PARCEL 23:

TRACT NO. 1

LOTS 1 TO 16, BOTH INCLUSIVE, BLOCK 21½, WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, TOGETHER WITH ALL ADJACENT TRACTS OUT OF THE STREETS AND ALLEYS ADJOINING SAID LOTS HERETOFORE ACQUIRED, BY REVERSION, UPON THE VACATION OF SAID STREETS AND ALLEYS.

TRACT NO. 2

LOTS 9, 10 AND 11, BLOCK 21, WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, AND THE WEST 30 FEET OF VACATED ROBERTS STREET EAST OF AND ADJOINING SAID LOT 11, EXCEPT THE FOLLOWING DESCRIBED TRACT:

BEGINNING AT A POINT 14 FEET EAST OF THE SOUTHEAST CORNER OF SAID LOT 11; THENCE EAST 16 FEET TO THE CENTER LINE OF ROBERTS STREET (NOW VACATED); THENCE NORTH ALONG SAID CENTER LINE 30 FEET; THENCE SOUTHWESTERLY 34 FEET TO THE POINT OF BEGINNING, TOGETHER WITH ALL ADJACENT TRACTS OUT OF THE STREETS AND ALLEYS ADJOINING THE TRACT ABOVE DESCRIBED HERETOFORE ACQUIRED, BY REVERSION, UPON THE VACATION OF SAID STREETS AND ALLEYS.

TRACT NO. 3

LOT 6, BLOCK 21, WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, AND THE WEST 30 FEET OF VACATED ROBERTS STREET EAST OF AND ADJOINING SAID LOT, EXCEPT THE FOLLOWING DESCRIBED TRACT:

BEGINNING AT THE NORTHWEST CORNER OF SAID LOT 6; THENCE EAST ALONG THE NORTH LINE OF SAID LOT AND THE EASTERLY CONTINUATION THEREOF 100 FEET; THENCE SOUTH 100 FEET; THENCE WEST 100 FEET TO A POINT ON THE WEST LINE OF SAID LOT 6; THENCE NORTH 100 FEET TO THE POINT OF BEGINNING. TOGETHER WITH ALL ADJACENT TRACTS OUT OF THE STREETS AND ALLEYS ADJOINING THE TRACT ABOVE DESCRIBED HERETOFORE ACQUIRED, BY REVERSION, UPON THE VACATION OF SAID STREETS AND ALLEYS.

TRACT NO. 4

LOTS 1 TO 8, BOTH INCLUSIVE, BLOCK 50, L.C. CHALLISS ADDITION, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, TOGETHER WITH ALL ADJACENT TRACTS OUT OF THE STREETS AND ALLEYS ADJOINING SAID LOTS HERETOFORE ACQUIRED, BY REVERSION, UPON THE VACATION OF SAID STREETS AND ALLEYS.

TRACT NO. 5

ALL THAT PART OF BLOCK 28, JOHN ROBERTS' THIRD ADDITION, NOW VACATED, TOGETHER WITH A PORTION OF UTAH AVENUE ADJACENT THERETO, NOW VACATED, IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT ON THE SOUTH LINE OF UTAH AVENUE (NOW VACATED) APPROXIMATELY 165 FEET WEST OF THE NORTHEAST CORNER OF SAID BLOCK 28, MEASURED ALONG THE NORTH LINE OF SAID BLOCK (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF THE MISSOURI PACIFIC RAILROAD CO. TRACK NO. 17-137); THENCE SOUTHWESTERLY ALONG A LINE MAKING A SOUTHWEST ANGLE OF 54°14' WITH SAID NORTH LINE OF SAID BLOCK 28 A DISTANCE OF 70 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK 17-137); THENCE NORTHWESTERLY AT RIGHT ANGLES TO THE LAST DESCRIBED COURSE 10 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF THE MISSOURI PACIFIC RAILROAD CO. TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 82°53' TO THE LEFT OF THE LAST DESCRIBED COURSE 80 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 10°03' TO THE RIGHT OF THE LAST DESCRIBED COURSE 67.5 FEET TO A POINT (SAID

POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 9°32' TO THE RIGHT OF THE LAST DESCRIBED COURSE 67.5 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 5°32' TO THE RIGHT OF THE LAST DESCRIBED COURSE 67.5 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 5° TO THE RIGHT OF THE LAST DESCRIBED COURSE 136 FEET, MORE OR LESS, TO A POINT ON THE WEST LINE OF SAID BLOCK 28 (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE NORTHWESTERLY ALONG THE WEST LINE OF SAID BLOCK 28 AND THE EXTENSION THEREOF 285 FEET, MORE OR LESS, TO THE CENTER LINE OF VACATED UTAH AVENUE; THENCE EAST ALONG THE CENTER LINE OF VACATED UTAH AVENUE 445 FEET, THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 114°18' TO THE RIGHT OF THE LAST DESCRIBED COURSE 44.6 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

PARCEL 24:

LOT 8, IN BLOCK 21, AND THAT PART OF THE CITY OF ATCHISON USUALLY KNOWN AND DESIGNATED AS WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, ATCHISON COUNTY, KANSAS.

PARCEL 25:

THE NORTH ONE HUNDRED FEET (N 100') OF LOT SEVEN (7), IN BLOCK TWENTY-ONE (21), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 26:

THE SOUTH (S) FIFTY (50) FEET OF LOT SEVEN (LT 7), BLOCK TWENTY-ONE (BLK 21), IN WEST ATCHISON (WA), AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, ACCORDING TO THE RECORDED PLAT THEREOF.

PARCEL 27:

THE EAST FIFTY-SIX FEET (56') OF LOT TWENTY (20), IN BLOCK TWENTY-TWO (22), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 28:

EAST TWENTY-SIX FEET TEN INCHES (26'10") OF LOT SEVENTEEN (17), BLOCK TWENTY-TWO (22), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 29:

THE NORTH EIGHTY-SEVEN AND ONE-HALF FEET (N 87 ½') OF LOTS ONE (1) AND TWO (2), IN BLOCK TWENTY-TWO (22), IN WEST ATCHISON.

PARCEL 30:

THE SOUTH SIXTY-TWO AND ONE-HALF FEET (62½') OF LOT ONE (1) AND THE SOUTH SIXTY-TWO AND ONE-HALF FEET (62½') OF LOT TWO (2), EXCEPT THE WEST TWENTY-FIVE FEET (25') OF SAID LOT TWO (2), ALL IN BLOCK TWENTY-TWO (22), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 31:

LOT FOUR (LT 4), BLOCK THIRTY-THREE (BLK 33), IN L. C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 32:

LOTS FIVE (5) THROUGH ELEVEN (11), THE NORTH 100.8 FEET OF THE EAST .2 FOOT OF LOT TWELVE (12), THE SOUTH 49.2 FEET OF LOTS TWELVE (12) AND THIRTEEN (13), BLOCK THIRTY-THREE (33), L. C. CHALLISS, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 33:

THE NORTH SEVENTY-FOUR FEET (N 74') OF LOTS ONE (1) AND TWO (2), ALL OF LOTS THREE THROUGH FOURTEEN, INCLUSIVE, (3-14), IN BLOCK FORTY (40), AND THE WEST 24.8 FEET OF THE NORTH 100.8 FEET OF LOT TWELVE (12), THE NORTH 100.8 FEET OF LOT THIRTEEN (13), ALL OF LOTS FOURTEEN (14) THROUGH TWENTY-ONE (21), INCLUSIVE, TOGETHER WITH RIGHTS OF EASEMENT OVER THE SOUTH TWENTY FEET OF LOTS TWELVE (12) AND THIRTEEN (13), IN BLOCK THIRTY-THREE (33), L. C. CHALLISS ADDITION, CITY OF ATCHISON, KANSAS.)

PARCEL 34:

THE SOUTH FIFTY FEET (S. 50') OF LOTS THIRTY-SIX (36), THIRTY-SEVEN (37), THIRTY-EIGHT (38) AND THIRTY-NINE (39), IN BLOCK THIRTY-NINE (39), IN L. C. CHALLISS, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 35:

TRACT 1 - THE NORTH ONE HUNDRED TEN (110) FEET OF LOTS ELEVEN (11) TO TWENTY-ONE (21) INCLUSIVE, IN BLOCK THIRTY-TWO (32), L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, ACCORDING TO THE PLAT THEREOF ON FILE AND OF RECORD IN THE OFFICE OF THE REGISTER OF DEEDS OF SAID ATCHISON COUNTY, INCLUDING THE FOLLOWING PORTIONS OF VACATED STREETS ADJACENT THERETO, VIZ.: THE VACATED SOUTH ELEVEN AND ONE HALF (11 ½) FEET OF MAIN STREET FROM THE CENTER OF 11TH STREET TO THE EAST LINE OF LOT ELEVEN (11) IN SAID BLOCK AND THE VACATED PORTION OF 11TH STREET FROM MAIN STREET TO THE SOUTH LINE OF SAID 110-FOOT STRIP.

TRACT 2 - THE NORTH ONE HUNDRED TEN (110) FEET OF LOTS ONE (1) TO TWENTY-FOUR (24), INCLUSIVE, IN BLOCK FORTY-ONE (41), L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, ACCORDING TO THE PLAT THEREOF ON FILE AND OF RECORD IN THE OFFICE OF THE REGISTER OF DEEDS OF SAID ATCHISON COUNTY, INCLUDING THE FOLLOWING PORTIONS OF VACATED STREETS AND ALLEYS ADJACENT THERETO, VIZ: THE VACATED ALLEY FROM MAIN STREET TO THE SOUTH LINE OF SAID 110-FOOT STRIP BETWEEN LOTS NINETEEN (19) AND TWENTY (20) IN SAID BLOCK FORTY-ONE (41) THE VACATED SOUTH ELEVEN AND ONE-HALF (11 ½) FEET OF MAIN STREET FROM THE CENTER OF 11TH STREET TO THE CENTER OF 12TH STREET, THE VACATED WEST HALF OF 11TH STREET FROM MAIN STREET TO THE SOUTH LINE OF SAID 110 FOOT STRIP AND THE VACATED EAST HALF OF 12TH STREET FROM MAIN STREET TO THE SOUTH LINE OF SAID 110-FOOT STRIP.

TRACT 3 - THE EAST ONE HUNDRED FEET (E 100') OF THE NORTH HALF (N ½) OF BLOCK FIFTY (50), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, EXCEPTING THEREFROM A TRACT OF LAND DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE EAST LINE OF SAID BLOCK NO. FIFTY (50) WHICH IS 76.4 FEET SOUTH OF THE NORTHEAST CORNER OF SAID BLOCK, RUNNING THENCE IN A SOUTHWESTERLY DIRECTION 114.6 FEET TO A POINT WHICH IS 97 FEET WEST OF THE EAST LINE OF SAID BLOCK NO. FIFTY (50), THENCE RUNNING EAST 28.1 FEET, THENCE RUNNING IN A NORTHEASTERLY DIRECTION 84.1 FEET TO A POINT WHICH IS 94.1 FEET SOUTH OF THE NORTHEAST CORNER OF SAID BLOCK NO. FIFTY (50), THENCE RUNNING NORTH 17.7 FEET TO THE POINT OF BEGINNING; AND ALSO EXCEPT BEGINNING AT POINT IN THE EAST LINE OF LOT ONE (1), BLOCK FIFTY (50), IN L.C. CHALLISS ADDITION, 127.5 FEET SOUTH OF THE NORTH LINE OF SAID BLOCK FIFTY (50); THENCE SOUTH 10 FEET MORE OR LESS TO THE NORTHERLY RIGHT OF WAY LINE OF THE MISSOURI PACIFIC RAILROAD COMPANY; THENCE EASTERLY ALONG SAID NORTHERLY RIGHT OF WAY LINE 3 FEET MORE OR LESS TO SAID RAILROAD COMPANY'S NORTHWESTERLY RIGHT OF WAY LINE;

THENCE NORTHEASTERLY ALONG SAID NORTHWESTERLY RIGHT OF WAY LINE 70 FEET, THENCE SOUTHWESTERLY 68 FEET MORE OR LESS, TO THE POINT OF BEGINNING. ALSO EXCEPTING THEREFROM: COMMENCING AT A POINT ON THE CENTER LINE OF 12TH STREET, 73 FEET SOUTH OF THE SOUTH LINE OF MAIN STREET, THENCE SOUTH ALONG THE CENTER LINE OF 12TH STREET, 66 FEET, THENCE WEST ON A LINE AT RIGHT ANGLES TO THE CENTER LINE OF 12TH STREET 111.6 FEET, THENCE IN A NORTHEASTERLY DIRECTION TO THE POINT OF BEGINNING, AND THAT PART OF VACATED 12TH STREET ADJACENT THERETO.

TRACT 4 - ALL OF LOTS TWENTY-FIVE (25) AND TWENTY-SIX (26) AND THE WEST 0.50 FEET OF LOT TWENTY-SEVEN (27), IN BLOCK FORTY (40), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 36:

THE SOUTH 76 FEET OF LOTS ONE (1) AND TWO (2), IN BLOCK FORTY (40), IN L. C. CHALLIS ADDITION, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 37:

LOTS FIFTEEN (15) AND SIXTEEN (16), IN BLOCK FORTY (40), L.C. CHALLISS ADDITION, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 38:

LOT SEVENTEEN (17), AND THE EAST TEN (10) FEET OF LOT EIGHTEEN (18), BLOCK FORTY (40) IN THE L.C. CHALLIS ADDITION TO THE CITY OF ATCHISON.

PARCEL 39:

LOT NINETEEN (19) AND THE WEST FIFTEEN FEET (W. 15') OF LOT EIGHTEEN (18), IN BLOCK FORTY (40), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

PARCEL 40:

ALL OF LOTS 35 TO 38 INCLUSIVE, IN BLOCK 40, L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS , EXCEPT THAT PART OF THE SAME THAT IS SOUTH OF THE MOST NORTHWESTERLY RIGHT OF WAY LINE OF THE MISSOURI PACIFIC RAILROAD CO. AND RUNNING THROUGH SAID LOTS IN BLOCK 40, L.C. CHALLISS ADDITION.

PARCEL 41:

THE SOUTH 76 FEET OF LOTS ONE (1) AND TWO (2), IN BLOCK FORTY (40), IN L.C. CHALLIS ADDITION, AN ADDITION TO THE CITY OF ATCHISON COUNTY, KANSAS.

PARCEL 42:

ALL OF LOTS 39 AND 40 OF BLOCK 40 OF THE L. C. CHALLIS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, AND ALL THOSE PORTIONS OF LOTS 31, 32, 33, 34, 35, 36, 37 AND 38 OF SAID BLOCK 40 THAT LIE SOUTHEASTERLY AND EASTERLY OF THE SOUTHEASTERLY LINE OF THAT CERTAIN STRIP OF LAND DESCRIBED IN GENERAL WARRANTY DEED DATED OCTOBER 14, 1929, FROM MISSOURI PACIFIC RAILROAD COMPANY TO PILLSBURY FLOUR MILLS COMPANY, IDENTIFIED IN THE MISSOURI PACIFIC RAILROAD DEED RECORDS AS DOCUMENT NO. 1600306 #3-2.

ALSO THE NORTH 30 FEET OF LOT 42 OF BLOCK 40 OF THE L.C. CHALLIS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 43:

LOTS FIVE, SIX, SEVEN, EIGHT, NINE AND TEN (5, 6, 7, 8, 9 AND 10), BLOCK FORTY-THREE (43), IN L. C. CHALLISS ADDITION TO THE CITY OF ATCHISON, EXCEPT THAT PART THEREOF DESCRIBED AS FOLLOWS; COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT TEN (10), BLOCK FORTY-THREE (43), L.C. CHALLISS ADDITION, THENCE EAST ALONG THE SOUTH LINE OF LOTS TEN (10) TO FIVE (5), INCLUSIVE TO THE SOUTHEAST CORNER OF SAID LOT FIVE (5), BLOCK FORTY-THREE (43), L.C. CHALLISS ADDITION, THENCE NORTH ALONG THE EAST LINE OF SAID LOT FIVE (5), A DISTANCE OF SEVENTY-FIVE AND SIX-TENTHS (75.6) FEET, THENCE SOUTHWEST TO THE PLACE OF BEGINNING. AND ALL OF LOTS ELEVEN, TWELVE, THIRTEEN, FOURTEEN AND FIFTEEN (11, 12, 13, 14 AND 15), BLOCK FORTY-THREE (43), L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

PARCEL 44:

LOTS ONE (1) THROUGH SIXTEEN (16), INCLUSIVE, AND LOT TWENTY-TWO (22), IN BLOCK FORTY-EIGHT (48), IN L.C. CHALLISS' ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS; AND

A TRACT IN THE SOUTHEAST QUARTER (SE ¼) OF THE NORTHWEST QUARTER (NW ¼) OF SECTION ONE (1), TOWNSHIP SIX (6), RANGE TWENTY (20), DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE WEST LINE OF THIRTEENTH STREET IN THE CITY OF ATCHISON, 320 FEET NORTHWARDLY FROM THE INTERSECTION OF SAID WEST LINE WITH THE EAST AND WEST CENTER LINE OF SAID SECTION 1, THENCE SOUTHWARDLY ALONG SAID WEST LINE 15 FEET MORE OR LESS TO A POINT IN THE NORTHWESTERLY LINE OF A TRACT OF LAND CONDEMNED BY THE CITY OF ATCHISON PURSUANT TO ORDINANCE NO. 3966, REPORT OF CONDEMNATION BEING RECORDED IN BOOK 234, PAGE 523, OF THE REGISTER OF DEEDS' OFFICE FOR ATCHISON COUNTY, THENCE SOUTHWESTWARDLY ALONG SAID NORTHWESTERLY LINE TO A POINT IN THE PROLONGATION SOUTHERLY OF THE EAST LINE OF FOURTEENTH STREET, THENCE NORTHWARDLY ALONG SAID PROLONGATION 390' MORE OR LESS TO AN INTERSECTION WITH THE SOUTHEASTERLY LINE OF PROPERTY OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, THENCE NORTHEASTWARDLY ALONG SAID SOUTHEASTERLY LINE 610 FEET MORE OR LESS TO A POINT IN THE WEST LINE OF THIRTEENTH STREET VACATED UNDER ORDINANCE NO. 3192 DATED MAY 24, 1915, THENCE EASTWARDLY BY A STRAIGHT LINE AT RIGHT ANGLES TO SAID WEST LINE OF THIRTEENTH STREET 30 FEET TO THE CENTER LINE OF SAID THIRTEENTH STREET VACATED, THENCE SOUTHWARDLY ALONG SAID CENTER LINE 400 FEET MORE OR LESS TO THE SOUTHERLY LINE OF THAT PART OF THIRTEENTH STREET VACATED UNDER SAID ORDINANCE, THENCE WESTWARDLY ALONG SAID SOUTHERLY LINE 30 FEET TO THE POINT OF BEGINNING, CONTAINING 5.85 ACRES MORE OR LESS.

PARCEL 45:

LOTS ONE AND TWO (1 & 2) AND THE NORTH SIXTY-FIVE FEET (N 65') AND THE EAST HALF (E ½) OF THE SOUTH EIGHTY-FIVE FEET (S 85') OF LOT THREE (3) IN BLOCK FIFTY-ONE (51), IN L. C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

PARCEL 46:

LOTS THIRTEEN AND FOURTEEN (LTS 13 & 14), BLOCK FIFTY-ONE (BLK 51), IN L. C. CHALLISS' ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 47:

ALL OF LOTS TWENTY THREE (23) AND TWENTY FOUR (24), IN BLOCK FIFTY-ONE (51) IN THAT PART OF THE CITY OF ATCHISON KNOWN AND DESIGNATED AS L.C. CHALLISS ADDITION.

PARCEL 48:

LOTS NINETEEN (19), TWENTY (20), TWENTY-ONE (21) AND TWENTY-TWO (22), BLOCK FIFTY-ONE (51), L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 49:

LOTS FIFTEEN (15), SIXTEEN (16), SEVENTEEN (17) AND EIGHTEEN (18), BLOCK FIFTY-ONE (51) IN L. C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

PARCEL 50:

PART OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION ONE, TOWNSHIP SIX, RANGE TWENTY, BEGINNING AT THE NORTHEAST CORNER OF SAID NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, RUNNING THENCE WEST FIVE HUNDRED FEET; THENCE SOUTH 460 FEET; THENCE EAST 500 FEET; THENCE NORTH 460 FEET TO THE PLACE OF BEGINNING, EXCEPT A PARCEL OF LAND 20 FEET WIDE AND 300 FEET LONG, BEING 10 FEET ON EACH SIDE OF THE CENTER LINE OF A RAILROAD TRACK, WHICH BEGINS 30 FEET SOUTH AND 107.5 FEET WEST OF THE NORTHEAST CORNER OF THE NORTHWEST QUARTER AT THE SOUTHWEST QUARTER OF SECTION ONE, TOWNSHIP SIX, RANGE TWENTY, THENCE SOUTHERLY AT AN ANGLE OF 76° 12" TO THE SOUTHEAST.

Exhibit B

(Permitted Liens)

1. Taxes and assessments for the calendar year 2008 and subsequent years, provided that payment of such taxes and assessments is not delinquent.
 2. Exception numbers 9 through 27, inclusive, as shown in Schedule B, Section 2 of title insurance commitment number NCS-374977-KCTY, with a commitment date of November 20, 2008, at 7:30 A.M., issued by First American Title Insurance Company of Kansas.
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COMMODITY ACCOUNT CONTROL AGREEMENT

This Commodity Account Control Agreement (the "Agreement"), dated as of November 19, 2008, is made by and among MGP INGREDIENTS, INC, a Kansas corporation (together with its successors and assigns, "Debtor"), COMMERCE BANK, N.A. as Agent for the Banks, as such terms are defined in the Credit Agreement referred to below (together with its successors and assigns, and in such capacity, "Secured Party"), and ADM INVESTOR SERVICES, INC. (together with its successors and assigns, "Commodity Intermediary").

WHEREAS, Debtor, Secured Party and the Banks party thereto are parties to a Credit Agreement dated as of May 5, 2008, as amended, and Debtor and Secured Party are parties to a Security Agreement dated as of May 5, 2008, as amended, which provide for Debtor's grant of a security interest in certain of its assets to Secured Party (such Credit Agreement and Security Agreement, as each may be amended, renewed, restated, replaced or otherwise modified from time to time, being collectively referred to herein as the "Financing Agreement"); and

WHEREAS, the assets pledged to Secured Party pursuant to the Financing Agreement include Debtor's interests in the Trading Account at Commodity Intermediary and the Trading Account Property contained therein or credited thereto (each as defined below); and

WHEREAS, it is a requirement under the Financing Agreement that Debtor cause Commodity Intermediary to enter into a commodity account control agreement with Debtor and Secured Party;

NOW THEREFORE, the parties agree as follows:

1. Definitions. As used herein, the following terms have the following meanings:

"Commodity Intermediary Indebtedness" has the meaning provided in Section 6 of this Agreement.

"Distributions" means interest, dividends and other distributions of any nature on any Investment Property or other property that is credited to the Trading Account at any time.

"Entitlement Order" has the meaning provided in Section 4 of this Agreement.

"Investment Property" means "investment property," as defined in UCC Section 9-102.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest in such asset.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Proceeds" means all cash and other proceeds and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, other realization upon any Investment Property or other property that is credited to the Trading Account.

“Trading Account” has the meaning provided in Section 2(a)(i) of this Agreement.

“Trading Account Property” means each item of property (whether Investment Property, a security, a security entitlement, a commodity contract, a commodity, an instrument or cash), including Proceeds and Distributions (i) that is or may in the future be standing to the credit of the Trading Account, (ii) that has been received and accepted, or may in the future be received and accepted, by Commodity Intermediary for credit to the Trading Account, or (iii) as to which Commodity Intermediary is or may in the future become obligated by law, regulation, rule or agreement to credit to the Trading Account.

“UCC” means the Uniform Commercial Code as in effect in the State of Missouri.

2. Establishment of Trading Account: Debtor’s Right to Excess Funds.

(a) Commodity Intermediary confirms and agrees that:

(i) At the request of, and for the account of Debtor, as owner of the assets therein, Commodity Intermediary has established account number(s) 234-34802, 234-34803, 234-34804, 234-34805, 234-34806, 234-34807 and 234-34808 in the name of Debtor (such account(s) and any successor or replacement account(s), whether one or more and however titled, being herein called the “Trading Account”).

(ii) Commodity Intermediary will not change the name(s) or account number(s) of the Trading Account without obtaining Secured Party’s prior written consent.

(iii) The Trading Account is an account to which Investment Property and commodity contracts are or may be credited.

(b) Except for initial and variation margin payments, commission and fee payments required to be made in respect of the Trading Account, no withdrawal of cash from or similar debit of cash with respect to the Trading Account shall be made except pursuant to written instructions from Secured Party, and Commodity Intermediary shall forthwith honor all debit instructions from Secured Party without consent of Debtor by transmitting each disbursement in immediately available funds as instructed by Secured Party. Notwithstanding the above, Commodity Intermediary shall be entitled to withdraw funds from the Trading Account to meet any and all Trading Account related obligations of Debtor to Commodity Intermediary and additionally shall be allowed to send excess funds from the Trading Account to Debtor in the ordinary course of business unless Secured Party gives Commodity Intermediary written notice to the contrary in accordance with its rights under this Agreement.

3. Control.

(a) Debtor hereby directs Commodity Intermediary, and Commodity Intermediary hereby agrees subject to its rights under Section 6 of this Agreement, to comply with all instructions it receives from Secured Party from time to time regarding the Trading Account, including, without limitation, any instructions to liquidate or redeem any commodity contracts and/or any other Trading Account Property in the Trading Account and any instructions to remit all or any portion of the Proceeds thereof and/or any or all other property in the Trading Account to Secured Party or to such other Person as Secured Party may designate, in each case without further consent by Debtor. Debtor agrees not to withdraw or attempt to withdraw any funds or

other property from the Trading Account except as permitted in writing by Secured Party or except as otherwise permitted under this Agreement.

(b) Any Trading Account Property or Proceeds thereof remitted by Commodity Intermediary to Secured Party or its designee pursuant to Secured Party's instructions shall act to discharge Commodity Intermediary's obligations to Debtor to the extent of such Trading Account Property or Proceeds, all as if such Trading Account Property or Proceeds had been remitted to and received by Debtor.

(c) Without limiting any other provisions of this Agreement, this Agreement is intended and shall act to provide Secured Party "control" of all commodity contracts carried at any time in the Trading Account and "control" of the Trading Account itself, for purposes of UCC Section 9-106(b) and (c), respectively; and Secured Party is hereby granted all rights and powers as are legally necessary to obtain and exercise such control and all rights and powers as may be reasonably incidental thereto, in each case subject only to Commodity Intermediary's express rights under this Agreement.

4. Entitlement Orders.

(a) Debtor grants its continuing consent to Commodity Intermediary complying with any and all notifications, whether written or oral, communicated to Commodity Intermediary directing transfer, liquidation, or redemption of any of the Trading Account Property (each such notification being referred to herein as an "Entitlement Order") originated by Secured Party, without any further consent by Debtor or any other Person.

(b) Nothing herein contained shall be construed so as to prevent Debtor from remaining the owner of the Trading Account, subject to Secured Party's security interest therein and its rights and remedies under this Agreement and the Financing Agreement. Until Secured Party elects to the contrary and delivers notice of such election in writing to Commodity Intermediary, Debtor may make such additional transactions in the Trading Account as Commodity Intermediary shall be willing to accept for execution and/or clearance. In the event Secured Party makes such election and delivers such notice in writing to Commodity Intermediary, Debtor shall not thereafter execute any transactions in the Trading Account. After receipt of any such notice from Secured Party, Commodity Intermediary shall cease complying with orders or other directions concerning the Trading Account originated by Debtor. Upon receipt by Commodity Intermediary of notice of such election and if directed by Secured Party, Commodity Intermediary will use commercially reasonable efforts to cancel open orders that have been authorized by Debtor through Commodity Intermediary but which have not yet been executed. If Commodity Intermediary is unable to cancel such orders before they are executed, the transactions will be considered valid and binding on Debtor and Secured Party. In the event that orders are executed for Debtor's account by a third party pursuant to the terms of a "give-up" or similar agreement among Debtor, Commodity Intermediary and such third party, Commodity Intermediary will use commercially reasonable efforts, subject to the terms of such agreement, to notify such third party that Commodity Intermediary will not thereafter accept trades executed by such third party for clearance into Debtor's account.

(c) Commodity Intermediary confirms that it has not entered into any agreement with Debtor or any other Person purporting to limit or condition the obligation of Commodity Intermediary to comply with Entitlement Orders originated by Secured Party.

(d) If at any time Commodity Intermediary shall receive any Entitlement Order from Secured Party, Commodity Intermediary shall comply with such Entitlement Order without further consent by Debtor or any other Person, notwithstanding that such Entitlement Order may conflict with any instruction or notification by Debtor or any other Person.

(e) Commodity Intermediary need not investigate whether Secured Party is entitled under Secured Party's agreements with Debtor to give an Entitlement Order or a notice of exclusive control. Commodity Intermediary may rely on notices and communications it reasonably believes are given by the appropriate party.

(f) Commodity Intermediary will not be liable to Secured Party for complying with orders or other instructions from Debtor that are received by Commodity Intermediary before Commodity Intermediary has received and has had reasonable opportunity to act on Secured Party's notice of election of exclusive control.

(g) The rights and powers granted to Secured Party under this Section 4, under Section 2(b) above, and the other provisions of this Agreement have been granted in order to perfect Secured Party's Lien with respect to the Trading Account and the Trading Account Property, are powers coupled with an interest, and will not be affected by the bankruptcy of Debtor or by the lapse of time.

(h) As between Secured Party and Debtor, Secured Party agrees that it will not give an Entitlement Order or notice of exclusive control under this Agreement unless an "Event of Default" exists under the Financing Agreement or unless directed to do so by the Required Banks referred to in the Financing Agreement; provided, however, that (i) nothing in Section 4(h) shall affect Commodity Intermediary's rights and obligations under this Agreement, including, without limitation, its rights and obligations under Sections 4(d) and 4(e) above, and (ii) if Debtor disputes Secured Party's right at any time to give an Entitlement Order or notice of exclusive control under this Agreement its sole remedy in respect thereof shall be to bring a suit for monetary damages against Secured Party and the Banks under the Financing Agreement; it being understood and agreed that Debtor may not, and Debtor hereby waives any right to, bring any suit or similar action against Commodity Intermediary, the Trading Account or any Trading Account Property in connection with Secured Party's exercise of its rights under this Agreement, and that Debtor's right to bring a suit for monetary damages against Secured Party and such Banks constitutes an adequate remedy at law.

5. Additional Rights of Secured Party.

(a) Whenever Secured Party deems it necessary for its protection, it shall be entitled, without obtaining the further consent of or providing prior notice to Debtor, to direct Commodity Intermediary to liquidate any or all then outstanding open positions in the Trading Account and to direct Commodity Intermediary to pay to Secured Party any credit balance as shall exist in the Trading Account after such liquidation and after the payment to Commodity Intermediary of all Commodity Intermediary Indebtedness in connection with transactions in Debtor's accounts with Commodity Intermediary. Debtor shall be liable to Commodity Intermediary for any debit or deficit that may be created when Secured Party initiates a liquidation.

(b) If Commodity Intermediary requires additional margin for an open position, Secured Party may, but shall not be obligated to, advance to Commodity Intermediary on behalf of Debtor such amounts as may be required by Commodity Intermediary to margin such position, and, if applicable, shall give Commodity Intermediary immediate notice of its intent not to

advance such margin as stated below; *provided, however*, that Debtor in all respects shall remain liable to Secured Party for any amount so advanced. Secured Party shall notify Commodity Intermediary immediately if Secured Party determines not to make any further advance or extension of credit on behalf of Debtor. Failure to give timely notice shall be deemed to be Secured Party's determination not to make any further advances or extensions of credit on behalf of Debtor.

(c) Debtor and Secured Party agree that Secured Party may obtain additional collateral for Debtor obligations and that Secured Party may proceed hereunder against the Trading Account or resort to any other collateral, or both, in its sole discretion.

(d) Notwithstanding anything herein to the contrary, insofar as the Financing Agreement provides that Secured Party is to act as collateral agent or the like for any Person other than a Bank, Secured Party shall be deemed to have entered into this Agreement on behalf of and as agent for such other Person and Secured Party's rights hereunder shall benefit such other Person to the extent provided in the Financing Agreement. Without limiting the generality of the foregoing, if the Financing Agreement provides that Secured Party is to or may act as collateral agent or the like on behalf of any letter of credit issuer, swap counterparty or other obligee, whether such Person is a Bank, an affiliate of a Bank or another Person, or with respect to any obligations due any such Person or Persons, Secured Party's rights under this Agreement shall extend to and benefit such other Person or Persons to the extent provided in the Financing Agreement.

6. Commodity Intermediary's Lien and Right of Prior Payment. The security interest and Lien of Secured Party against Debtor's Trading Account is subject to the prior payment of all margin, commission, deficit account balance and fee payment indebtedness of Debtor to Commodity Intermediary as may exist from time to time, including all fees and commissions which may be incurred in connection with Debtor's account and trading transactions with Commodity Intermediary at any time (all such indebtedness and all such other obligations being referred to herein as "Commodity Intermediary Indebtedness"), and to Commodity Intermediary's Lien and the right of foreclosure or other realization thereof in connection with Commodity Intermediary Indebtedness (including any right of Commodity Intermediary to liquidate open positions or exercise commodity options, all without prior demand for additional margin and without prior notice).

7. Governing Law.

(a) Regardless of any provisions of any other agreement, but except as otherwise provided in Section 7(b) below, this Agreement, the Trading Account, Trading Account Property and any other property therein shall be governed by and construed in accordance with the internal law (excluding the conflict-of-law rules) of the State of Illinois.

(b) Regardless of any provision in any other agreement, for purposes of Sections 9-304, 9-305, 9-306 and 8-110(e) of the UCC Commodity Intermediary's jurisdiction and the location of the Trading Account shall be deemed to be the State of Illinois; *provided, however*, that the foregoing shall not alter any choice of law agreement between Commodity Intermediary and Debtor insofar as the application of such chosen law does not adversely affect Secured Party's rights and remedies under the law chosen in Section 7(a) above or the perfection of Secured Party's Lien on the Trading Account or the Trading Account Property or the exercise of Secured Party's rights and remedies provided for in this Agreement.

8. Conflicts with Other Agreements. In the event of any conflict between the terms of Commodity Intermediary's account agreement (or any portion thereof) with Debtor and this Agreement, such account agreement shall prevail unless such conflict has or may have an adverse effect on the perfection of Secured Party's lien on the Trading Account or the Trading Account Property or the exercise of Secured Party's rights and remedies provided for in this Agreement in which case this Agreement shall control. Notwithstanding the above, the parties agree that Debtor's account agreement shall control with respect to Commodity Intermediary's rights and obligations with respect to margin and margin calls. In the event of any conflict between this Agreement (or any portion thereof) and any other agreement now existing or hereafter entered into, other than such account agreement, the terms of this Agreement shall prevail.

9. Amendments. No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all of the parties hereto.

10. Severability. To the extent any provision of this Agreement is found by a tribunal of competent jurisdiction to be unenforceable, this Agreement will be construed as if the unenforceable provision were omitted.

11. Successor and Assigns. This Agreement shall be binding upon and inure to the benefit of Debtor, Secured Party and Commodity Intermediary and their respective successors (including their respective corporate successors or heirs and personal representatives who obtain such rights solely by operation of law and not by agreement or other voluntary act) and assigns, except that neither Debtor nor Commodity Intermediary may assign or delegate any of its respective rights or obligations under this Agreement without the prior written consent of Secured Party. In the event of any assignment by Secured Party, Secured Party shall give written notice of such assignment to Debtor and Commodity Intermediary and the assignee will thereupon be Secured Party hereunder, with all the same rights, duties and privileges as though originally named as Secured Party hereunder.

12. No Adverse Claims. Except for the claims and interest of the parties hereto in the Trading account and the Trading Account Property, Commodity Intermediary does not know of any claim to, or interest in, the Trading Account or the Trading Account Property. If any Person notifies Commodity Intermediary that it is asserting any Lien or adverse claim (including, but not limited to, any writ, garnishment, judgment, warrant of attachment, execution or similar process) against the Trading Account or the Trading Account Property, Commodity Intermediary will promptly notify Secured Party and Debtor thereof.

13. Maintenance of Trading Account. In addition to, and not in lieu of, the obligation of Commodity Intermediary to honor Entitlement Orders as agreed in Section 4 hereof, Commodity Intermediary agrees to maintain the Trading Account as follows:

(a) Commodity Intermediary will promptly send copies of all statements, confirmations and other correspondence concerning the Trading Account to Debtor and simultaneously to Secured Party at the address provided in this Agreement.

(b) All items of income, gain, expense and loss recognized in the Trading Account shall be reported to taxing authorities under the name and taxpayer identification number (if applicable) of Debtor.

14. Representations and Warranties of Commodity Intermediary. Commodity Intermediary covenants, represents and warrants as follows:

- (a) it is a “commodity intermediary” as defined in UCC Section 9-102;
- (b) Commodity Intermediary has not entered into, and until the termination of this Agreement will not enter into without the consent of Secured Party, any arrangements granting or purporting to grant “control” (as defined in UCC Section 9-106) over the Trading Account or the Trading Account Property with any Person except Secured Party;
- (c) the Trading Account (i) is or has been established as set forth in Section 2 of this Agreement, (ii) is a “commodity account” as such term is defined in UCC Section 9-102, and (iii) will be maintained in the manner set forth herein until termination of this Agreement; and
- (d) this Agreement is the valid and legally binding obligation of Commodity Intermediary.

15. Indemnification and Exculpation of Commodity Intermediary. Debtor agrees that (a) Commodity Intermediary (which shall include for purposes of the entirety of this Section 15, its directors, officers, employees and agents) is released from any and all liabilities to Debtor arising from the terms of this Agreement and the compliance of Commodity Intermediary with the terms of this Agreement, except to the extent that such liabilities arise from Commodity Intermediary’s gross negligence or willful misconduct, and (b) Debtor and its successors and assigns shall at all times indemnify and save harmless Commodity Intermediary from and against any and all claims, actions and suits of others arising out of the terms of this Agreement or the Financing Agreement or the compliance of Commodity Intermediary with the terms hereof, except to the extent that such arises from Commodity Intermediary’s bad faith, gross negligence or willful misconduct and from and against any and all liabilities, losses, damages, costs, charges, counsel fees and disbursements and other expenses of every nature and character arising by reason of the same. This indemnity shall survive the termination of the Agreement and the resignation or removal of Commodity Intermediary.

16. Power of Attorney; Further Assurances.

- (a) Debtor constitutes and appoints Secured Party its true, lawful and irrevocable attorney (coupled with an interest) to demand, receive and enforce payments and to give receipts, releases, satisfaction for, and to sue for all monies payable to Debtor, and this may be done in the name of Debtor or Secured Party with the same force and effect as if done by Debtor.
- (b) Debtor agrees to take such steps and execute and deliver (or cause the execution and delivery of) such financing statements and other documents, agreements (including, without limitation, security agreements) and papers (all in form and substance acceptable to Secured Party) as Secured Party may from time to time request to perfect or preserve the security interest granted hereby or by the Financing Agreement.

17. Notices. Any notice, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by fax or other electronic means and electronic confirmation of error free receipt is received or two days after being sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the party at the address set forth below; *provided, however*, that Entitlement Orders may be given orally and if so will be deemed to have been properly given at the time of oral delivery. In the event funds transfer instructions are given (other than in writing at the time of execution of this Agreement), whether in writing, by telecopy or otherwise, Commodity Intermediary is authorized to seek confirmation of such instructions by telephone call-back to the source at the source’s

voice number as set forth below, and Commodity Intermediary may rely upon the confirmations of anyone purporting to be the person or persons so designated. The persons and telephone number for callbacks may be changed only in writing actually received and acknowledged by Commodity Intermediary. The parties to this Agreement acknowledge that such security procedure is commercially reasonable.

Debtor:

MGP Ingredients, Inc.
100 Commercial Street
Atchison, KS 66002
Tel. No.: 800-255-0302
Fax No.: 913-360-5661

Attn.: Robert Zonneveld

Commodity Intermediary:

ADM Investor Services, Inc.
141 W. Jackson Blvd.
Suite 1600A
Chicago, IL 60604

Attn: Char Dohr

Secured Party:

Commerce Bank, N.A.
1200 Walnut Street
Kansas City, MO 64106
Tel. No.: 816-234-7248
Fax No.: 816-234-7290

Attn: Wayne Lewis

Any party may change its address for notices in the manner set forth above.

18. **Termination.** The obligations of Commodity Intermediary to Secured Party pursuant to this Agreement shall continue in effect until the security interest of Secured Party in the Trading Account and the Trading Account Property has been terminated pursuant to the terms of the Financing Agreement and Secured Party has notified Commodity Intermediary of such termination in writing. The termination of this Agreement shall not terminate the Trading Account or alter the obligations of Debtor to Commodity Intermediary pursuant to any other agreement with respect to the Trading Account.

19. **Counterparts.** This Agreement may be executed in one or more counterparts each of which shall be deemed an original agreement, but all of which together shall constitute one and the same agreement. Electronic delivery of an executed counterpart of a signature page to this Agreement shall be effective as personal delivery of an original executed counterpart of this Agreement.

[signature page(s) to follow]

IN WITNESS THEREOF, the parties have entered into this Agreement as of the date first written above.

Debtor:

MGP INGREDIENTS, INC.

By: /s/ Robert Zonneveld

Name: Robert Zonneveld

Title: V. P. Finance & CFO

Secured Party:

COMMERCE BANK, N.A., as Agent

By: /s/ Wayne C. Lewis

Name: Wayne C. Lewis

Title: Vice President

Commodity Intermediary:

ADM INVESTOR SERVICES, INC.

By: /s/ Charleen N. Dohr

Name: Charleen N. Dohr

Title: Compliance

Commodity Account Control Agreement – Signature Page

SUPPLY AGREEMENT**(ConAgra Foods to MGP Ingredients)**

THIS SUPPLY AGREEMENT (the "Agreement"), dated as of this 24th, day of October, 2008, by and between CONAGRA FOODS FOOD INGREDIENTS COMPANY, INC., a Delaware corporation ("SUPPLIER"), and MGP Ingredients, Inc., a Kansas corporation ("BUYER").

RECITALS:

- (a) The BUYER desires to secure a source of supply for various ingredients whose specifications are described in Exhibit "A" (the "Ingredients"); and
- (b) SUPPLIER desires to sell such Ingredients to BUYER on the terms herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises, and the mutual covenants hereinafter set forth, the parties hereby agree as follows:

1. **Purchase/Sale of Ingredients.** During the term of this Agreement BUYER shall purchase all of its requirements of the Ingredients from SUPPLIER, and SUPPLIER shall sell to BUYER all of BUYER's requirements of the Ingredients as provided herein.
 - 1.1 **Ingredients; Specifications.** All Ingredients supplied hereunder shall be prepared, processed, packaged and handled in strict accordance with the product standards and specifications which have been furnished by SUPPLIER to BUYER (the "Specifications") and are attached to Exhibit A. BUYER shall have the right to make reasonable changes to the Specifications upon 30 days prior written notice to SUPPLIER; provided, however, that in the event of any material change in Specifications the pricing for all affected products will be amended by the parties in writing prior to SUPPLIER's obligation to deliver such Ingredients.
 - 1.2 **Orders.** All orders for Ingredients shall be submitted by BUYER to the sales office designated by SUPPLIER from time to time. SUPPLIER shall confirm acceptance of BUYER's orders by facsimile or e-mail after receipt of BUYER's order. In the same communication, SUPPLIER shall confirm with the BUYER the date of delivery of the Ingredients covered by the order. BUYER understands that orders must be placed at least 7 days in advance of delivery for items covered by this Agreement.
 - 1.3 **Facilities; Equipment; Subcontractors.** SUPPLIER shall own, lease or otherwise have available all labor, equipment, machinery and raw materials necessary to produce, handle and package the Ingredients in compliance with the Specifications and BUYER's scheduling requirements. SUPPLIER shall not

*** indicates that material deemed confidential has been omitted from this document pursuant to a request for confidential treatment under Exchange Act Rule 24b-2 and 5 U.S.C. 552(b)(4) and has been filed separately with the Office of the Secretary of the Securities and Exchange Commission

subcontract any aspect of the production of Ingredients without prior approval from BUYER.

- 1.4 Shipment and Delivery. All flour Ingredients sold by SUPPLIER to BUYER hereunder shall be delivered F.O.B. BUYER'S facility unless otherwise agreed to by both parties. Title to and risk of loss of the flour Ingredients shall pass from SUPPLIER to BUYER when so delivered.
- 1.5 Product Coding. SUPPLIER shall utilize the product coding system as described in the Specifications and will code all Ingredients in accordance therewith.
- 1.6 Forecasts. On the date hereof and during the first week of each month hereafter, BUYER shall provide SUPPLIER with written, nonbinding forecasts of the BUYER'S purchase requirements for each of the Ingredients for the following 3 months.
- 1.7 Credit. Upon execution of this Agreement, BUYER shall deposit *** with SUPPLIER. On Monday of each week during the Term of this Agreement, SUPPLIER will send BUYER a statement listing the balance due for outstanding Ingredients shipments and BUYER will pay the balance due on such statement on Tuesday of each week by electronic funds transfer. If either Monday or Tuesday is a holiday, then the respective invoicing and/or payment will be delayed to the following business day respectively. From time to time, SUPPLIER reserves the right to modify the credit terms extended to BUYER under this Agreement.
- 1.8 Additional Terms: The parties hereby agree that the terms contained in SUPPLIER's standard Product Contract attached hereto as Exhibit C shall serve to supplement the terms of this Agreement but this Agreement shall control over any terms of the Product Contract that modify or contradict the terms of this Agreement.

2. Purchase Price.

- 2.1 The price to be paid by BUYER for flour Ingredients shall be based on the formulas set forth in Exhibit "B".
- 2.2 SUPPLIER shall provide a pricing sheet for the Ingredients on a ***basis and such pricing shall be effective until SUPPLIER provides a new pricing sheet. SUPPLIER agrees, at a minimum, to provide an updated pricing sheet to BUYER *** and SUPPLIER reserves the right to update the pricing sheet on *** basis. The pricing sheets will contain the current *** pricing for the Ingredients by month for the next *** period. The purchase price for the Ingredients sold hereunder will be based on the *** pricing sheet or *** pricing sheet, if

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applicable, corresponding to the date and time of BUYER's order and shall be set forth in a written or electronic confirmation which shall be subject to the terms and conditions of this Agreement.

- 2.3 The labor components of the margin charge will be adjusted *** by the percent changes (whether up or down) in the Bureau of Labor and Statistics Producer Price Index for Non-farm Business Unit Labor Cost. The energy components of the margin charge will be adjusted *** by the percent changes (whether up or down) in the Bureau of Labor and Statistics Producer Price Index for Commercial Electric Power. Should the Bureau of Labor and Statistics cease reporting the Producer Price Index for either of the above indices, then the adjustments for both labor and energy shall be based on the percentage changes in the Bureau of Labor and Statistics Producer Price Index for Intermediate Materials, Supplies and Components.
3. Market Information. An important component of the service SUPPLIER provides to BUYER is to inform BUYER of general market and industry conditions, including information related to the wheat market. SUPPLIER will provide BUYER information on the wheat market on a weekly basis or as requested by BUYER.
4. Term. This Agreement shall commence on the date hereof and continue hereafter for an initial period of five (5) years, subject to termination as set forth in Section 7 hereof. This Agreement shall automatically renew for one additional period of five (5) years unless either party gives the other written notice of termination at least one hundred and eighty (180) days prior to the end of the initial term.
5. Quality Control.
 - 5.1 Inspection. BUYER (or its designated representatives) shall, upon 48 hours' prior written notice, during any production operations contemplated under this Agreement, have the right to inspect the SUPPLIER'S facilities, procedures and equipment utilized in producing the Ingredients. BUYER (or its designated representatives) shall comply with all of SUPPLIER's standard facility entry policies and procedures. If any such facilities, procedures or equipment are not in accordance with applicable procedures standard to the industry and/or the Specifications, SUPPLIER shall take immediate action to correct such deficiencies at no cost to BUYER. It is understood that BUYER is responsible for the costs, and entitled to the results, of any such inspection. SUPPLIER shall advise BUYER promptly of any report, violation, citation or other adverse action which has been provided to SUPPLIER by any agent or representative of any governmental agency or authority which could reasonably be expected to adversely impact SUPPLIER's ability to perform its obligations under this

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Agreement. No such inspections by BUYER shall relieve SUPPLIER of its obligations under this Agreement.

SUPPLIER will provide BUYER annually with a copy of its third-party food safety audit for its facilities which provide Products to BUYER.

- 5.2 HACCP. SUPPLIER hereby represents that it shall produce all Ingredients pursuant to the HACCP plan currently in place at the facilities. At the discretion of BUYER, SUPPLIER may be required to provide a representation on at least a semi-annual basis that it is in compliance with the HACCP plan at the facilities. SUPPLIER represents that it will update the HACCP plan as required by governmental agencies and that it shall make such updates available for review.
- 5.3 Certifications. SUPPLIER will provide the following certifications on annual basis as requested by BUYER:
- a. Kosher Certificate;
 - b. Halal Certificate, or Halal Suitability Statement;
 - c. Continuing Guarantee (FDA);
 - d. Certificate of Origin;
 - e. Melamine Free Statement;
 - f. GMO Free Statement;
 - g. Allergen Statement;
 - h. Bovine Spongiform Encephalopathy (BSE)/Transmissible Spongiform Encephalopathy (TSE) Free Statement;
 - i. Residual Pesticide Analysis (each new crop year); and
 - j. Heavy Metals Analysis (most current).
6. Proprietary Information. Each party shall treat as confidential all terms, pricing, specifications and other information supplied by the other party or obtained as a result of performance under this Agreement. Neither party shall disclose any information related to or disclosed under this Agreement to any person not authorized by the other party in writing to receive it, unless required by law to do so. Notwithstanding the above, neither party shall have an obligation of confidentiality with respect to information which: (i) was in the public domain at the time of receipt from the other party, or which subsequently enters into the public domain through no fault of the receiving party; (ii) was known and can be shown to have been known by the receiving party at the time of receipt from the other party and was not previously acquired from the other party on a confidential basis; or (iii) becomes known to the receiving party on a non-confidential basis through a third party whose own acquisition and disclosure were independent of the other party.
7. Representations and Warranties of SUPPLIER. SUPPLIER warrants and represents that all Ingredients shall, upon delivery to BUYER:

- (a) comply with all applicable federal and state laws, rules and regulations including, without limitation, the Federal Food, Drug and Cosmetic Act and the Federal Meat Inspection Act;
- (b) be goods that are articles which, under the provisions of Section 404, 505 or 512 of the Federal Food, Drug and Cosmetic Act, may be introduced into interstate commerce;
- (c) not be misbranded within the meaning of any federal, state or local law, when bearing labels in accordance with the Specifications; and
- (d) be unadulterated, merchantable and fit for human consumption under applicable U.S. law, and otherwise comply with the Specifications.

8. Default and Termination.

8.1 Default under this Agreement shall mean:

- (i) in respect to either party: (i) an assignment for the benefit of creditors which is not dismissed within thirty (30) days; or (ii) any proceeding relating to bankruptcy, insolvency or debtor's relief being initiated by or against such party unless such proceeding is dismissed or this Agreement is assumed in such proceeding within sixty (60) days;
- (ii) failure by either party to fulfill any of its material obligations under this Agreement, which in respect to SUPPLIER shall include, but not be limited to, SUPPLIER's failure to: (i) timely provide the Ingredients to BUYER; (ii) comply with the warranties set forth in Section 6; or (iii) permit BUYER to perform the inspections as provided herein; or
- (iii) failure by either party to pay any amount due to the other within the terms agreed to under this Agreement, unless disputed in good faith by such party.

8.2 The defaulting party shall be given ten (10) days to cure a default after receiving written notice from the non-defaulting party. If the defaulting party fails to cure in such ten (10) day period, the non-defaulting party may immediately terminate this Agreement upon written notice to the defaulting party.

8.3 Expiration or termination of this Agreement shall not affect any rights or obligations of either party which have accrued through the date of termination or expiration, or which otherwise survive termination in accordance with their respective terms. Nothing herein shall prevent either party from seeking specific performance or damages for breach in respect of any right or obligation contained in this Agreement. The rights and remedies set forth in this Section 7 shall be in addition to any other rights or remedies that may otherwise be available at law or equity.

9. Nonconforming Ingredients: Recall.

- 9.1 Ingredient Replacement. BUYER shall have the right but not the obligation to inspect, accept or reject nonconforming Ingredients. If so directed by BUYER in good faith, SUPPLIER will replace at no charge to BUYER any Ingredients that are not in compliance with the Specifications at the time of delivery to BUYER. SUPPLIER shall complete such replacement as soon as possible using all commercially-reasonable efforts. The foregoing shall not limit any rights or remedies which may otherwise be available to BUYER, and no such inspection or acceptance of the Ingredients shall relieve SUPPLIER of its obligations hereunder.
- 9.2 Recall of Ingredients. BUYER shall have the right at any time, in its commercially reasonable discretion, to order a recall, in whole or in part, that relates to any of the Ingredients purchased from SUPPLIER hereunder. BUYER and SUPPLIER agree to promptly communicate with each other regarding any condition or event that could result in such a recall. SUPPLIER agrees to cooperate fully with BUYER in effecting any such recall of Ingredients that, at the time of delivery by SUPPLIER to BUYER, do not conform to the Specifications or to any other representations or warranties of SUPPLIER set forth herein. To the extent practicable, BUYER agrees to give SUPPLIER advance notice of any such recall, to work with SUPPLIER to coordinate such recall and, consistent with BUYER's responsibilities, to minimize the impact of such recall on BUYER and SUPPLIER. SUPPLIER shall bear the cost (including the replacement cost of Ingredients) of any such recall that arises as the result of any act, omission or default that occurs or fails to occur in respect to the Ingredients prior to delivery to BUYER. BUYER shall bear the cost of any recall that results from any action or inaction which affects the Ingredients after delivery to BUYER. SUPPLIER shall maintain production records sufficient to enable BUYER to conduct actual or mock recalls, as BUYER may desire.

10. Indemnity / Insurance / Limitation of Liability.

- 10.1 Indemnification. Each party ("Indemnifying Party") shall defend, indemnify and hold harmless the other party ("Indemnified Party") against and in respect of any and all liability, loss, damage, deficiency or expense resulting from any breach of a representation, warranty, covenant or agreement by the Indemnifying Party under this Agreement, and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and expenses (including reasonable fees and expenses of counsel) incident to any of the foregoing.
- 10.2 Insurance. For purposes of the above indemnity, SUPPLIER agrees during the term hereof and for a minimum of one (1) year thereafter to maintain adequate public liability insurance with reputable, duly-qualified insurance companies. Within fifteen (15) days of this Agreement, SUPPLIER shall furnish BUYER with a certificate of insurance properly executed by the respective insurance company evidencing such insurance, giving thirty (30) days notice to BUYER in

the event of cancellation or material alteration of such coverage. Failure to maintain the required insurance is a material default of this Agreement which shall permit BUYER to terminate the Agreement immediately. The insurance coverage to be maintained hereunder shall be as follows:

- (i) Commercial general liability insurance written on an occurrence form, providing blanket contractual liability coverage and products liability, including coverage for terroristic acts with a "terrorism" rider, against claims for bodily injury, death and property damage, affording minimum single limit protection of Five Million Dollars (\$5,000,000) per occurrence. BUYER shall be named as additional insured under this policy.
- (ii) Worker's compensation insurance in accordance with the statutory requirements of the states where SUPPLIER conducts its operations, and employer's liability insurance affording minimum single limit protection of One Million Dollars (\$1,000,000) with respect to personal injury or death resulting from one occurrence.

10.3 Limitation of Liability. In no event shall either party be liable to the other under any theory of tort, contract, strict liability or other legal or equitable theory for any indirect, incidental, consequential, special, exemplary, speculative or punitive damages including, but not limited to, lost profits, regardless of whether or not advised of the possibility of such damages.

- 11. Ownership of Intellectual Property and Specifications. BUYER agrees that SUPPLIER (including its affiliated or third-party licensors) are the sole owners of all right, title and interest in the Specifications as well as all trademarks, trade names, trade dress, logos, graphics, photographs, artwork and textual materials (collectively, the "Trademarks") used in connection with the packaging of the Ingredients under this Agreement, and that all intellectual property rights that may be acquired by use of the Specifications or the Trademarks shall inure to the sole benefit of the SUPPLIER (or its licensors). BUYER agrees to execute such further documents as may be required to effectuate the assignment to SUPPLIER (or its affiliated or third-party licensors) of any intellectual property rights that BUYER may acquire in the Specifications or the Trademarks, including any goodwill associated with the same. BUYER agrees that it will not, at any time, do or cause to be done any act which will in any way impair the rights of SUPPLIER (or its licensors) in and to the Specifications and the Trademarks.
- 12. Continuous Improvement: SUPPLIER and BUYER will work together to determine the optimal flour blends to be used in BUYER's manufacturing operations to improve BUYER's products and plant efficiencies. This may include specific wheat varieties as well as hard wheat and spring wheat blends.
- 13. Miscellaneous. The following miscellaneous provisions shall apply to this Agreement:

13.1 Notices. All notices which are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered personally or mailed by registered, certified or express mail, postage prepaid, or by reputable overnight courier or sent by facsimile as follows:

If to BUYER: MGP Ingredients, Inc.
100 Commercial Street
PO Box 130
Atchison, KS 66002-0130

Attn: Legal Counsel
Fax: 913 367 1480

If to SUPPLIER: ConAgra Foods Food Ingredients Company, Inc.
Eleven ConAgra Drive
Omaha, NE 68102
Attn: President, ConAgra Mills
Fax: (402) 978-5501

With a copy to: ConAgra Foods Food Ingredients Company, Inc.
Five ConAgra Drive
Omaha, NE 68102
Attn: Legal Department
Fax: (402) 595-6149

or at such other address as either party hereto shall have designated by notice in writing to the other party hereto in accordance with this Section. All such notices shall be deemed to have been given when so delivered personally or by overnight courier, or if mailed as set forth above, three days after the date of mailing, or if sent by facsimile, when received.

13.2 Waiver. No provision of this Agreement may be waived by any party except in writing. The parties hereto agree that the waiver by any party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of that provision by the same party, or any other provision or condition of this Agreement.

13.3 Independent Contractors. The relationship between BUYER and SUPPLIER shall be that of independent contractors. This Agreement is not intended to create and shall not be construed as creating between the parties hereto a relationship of principal and agent, joint venturers, co-partners, or any other similar relationship, the existence of which is hereby expressly denied by the parties.

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

13.5 Entire Agreement. This Agreement (including the exhibits referenced herein) constitutes the entire agreement of the parties with respect to the subject matter

hereof, and all prior understandings and agreements with respect to such matter are superseded by this Agreement. This Agreement may not be modified or amended by additional or other terms contained on any purchase order or in any manner except in writing duly executed by both parties.

- 13.6 Assignment. This Agreement may not be assigned by either party hereto without the prior written consent of the other party, which consent will not be unreasonably withheld.
- 13.7 Governing Law. This Agreement shall be governed by the internal laws of the State of Delaware without resort to such state's choice of law rules.
- 13.8 Force Majeure. Either party shall be excused from performance under this Agreement while and solely to the extent that such performance is prevented by an act of God, strike, war or war condition, act of terrorism, riot, civil disorder, government regulation, embargo, fire, flood or any other such casualty beyond the reasonable control of such party. In the event that either party shall be unable to perform any of its obligations as undertaken, it shall promptly advise the other party of its inability to perform and the reason for such non-performance.

IN WITNESS WHEREOF, the parties have each executed this Agreement as of the date first above written:

**CONAGRA FOODS FOOD INGREDIENTS
COMPANY, INC.**

MGP INGREDIENTS, INC.

By: /s/ Paul Maass

By: /s/ Timothy W. Newkirk

Printed Name: Paul Maass

Printed Name: Timothy W. Newkirk

Its: President & General Manager

Its: President & CEO

Date: 11/06/08

Date: 11/06/08

EXHIBIT A

Ingredients

<u>Ingredient Code</u>	<u>Ingredient Description</u>	<u>Specifications</u>
MGP No. 100219	Straight Grade Wheat Flour	See attached.

Ingredient Purchase Specification for

Straight Grade Wheat Flour

MGP Ingredients, Inc.® Item Number: 800825

Straight Grade Wheat Flour will be used in food grade products and hence must be manufactured in accordance with all applicable regulations set forth by the Food, Drug and Cosmetic Act of 1938, as amended and the Regulations issued thereunder. The Straight Grade Wheat Flour must comply with all applicable laws, rules and regulations of any applicable state or respective subdivision thereof.

Kosher requirement: Certified Kosher Pareve.

Quality Guarantee:

The vendor shall submit with each shipment a Certificate of Analysis (COA) verifying the conformance to the above specification. The COA will include all analysis data for each property listed above and MGP Ingredients' purchase order number. The COA shall arrive with the shipment attached to the Bill of Lading.

*** indicates that material deemed confidential has been omitted from this document pursuant to a request for confidential treatment under Exchange Act Rule 24b-2 and 5 U.S.C. 552(b)(4) and has been filed separately with the Office of the Secretary of the Securities and Exchange Commission

EXHIBIT B

(one page omitted)

*** indicates that material deemed confidential has been omitted from this document pursuant to a request for confidential treatment under Exchange Act Rule 24b-2 and 5 U.S.C. 552(b)(4) and has been filed separately with the Office of the Secretary of the Securities and Exchange Commission

Exhibit B

(one page omitted)

U.S. DEPARTMENT OF LABOR

BUREAU OF LABOR STATISTICS

Databases, Tables & Calculators by Subject

Data extracted on: November 5, 2008

Major Sector Productivity and Costs Index

Series Id: PRS85006113
Duration: Index, 1992 = 100
Measure: Unit Labor Costs
Sector: Nonfarm Business

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
1998	108.166	109.330	109.895	109.885	109.327
1999	110.936	111.132	111.315	111.668	111.268
2000	116.119	114.395	116.886	116.436	115.970
2001	118.499	117.583	117.689	116.830	117.650
2002	116.637	117.680	117.016	117.095	117.105
2003	117.677	117.965	116.618	117.707	117.485
2004	117.408	117.540	118.802	120.176	118.491
2005	120.040	120.527	121.233	122.681	121.132
2006	123.485	123.151	124.401	127.148	124.551
2007	128.686	127.653	126.883	128.281	127.873
2008	128.654	128.477			

*** indicates that material deemed confidential has been omitted from this document pursuant to a request for confidential treatment under Exchange Act Rule 24b-2 and 5 U.S.C. 552(b)(4) and has been filed separately with the Office of the Secretary of the Securities and Exchange Commission

EXHIBIT C

Product Contract

See attached.

Product Contract

SELLER

CONTRACT NO.

DATED

AGREES TO
SELL TO

and BUYER AGREES TO BUY from Seller the following commodities (to be manufactured on the terms and conditions and subject to the agreements stated below and on the back hereof.)

F.O.B. Carrier at shipment point, freight charges (basis car load freight rate in effect on date of this contract) to be prepaid or allowed by Seller.

(Check one) Delivered

to

(Specify destination point)

BUYER

***AUTOMATIC INCREASE IN PRICE IN CERTAIN CASES:** If the time of shipment herein specified under caption "Time of Shipment" is a longer period than sixty (60) days from the date hereof, then in such case on installment of this contract shipped after sixty (60) days from the date hereof and prior to the time fixed herein for final shipment under said caption, it is agreed that the basic price above specified per cwt. of flour made from wheat or rye shall be automatically increased _____ cents per day, commencing on the sixty first (61) day after the date hereof, and continuing until date of shipment within said time fixed herein for final shipment.

CHANGES; ADJUSTMENTS; LIMITATIONS: Buyer may direct shipment of all or any part of said flour in containers of a different size or kind than specified in the above column headed "Containers" if any are therein specified, or in containers if "Bulk" is specified in said column, in either which case the price shall be adjusted in accordance with Seller's package differential schedule in effect at date hereof. If "Bulk" is specified in said column, Seller nevertheless shall not be obligated to ship in bulk unless so specified under the caption "Mode of Shipment" below and then only as therein specified.

TIME OF SHIPMENT

On direction to be furnished by Buyer shipment is to be made as follows:

TERMS

DRAFT

BANK OF

RR DELIVERY AT DESTINATION

(Seller shall have the options as to routing except as to the delivering carrier)

MODE OF SHIPMENT

(Specify whether CL, LCL, split car, mixed car, truck, boat, barge, bulk R.R. car or bulk truck)

If shipments in bulk are specified in this paragraph, Seller may nevertheless be required to make bulk shipments only to one or more of the following destinations:

BY RAILROAD

BY TRUCK

This contract constitutes the complete agreement between the parties hereto; and cannot be changed in any manner except in writing subscribed by Buyer and Seller on their duly authorized officers. CONDITIONS CONTINUED ON THE BACK HEREOF.

This contract is subject to confirmation by the seller at OMAHA, NEBRASKA

CONAGRA FOODS SELLER

BY _____ BUYER _____

CONFIRMED BY:

CONAGRA FOODS SELLER

BY _____

DATE _____

TERMS AND CONDITIONS (Continued from the front)

NET WEIGHTS: The commodities covered by this contract are sold on the basis of net weights when packed, or, if shipped in bulk, net weights when loaded.

COLLECTIONS: Where Buyer designates the collecting bank he shall be responsible to Seller for any loss or damage to Seller by reason of any failure or default, on the part of said bank in connection with payment by Buyer under this contract.

TAXES AND FREIGHT RATES: Any and all increases, changes, adjustments or surcharges (including, without limitation, fuel surcharges) which may be in connection with the freight charges, rates or classifications included as part of this contract, shall be for the Buyer's account. The prices set forth in the within contract include any and all taxes, impositions, exactions, or charges of every nature in effect on the date of the execution hereof. Any and all taxes, impositions, executions, or charges, or any increase therein, whether for revenue or for regulation of commerce, or for any other purpose, not in effect on the date of this contract, which may, prior to the completion of deliveries hereunder, be levied, imposed, required, or increased by the United States or any State thereof or other Governmental agency on or measured in terms of any of the finished products remaining unshipped and which are to be delivered hereunder, or on or measured in terms of any commodity used in the manufacture of such containers, or the processing, purchase, sale, holding for sale, distribution, dealing in, transportation, use or handling of any of such products, commodities or containers, if paid or borne by Seller directly or indirectly shall be billed separately to Buyer, where not prohibited by law, and where the determination of the amount of the tax, imposition, exaction, charge or increase per cwt. or other unit of measure is possible of calculation by the application of any official published conversion rate or otherwise, and shall be paid by Buyer to Seller. Any of such taxes, impositions, exactions, charges or increases which the Seller shall be finally relieved from paying or which shall be later refunded or returned to Seller at any time and for any cause shall be refunded or credited to Buyer by Seller as promptly as possible after deduction by Seller of any reasonable expenses incurred in preventing collection of such taxes, impositions, exactions, charges or increases or in obtaining or securing such refunds or returns and in making such reimbursement to Buyer, and after paying and discharging all tax liabilities to which Seller may be subjected by reason of its having been relieved from paying such taxes, impositions, exactions, charges or increases or having secured such refunds or returns. Seller shall be under no obligation to contest the validity of any such tax,

imposition, exaction, charge or increase or to prosecute any such claims for refunds or returns, but in the event Seller does not elect to contest such taxes, impositions, exactions, charges or increases, or to prosecute such claims for refunds, Buyer shall be entitled to an assignment or mutually acceptable conditions of all to Seller's rights and causes of action in the premises.

SHIPMENTS: When the basis of shipment is F.O.B. delivery of goods by the Seller to the carrier at point of shipment shall constitute delivery to Buyer, subject to the lien of Seller for the unpaid purchase price. Buyer shall furnish Seller complete shipping instructions (and when required, the necessary containers) at least ten (10) days before the time of shipment. If there is more than one installment of goods shipped or stipulated herein to be shipped, the contract shall be construed to be severable as to each installment, except where such construction would be in direct conflict with the provisions hereinafter set forth under "Rights of Buyer" and "Rights of Seller", and breach or default of either Buyer or Seller as to any installment or installments shall not give the other party a right to cancel this contract, except as herein otherwise expressly provided.

WARRANTY: Seller expressly warrants that any goods contracted herein will be representative of the brand or grade specified herein to be sold, and will comply with all the applicable provisions of the Federal Food, Drug and Cosmetic Act and to any applicable State Pure Food and Drug Act. Buyer hereby waives any claim or defense based on the quality of the commodities specified herein, unless (1) within ten (10) days after Buyer learns by use of otherwise of the defect complained of, but in any event within forty-five (45) days after receipt of notice of arrival of said commodities at destination Buyer sends Seller at Seller's main office a letter by registered mail specifying the nature of the complaint and (2) within said forty-five (45) days sends by parcel post or express prepaid to Seller's said office a five (5) pound sample of the goods alleged to be defective or inferior, provided that compliance by Buyer with the above enumerated steps shall not constitute an admission by Seller of the merits or amounts of Buyer's said claim or defense.

RIGHTS OF BUYER: In case of default by seller (provided that Seller shall, without limitation, be in "default" if Seller becomes insolvent or is adjudged bankrupt, or if at any time the property and assets of Seller are in liquidation, or if Seller's financial responsibility becomes impaired, but that Seller shall not be in "default" for non-performance due to fire, flood, earthquake, tornado, labor difficulties, riot, federal or state laws or regulations, acts or defaults by common carriers, shortage of necessary bulk trucks or bulk railroad cars unless Buyer has furnished Seller with shipping instructions at least twenty (20) days prior to time of shipment, or Act of God or the public

enemy). Buyer may (within thirty (30) days after he has knowledge thereof) by written notice sent by registered mail to Seller at Seller's main office:

- 1) cancel the contract, or,
- 2) terminate the contract as to the portion thereof in default and purchase within said thirty (30) days an equal quantity of goods of the same kind and grade and recover from Seller the excess of the price so paid over the purchase price named herein, plus any incidental loss or expense, and in addition thereto, recover a sum equal to one per cent (1%) of the contract price named herein; or,
- 3) terminate the contract as to any unshipped balance, and recover from Seller as liquidated damages a sum to be computed by the following formula:
(a) one per cent (1%) of the per cwt. contract price named herein multiplied by the number of cwts remaining unshipped, plus (b) amount of rise, if any, per bushel in the market value of cash wheat or rye, as the case may be in carload lots at Seller's mill between date of contract and date of termination multiplied by two and thirty-five hundredths (2.35) times the number of cwts. remaining unshipped. In case of a decline in such value of such wheat or rye between said dates, Buyer shall recover the sum specified in (a) less the amount of such decline per bushel multiplied by two and thirty-five hundredths (2.35) times the number of cwts remaining unshipped. Such amount shall be credited to the amount provided in (b) solely in reduction of damages.

Provided: That if the default consists of a failure by Seller to ship at the time required, Buyer may cancel or terminate the contract as above provided only after giving Seller preliminary written notice of intention to cancel or terminate by registered mail addressed to the Seller's main office. If Seller does not ship within eight (8) days after mailing of such notice, then Buyer may, within thirty (30) days after the expiration of said eight (8) days, cancel or terminate the contract as above provided.

RIGHTS OF SELLER: In case of default by Buyer (provided that Buyer shall, without limitation, be in "default" if Buyer becomes insolvent or is adjudged bankrupt, or if Buyer shall fail to make any payment to Seller when due under this or any other contract between Buyer and Seller or if at any time the property and assets of Buyer are in liquidation if Buyer's financial responsibility becomes impaired, but as to any unshipped balance hereunder Buyer shall not be in "default" for delay in performance due to fire, flood, earthquake, tomado, labor difficulties, riot, federal or state laws or regulations, acts or defaults or common carriers, or act of God or the public enemy), Seller

may within thirty (30) days after he has knowledge thereof) by written notice send by registered mail to Buyer at Buyer's main office:

- 1) cancel the contract; or,
 - 2) terminate the contract as to the portion thereof in default or as to any unshipped balance, or both, and
- A) resell, within said thirty (30) days any of the above goods which have been shipped and which Buyer has wrongfully failed or refused to accept and recover from Buyer differences between the above purchase price thereof, and the price obtained on resale, if latter be less than former; also any incidental loss and expense, including salesmen's times and expense in connection with such resale, and all demurrage (resale anywhere in the usual course of Seller's business or at any terminal market or at or near destination shall be proper and conclusive in the absence of bad faith) and
- B) If Seller terminates as to unshipped balance, recover from Buyer as liquidated damages a sum to be computed by the following formula: (a) (see percentage on front of contract) per day for each day from date of contract to date of termination for each cwt. remaining unshipped, plus (b) ten (10¢) cents for each cwt. remaining unshipped as the cost of selling, plus (c) amount of decline, if any, per bushel in the market value of cash wheat or rye, as the case may be, in carload lots at Seller's mill between date of contract and date of termination multiplied by two and thirty-five hundredths (2.35) times the number of cwts. remaining unshipped. In case of a rise in such value of such wheat or rye between said dates, Seller shall recover the sums specified in (a) and (b), less the amount of such rise per bushel multiplied by two and thirty-five hundredths (2.35) times the number of cwts. remaining unshipped. Such amount shall be credited to the amounts provided in a (a) and (b) solely in reduction of damages.

Provided: That if the default consists of a failure by Buyer to provide shipping instructions as required "Shipments," Seller may cancel or terminate the contract as above provided only after giving Buyer preliminary written notice of intention to cancel or terminate, by registered mail addressed to Buyer's main office. If Buyer does not provide, within eight (8) days after mailing of such notice, shipping instructions for immediate delivery of all past due shipments, then Seller may, within thirty (30) days after the expiration of said eight (8) days period such shipping instructions for immediate delivery, Seller shall have at least ten (10) days after receipt thereof instructions for immediate delivery. Seller shall have at least ten (10) days after receipt thereof within which to ship and shall and

have such additional time as may in Seller's sole discretion by reasonably necessary, having in mind the Seller's then milling operations and requirements.

PROVISIONS FOR AUTOMATIC EXTENSION: If Buyer shall fail to furnish complete shipping instructions (and when required, the necessary containers) to reach Seller at his main office ten (10) days before the date for any shipment specified herein, or before the final date specified for shipment, as the case may be, and if Buyer shall fail to notify Seller that he does not intend to accept any further deliveries under this contract, then (unless Seller elects to exercise his right to cancel or terminate the contract) this contract as to such shipment, or shipments shall without notice automatically be extended from day to day until Buyer furnishes complete shipping instructions (and when required, the necessary containers), in accordance with the provisions of paragraph entitled "Shipment" or until Buyer notifies Seller that he does not intend to accept any further deliveries under this contract, or until Seller exercises his right provided herein to cancel or terminate the contract; and for each day during which the contract is thus automatically extended Buyer will pay Seller carrying charges at the rate of (see percentage on front of contract) per cwt. per day.

LIMITATIONS OF ACTIONS: No action at law or in equity shall be maintained by Buyer against Seller or any of Seller's other vendees to recover damages for alleged violation of Seller or said vendee of any law, Federal or State, now in effect or hereinafter enacted, pertaining to discrimination in price, services or facilities including the Cayton Act (U.S.C. Title 15 Secs. 12 to 27 inclusive) as amended by Act of Congress approved June 19, 1936, or any further amendment thereto, as respects any products delivered by Seller to Buyer pursuant to this contract unless (1) written notice of the particular deliveries on which the claim for such damages is based shall be given by Buyer to Seller at Seller's main office by registered mail within six (6) months after delivery thereof to Buyer with a full statement of the particulars to such claim then known to Buyer, and (2) action shall be commenced within one (1) year after delivery of such products to Buyer.

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: February 9, 2009

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

CERTIFICATION

I, Robert Zonneveld, 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: February 9, 2009

/s/ Robert Zonneveld
Robert Zonneveld
Vice President and Principal Financial Officer

CERTIFICATION
OF
PERIODIC REPORT

I, Timothy W. Newkirk, President 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 December 31, 2008 (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: February 9, 2009

/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.]

CERTIFICATION
OF
PERIODIC REPORT

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2008, (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 February 9, 2009

/s/ Robert Zonneveld
Robert Zonneveld
Vice President 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.]
