

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

Annual Report Pursuant to Section 13
of the Securities Exchange Act of 1934

For the Fiscal Year Ended June 30, 2001

MIDWEST GRAIN PRODUCTS, INC.

1300 Main Street
Box 130
Atchison, Kansas 66002
Telephone: (913) 367-1480

Incorporated in the State of Kansas

COMMISSION FILE NO. 0-17196

IRS No. 48-0531200

The Company has no securities registered pursuant to Section 12(b) of the Act. The only class of common stock outstanding consists of Common Stock having no par value, 8,203,354 shares of which were outstanding at June 30, 2001. The Common Stock is registered pursuant to Section 12(g) of the Act.

The aggregate market value of the Common Stock of the Company held by non-affiliates, based upon the last reported sales price of such stock on August 13, 2001, was \$59,767,424.

The Company 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, and has been subject to such filing requirements for the past 90 days.

As indicated by the following check mark, disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in a definitive proxy or information statement incorporated by reference in Part III of this Form 10-K: []

The following documents are incorporated herein by reference:

- (1) Portions of Midwest Grain Products, Inc. 2001 Annual Report to Stockholders, pages 17 through 36 thereof, are incorporated by reference into Part II and contained in Exhibit 13.
- (2) Portions of Midwest Grain Products, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on October 11, 2001, dated September 14, 2001, are incorporated by reference into Part III of this report to the extent set forth herein.

CONTENTS

	PAGE
PART I	
Item 1. Business.....	2
General Information.....	2
Wheat Protein Products.....	3
Premium Wheat Starch.....	7
Alcohol Products.....	8
Flour and Other Mill Products.....	10
Transportation.....	10
Raw Materials.....	11
Energy.....	11
Employees.....	11
Regulation.....	12
Item 2. Properties.....	12
Item 3. Legal Proceedings.....	13
Item 4. Submission of Matters to a Vote of Security Holders.....	13
Item 4A. Executive Officers of the Registrant.....	14
PART II	
Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.....	16
Item 6. Selected Financial Data.....	16
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.....	16
Item 7A. Quantitative and Qualitative Disclosure About Market Risk.....	16
Item 8. Financial Statements and Supplementary Data.....	16
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	17
PART III	
Item 10. Directors of the Registrant.....	17
Item 11. Executive Compensation.....	17
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	17
Item 13. Certain Relationships and Related Transactions.....	17

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....17

SIGNATURES.....20

FINANCIAL STATEMENT SCHEDULES.....S-1
Report of Independent Public Accountants on Schedules.....S-2
Schedule VIII. Valuation and Qualifying Accounts.....S-3

The calculation of the aggregate market value of the Common Stock of the Company held by non-affiliates is based on the assumption that non-affiliates do not include directors. Such assumption does not constitute an admission by the Company or any director that any director is an affiliate of the Company.

This report, including the portions of the Annual Report incorporated herein by reference, contains forward-looking statements as well as historical information. Forward-looking statements are usually identified by or are associated with such words such as "intend," "believe," "estimate," "expect," "anticipate," "hopeful," "should," "may" and similar expressions. 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. The forward-looking statements are based on many assumptions and factors including those relating to grain prices, gasoline prices, energy costs, product pricing, competitive environment and related market conditions, operating efficiencies, access to capital and actions of governments. Any changes in the assumptions or factors could produce materially different results than those predicted and could impact stock values.

PART I

Item 1. Business.

General Information

Midwest Grain Products, Inc. (the Company) is a Kansas corporation headquartered in Atchison, Kansas. It is the successor to a business founded in 1941 by Cloud L. Cray, Sr.

The Company is a fully integrated producer of wheat protein, which includes vital wheat gluten and specialty wheat proteins, premium wheat starch and alcohol products. These grain products are processed at plants located in Atchison, Kansas and Pekin, Illinois. The Company also operates a wheat protein and wheat starch mixing facility in Kansas City, Kansas. Wheat is purchased directly from local and regional farms and grain elevators and milled into flour. The flour is processed with water to extract vital wheat gluten, a portion of which is further processed into specialty wheat proteins. Vital wheat gluten and most wheat protein products are dried into powder and sold in packaged or bulk form. The starch slurry which results after the extraction of the gluten and wheat proteins is further processed to extract premium wheat starch which is also dried into powder and sold in packaged or bulk form. The remaining slurry is mixed with corn or milo and water and then cooked, fermented and distilled into alcohol. The residue of the distilling operations is dried and sold as a high protein additive for animal feed. Carbon dioxide which is produced during the fermentation process is trapped and sold. As a result of these processing operations, the Company sells approximately 95% (by weight) of grain processed.

The table below shows the Company's sales from continuing operations by product group for each of the five years ended June 30, 2001, as well as such sales as a percent of total sales.

PRODUCT GROUP SALES

	Year Ended June 30,									
	2001		2000		1999		1998		1997	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(thousands of dollars)									
Wheat Protein Products	\$49,762	21.7	\$70,912	30.6	\$ 56,153	26.0	\$ 42,489	19.0	\$ 39,968	17.8
Premium Wheat Starch	27,907	12.2	29,186	12.6	27,173	12.6	27,791	12.4	29,935	13.3
Alcohol Products:										
Food Grade Alcohol										
Beverage Alcohol	25,005	10.9	27,728	11.9	30,373	14.1	35,934	16.1	43,118	19.2
Food Grade Industrial	17,315	7.6	16,136	7.0	19,276	8.9	27,487	12.3	38,004	16.9
Fuel Grade Alcohol	83,686	36.4	62,066	26.7	54,639	25.3	51,227	23.0	34,992	15.6
Alcohol By-products	23,532	10.3	23,093	10.0	25,441	11.8	33,259	14.9	34,553	15.4
Total Alcohol	149,538	65.2	129,023	55.6	129,729	60.1	147,957	66.3	150,667	67.1
Products										
Flour and Other Mill Products	2,034	0.9	2,759	1.2	3,046	1.4	5,017	2.3	4,163	1.8
Net Sales	\$229,241	100%	\$231,880	100.0	\$216,101	100.0	\$223,354	100.0	\$224,733	100.0

The Company's results for fiscal 2001 declined from the prior fiscal year. Net income was \$2.7 million compared to \$4.9 million in fiscal 2000, due principally to abnormally high energy costs resulting from a dramatic rise in natural gas prices. Reduced sales for the Company's vital wheat gluten, premium wheat starches and food grade alcohol were also affecting factors. Improved selling prices for the Company's alcohol products, non-operating income from a two year Department of Agriculture program that began in June, 2001 and growth in sales of specialty wheat proteins were the principal reasons for the Company's profitability for the current fiscal year.

The bulk of the Company's sales are made directly to large institutional food and beverage processors and distributors with respect to which the Company has longstanding relationships. Sales to these customers are usually evidenced by short term agreements that are cancelable within 30 days and under which products are usually ordered, produced, sold and shipped within 60 days. However, a substantial amount of the Company's fuel alcohol is sold under longer term contracts, primarily to cover the needs of gasoline refiners during September through April of each year. None of the Company's customers accounted for more than ten percent of the Company's consolidated revenues during fiscal 2001.

Historically, the Company's sales have not been seasonal except for variations affecting alcohol and vital wheat gluten sales. Fuel alcohol sales usually increase during the period August through March due to requirements of the Clean Air Act which inhibit the sale of ethanol in certain areas of the country during May 1 through September 15 each year. Certain environmental regulations also favor greater use of ethanol during the winter months of the year. See "Alcohol Products- Fuel Grade Alcohol." Beverage alcohol sales tend to peak in the fall as distributors order stocks for the holiday season, while vital wheat gluten sales have tended to increase to a minor extent during the second half of the fiscal year as demand increases for hot dog and hamburger buns and similar bakery products. During the next year the Company expects declining vital wheat gluten sales due to the expiration of the quota on imports of wheat gluten into the United States. See "Vital Wheat Gluten - Competition."

The Company's strategy in recent years has been to focus on the marketing and development of specialty wheat protein and starch products for use in unique market niches. During 2001, specialty wheat protein sales increased by 24% to approximately 23% of total wheat protein product sales. As a result of the expiration of the import quota on foreign wheat gluten, the Company intends to intensify its efforts to focus on developing markets for its specialty wheat proteins and starch products. As described herein, the Company is eligible to receive approximately \$26 million over the next two years under a new government program designed to assist manufacturers of wheat gluten in their transition from the historical vital wheat gluten business to new markets. These funds will be used for research, marketing, promotional and capital costs related to specialty wheat protein and starch products and should help accelerate the Company's growth in these markets.

For further information, see the Consolidated Financial Statements of the Company and Management's Discussion and Analysis of the Company's Financial Condition and Results of Operations which appear at pages 18 through 24 of the Annual Report.

Wheat Protein Products

The Company's wheat protein products consist of vital wheat gluten and specialty wheat proteins that are derived from vital wheat gluten. During fiscal 2001, sales of vital wheat gluten declined by approximately 39% over the prior year due primarily to pricing pressures from subsidized European Union ("E.U.") producers. As noted above, the Company's overall strategy is to focus on the marketing and development of specialty wheat protein and starch products for use in unique market niches, and specialty wheat proteins are accounting for an increasing share of the Company's total wheat protein sales. During fiscal 2001, specialty wheat protein sales increased by 24%, to approximately 23% of total wheat protein sales. That share is expected to continue to increase due to increased marketing, customer recognition of the advantages of these unique products and an increase in capacity, as well as declining sales of vital wheat gluten resulting from an increase in supplies and pricing pressures from European Union producers.

Vital Wheat Gluten. Vital wheat gluten is a free-flowing light tan powder which contains approximately 75% to 80% protein. Its vitality, water absorption and retention and film-forming properties make it desirable as an ingredient in many food products. It is the only commercially available high protein food additive which possesses vitality. The vitality of the Company's vital wheat gluten results from its elastic and cohesive characteristics when added to dough or otherwise reconstituted with water.

Vital wheat gluten is added by bakeries and food processors to baked goods, such as breads, and to pet foods, cereals, processed meats, fish, and poultry to improve the nutritional content, texture, strength, shape, and volume of the product. The neutral flavor and color of wheat gluten also enhances, but does not change, the flavor and color of

food. The cohesiveness and elasticity of the gluten enables the dough in wheat and other high protein breads to rise and to support added ingredients, such as whole cracked grains, raisins and fibers. This allows the baker to make an array of different breads by varying the gluten content of the dough. Vital wheat gluten is also added to white breads, hot dog buns and hamburger buns to improve the strength and cohesiveness of the product. For example, vital wheat gluten provides greater hinge strength for hot dog buns.

The Company produces vital wheat gluten from modernized facilities at the Atchison and Pekin plants. It is shipped throughout the continental United States in bulk and in 50 to 100 pound bags to distributors and also is sold directly to major food processors and bakeries.

Specialty Wheat Proteins. In recent years the Company began the development of a number of specialty wheat proteins for food and non-food applications. Specialty wheat proteins are derived from vital wheat gluten through a variety of proprietary processes which change the molecular structure of vital wheat gluten. Food application wheat proteins include gliadin, glutenin, products in the Wheatex(TM) and FP(TM) series and Pasta Power(TM). Non-food applications include wheat proteins designed for use primarily in cosmetics and personal care products and in biodegradable gluten protein that can be molded to form a variety of biodegradable plastic-like objects. Specialty wheat proteins generally compete with other ingredients and modified proteins having similar characteristics. Although a number of the specialty wheat proteins have been launched, additional products are in the test marketing or development stage.

Food Applications

- o Gliadin and Glutenin are the two principal molecules that make up vital wheat gluten. The Company's patented process enables the separation of each for a variety of end uses. Glutenin, a large molecule responsible for the elastic character of vital wheat gluten, increases the strength of bread doughs, improves the freeze-thaw characteristics of frozen doughs and may be used as a functional protein source in beef jerky-type products, as well as in meat extension. Gliadin, the smaller of the two molecules, is soluble in water and other liquids, including alcohol, and is responsible for the viscous properties of wheat gluten. Those characteristics make it ideal to improve the texture of noodles and pastas. Gliadin is also used in a number of cosmetics and personal care products as described below under "Non-Food Applications."
- o Wheatex(TM)Series consists of texturized wheat proteins made from vital wheat gluten by changing it into a pliable substance through special processing. The resulting solid food product can be further enhanced with flavoring and coloring and reconstituted with water. Texturized wheat proteins are used for meat, poultry and fish substitutes, extenders and binders. Wheatex(TM)mimics the textural characteristics and appearance of meat, fish and poultry products. It is available in a variety of sizes and colors and can be easily formed into patties, links or virtually any other shape the customer requires. Because of its neutral taste, Wheatex(TM)will not alter flavors that are added to the product. It also has excellent water-binding capacities for the retention of natural meat juices. Wheatex(TM)is presently being sold for applications in vegetarian and extended meat products.
- o FP(TM) Series. The Midsol FP(TM) series of products consist of specialty wheat proteins, each tailored for use in a variety of food applications. These include proteins that can be used to form barriers to fat and moisture penetration to enhance the crispness and improve batter adhesion in fried products, increase the freshness and shelf life of frozen and refrigerated dough products after they are baked, effectively bond other ingredients in vegetarian patties and extended meat products, and fortify nutritional drinks.
- o Pasta Power(TM) is a specialty wheat protein that is a cost-effective replacement for whole eggs and egg whites and enhances the strength, texture, quality and functionality of fresh, frozen and flavored pasta products. The added strength enables the canning of pasta and its treatment with spices without significant deterioration of the noodle or other pasta product, as in the case of canned spaghetti and similar products.

Non-Food Applications

- o Cosmetics and Personal Care Products. Specialty wheat proteins include proteins that have been hydrolyzed or otherwise altered to become soluble in water and other liquids. This enables their use in food as well as non-food cosmetic applications such as hair sprays, shampoos, skin lotions and similar products. These include Foam Pro(TM), a hydrolyzed wheat protein that has been developed as a foam booster to naturally enhance detergent systems such as shampoos, liquid hand soaps and bath and shower gels; Aqua Pro(TM)II WAA, a solution of amino acids produced from natural wheat proteins that helps provide excellent moisturizing and film forming properties in both hair and skin systems; Aqua Pro(TM)11 WP, an additive for shampoo; Aqua Pro(TM)QWL, which enhances the functionality of hair conditioners; and Aqua Pro(TM)II WG, which is a gliadin formulation that is used in hair and skin cleansers and conditioners.
- o Biodegradable Gluten/Starch Resins. Polytriticum(TM) 200 and Polytriticum(TM) 2000 are the Company's environmentally friendly biodegradable gluten/starch resins that can be molded to produce a variety of plastic-like objects. Polytriticum(TM) 200 may be used as a commercial raw material for the production of pet treats and chews. Polytriticum(TM) 2000 has been developed for use in disposable eating utensils, golf tees, food and feed containers and similar type vessels.

In February of 2001, the Company acquired a state-of-the-art facility in Kansas City, Kansas for \$6.5 million which is principally dedicated to producing Wheatex(TM). The acquisition has allowed the Company to forego earlier plans to construct a Wheatex(TM) plant at a similar cost. The Company expects the acquisition will allow it to increase the production of textured wheat proteins and bio-polymers at an accelerated rate. Also, the Company anticipates that in addition to providing more space than was incorporated into the design for a new plant, the facility will provide greater flexibility for producing other lines of value-added specialty wheat proteins.

In July of 2001, the Company received the first \$17 million out of an expected total of approximately \$26 million that it has been awarded under a Bush Administration program intended to enable the gluten industry to move forward in the face of subsidized and protected competition from the European Union. See "Competition - Vital Wheat Gluten". The Company will use the funds to pay certain capital, research, marketing and promotional costs incurred in developing products and markets for value-added wheat gluten, or wheat protein, and wheat starch products.

The Company believes that its wheat protein processing operations produce a quality of vital wheat gluten and specialty wheat proteins that are equal to or better than that of any others on the market. The Company's location in the center of the United States grain belt, its production capacity and years of operating experience, enable it to provide a consistently high level of service to customers.

Competition-Vital Wheat Gluten. The Company's principal competitors in the U.S. vital wheat gluten market consist primarily of three other domestic producers and producers in the E.U., Australia and certain other regulated countries (the "Foreign Exporters"). Between June 30, 1994 and June 30, 1998, the E.U. took an increasingly large share of the U.S. gluten market. Imports of wheat gluten shipped into the United States from the E.U. during the crop year ended June 30, 1995, were approximately 51.9 million pounds. Those imports increased to 70.2 million pounds in the crop year ending June 30, 1996, to 91.1 million pounds in the crop year ending June 30, 1997, and to 97.5 million pounds in the crop year ending June 30, 1998, for an aggregate increase of 88%. Due to the imposition of import quotas beginning on June 1, 1998, U.S. Customs data shows that E.U. imports declined to 65.5 million pounds in the quota year ending May 31, 1999, to 45.8 million pounds (excluding Poland) for the quota year ending May 31, 2000, but increased to 61.9 million pounds for the quota year ending May 31, 2001. Because the quota has expired, as discussed below, the Company expects that future imports will approach or exceed pre-quota levels and that U.S. producers will have difficulty effectively competing with subsidized producers in the sale of vital wheat gluten.

Vital wheat gluten is considered a commodity and therefore competition is based primarily upon price. Since the increasing surge of large, subsidized volumes of E.U. wheat gluten into the U.S., vital wheat gluten prices have been primarily affected by (i) excess E.U. capacity, (ii) high tariff barriers, subsidies and other protective measures ("Subsidies") provided to E.U. exporters by their host governments, (iii) low U.S. tariffs and (iv) gluten import quotas.

The Subsidies and low U.S. tariffs encouraged E.U. producers to expand wheat starch and wheat gluten production capacity and to continue the development of even greater capacities. Based on industry sources, from January 1, 1998 through December 31, 2000, an estimated 160 million pounds of additional E.U. capacity were completed. Additional capacity may have been added subsequently. In light of the expiration of the import quota on vital wheat gluten, it is expected that a majority of the excess wheat gluten production from these plants will be targeted for shipment to the U.S.

The Wheat Gluten Industry Council of the United States, of which the Company is a principal supporter, has engaged in a number of initiatives to combat the surge in subsidized E.U. wheat gluten. Initially, the Wheat Gluten Industry Council attempted to establish equal opportunity, or a "level playing field", in the U.S. market through negotiations under a Grains Agreement between the E.U. and the United States. A lack of meaningful discussions was followed by an action under Section 301 of the Trade Act of 1974. Following a further round of unsatisfactory discussions in connection with that action, the Wheat Gluten Council initiated a second proceeding on September 19, 1997, with the International Trade Commission of the United States under section 201 of the Trade Act of 1974 (the "Section 201 Proceeding").

The Section 201 Proceeding met with success during the second half of fiscal 1998. On March 18, 1998, the International Trade Commission submitted to President Clinton a unanimous affirmative determination that imports of wheat gluten were being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry. The International Trade Commission also recommended to the President that a quota be placed on imports of foreign wheat gluten. As a result of that finding and recommendation and pursuant to Section 203 of the Trade Act of 1974, the President issued Proclamation 7103 on May 30, 1998. The Proclamation imposed annual quantitative limitations for three years on imports of wheat gluten from the E. U. and other Foreign Exporters at an amount equal to the total average imports of wheat gluten shipped into the United States by the Foreign Exporters during the three crop years ended June 30, 1995. The aggregate quota for the first year was 126.8 million pounds. Annual increases in that quota of six percent prevailed in the second year and in the third year. Due to violations of the quota by the E.U. during the first quota year, the President issued a proclamation on May 29, 1999, that reduced the E.U.'s second year quota by the amount of illegally shipped gluten in the first year and placed in effect other measures designed to preclude further violations. Due to the importation of the EU's entire annual amount allowed in the first quarter of the second quota year and the shipment of large quantities of gluten through Poland (a previously exempt country), the President in May 2000, took further action. That action restricted shipment of the annual amount to one fourth of the annual amount in each of the four quarters of the quota year. The action removed Poland from the list of exempted countries. The quotas for "goods entered, or withdrawn from warehouse for consumption, on or after June 1, 2000" in millions of pounds were, per quarter, beginning June 1, 2000:

	Per Quarter

Australia	17.525 million pounds
European Community	15.175 million pounds
Other Countries	2.925 million pounds

In fiscal 2000, a proceeding was commenced in the World Trade Organization ("WTO") to set aside the action of the ITC in establishing the quota. The essential basis of the claim was that the ITC and the President had not used the appropriate methodology in determining the cause of serious injury to the U.S. industry. Subsequently, the EU imposed a special duty on a portion of imports of corn gluten from the United States. On June 28, 2000, the WTO dispute resolution panel ruled in favor of the claim. The decision was appealed by the U.S. Trade Representative.

On appeal, the Appellate Body of the World Trade Organization ("WTO") confirmed the ruling that the safeguard action implementing the quota was inconsistent with the United States' obligations under the WTO Agreement on Safeguards. However, the U.S. International Trade Commission ("USITC") had the opportunity to bring the safeguard into conformity with the Appellate Body decision, and the quota remained in place until its scheduled May 31, 2001 termination date.

At the request of the Wheat Gluten Industry Council of the U.S., the USITC recommended a two-year extension of the quota, based on grounds that through circumvention and similar tactics, E.U. producers had deliberately

and effectively prevented the U.S. wheat gluten industry from receiving the full extent of relief that the quota intended. However, in lieu of extending the quota, the Bush Administration announced a program to provide the wheat gluten industry up to \$40 million over two years to help it complete its transition to competitiveness. The Company is eligible for approximately \$26 million of the total industry allotment and has received approximately \$17 million for the first year of the program. The program is administered through the U.S. Department of Agriculture's Commodity Credit Corporation.

Since the imposition of the quota, the Company has focused its efforts on developing and increasing the production and sales of specialty wheat proteins. These are niche products that are expected to be able to compete more effectively with increased foreign imports. Although additional quota relief would have been helpful, the Commodity Credit program supports the Company's strategy and should strengthen its efforts to move increasingly into the development, production and marketing of value added wheat proteins and starches. However, there can be no assurance that the Company will be able to compete effectively in a market that is inundated with low cost, subsidized foreign gluten.

The Company's sales of vital wheat gluten during 2001 declined approximately 39% below gluten sales in fiscal 2000 as the Company reduced production due to increased pricing pressures from subsidized E.U. producers.

Premium Wheat Starch

Wheat starch constitutes the carbohydrate-bearing portion of wheat flour. The Company produces a pure white premium wheat starch powder by extracting the starch from the starch slurry, substantially free of all impurities and fibers, and then by spray, flash or drum drying the starch. Premium wheat starch differs from low grade or B wheat starches, which are extracted along with impurities and fibers and are used primarily as a binding agent for industrial applications, such as the manufacture of charcoal briquettes. The Company does not produce low grade or B starches because its integrated processing facilities are able to process the slurry remaining after the extraction of premium wheat starch into alcohol, animal feed and carbon dioxide. Premium wheat starch differs from corn starch in its granular structure, color, granular size and name identification.

A substantial portion of the Company's premium wheat starch is also altered during processing to produce certain unique modified and specialty wheat starches designed for special applications in niche markets.

The Company's premium wheat starches are used primarily as an additive in a variety of food products to affect their appearance, texture, tenderness, taste, palatability, cooking temperature, stability, viscosity, binding and freeze-thaw characteristics. Important physical properties contributed by wheat starch include whiteness, clean flavor, viscosity and texture. For example, the Company's starches are used to improve the taste and mouth feel of cream puffs, eclairs, puddings, pie fillings, breadings and batters; to improve the size, symmetry and taste of angel food cakes; to alter the viscosity of soups, sauces and gravies; to improve the freeze-thaw stability and shelf life of fruit pies and other frozen foods; to improve moisture retention in microwavable foods; and to add stability and to improve spreadability in frostings, mixes, glazes and sugar coatings. The Company's modified and specialty starches are also sold for a number of industrial and non-food applications, which include uses in the manufacture of adhesives, paper coatings and carbonless paper.

The Company's premium wheat starch is sold nationwide to food processors and distributors and for export, with the bulk of international sales going to Japan, Mexico and East Asian countries which do not have wheat-based economies.

The Company believes that it is the largest producer of premium wheat starch in the United States. Although wheat starch enjoys a relatively small portion of the total United States starch market, the market is one which has experienced substantial growth over the years. Growth in the wheat starch market reflects a growing appreciation for the unique characteristics of wheat starch which provide it with a number of advantages over corn and other starches for certain baking and other end uses. The Company has developed a number of different modified and specialty wheat starches, and continues to explore the development of additional starch products with the view to increasing sales of value added modified and specialty starches.

Premium wheat starch competes primarily with corn starch, which dominates the United States market. Competition is based upon price, name, color and differing granular and chemical characteristics which affect the food product in which it is used. Premium wheat starch prices usually enjoy a price premium over corn starches and low grade wheat starches. Wheat starch price fluctuations generally track the fluctuations in the corn starch market, except in the case of modified and specialty wheat starches. The wheat starch market also usually permits pricing consistent with costs which affect the industry in general, including increased grain costs. The Company's strategy is to market its premium wheat starches in special market niches where the unique characteristics of premium wheat starch or one of the Company's modified and specialty wheat starches are better suited to a customer's requirements for a specific use.

Starch sales for 2001 declined slightly from those of 2000; a modest decline in volume offset minimal price increases for the Company's starches.

Alcohol Products

The Company's Atchison and Pekin plants process corn and milo, mixed with the starch slurry from gluten and starch processing operations, into food grade alcohol, fuel grade alcohol, animal feed and carbon dioxide.

Food grade alcohol, or grain neutral spirits, consists of beverage alcohol and industrial food grade alcohol that are distilled to remove all impurities and all but approximately 5% of the water content to yield high quality 190 proof alcohol. Fuel grade alcohol, or "ethanol," is a lower grade of grain alcohol that is distilled to remove all water to yield 200 proof alcohol suitable for blending with gasoline.

Food Grade Alcohol

Beverage Alcohol Food grade beverage alcohol consists primarily of grain neutral spirits and gin. Grain neutral spirits is sold in bulk or processed into vodka and gin and sold in bulk quantities at various proof concentrations to bottlers and rectifiers, which further process the alcohol for sale to consumers under numerous labels.

The Company believes that in terms of fiscal 2001 net sales, it is one of the three largest bulk sellers of grain neutral spirits, vodka and gin in the United States. The Company's principal competitors in the beverage alcohol market are Grain Processing Company of Muscatine, Iowa and Archer Daniels Midland of Decatur, Illinois. Beginning in 1997, competition in beverage markets increased significantly as producers of fuel grade alcohol converted portions of fuel grade production into food grade production. Competition is based primarily upon price and service, and in the case of gin, formulation. The Company believes that the centralized location of its Illinois and Kansas distilleries and the capacity of its dual production facilities combine to provide the Company with a customer service advantage within the industry.

Food Grade Industrial Alcohol Food grade alcohol which is not sold as beverage alcohol is marketed as food grade industrial alcohol. Food grade industrial alcohol is sold as an ingredient in foods (e.g., vinegar and food flavorings), personal care products (e.g., hair sprays and deodorants), cleaning solutions, biocides, insecticides, fungicides, pharmaceuticals, and a variety of other products. Although grain alcohol is chemically the same as petroleum-based or synthetic alcohol, certain customers prefer a natural grain-based alcohol. Food grade industrial alcohol is sold in tank truck or rail car quantities direct to a number of industrial processors from both the Atchison and Pekin plants.

The Company is a minor competitor in the total United States market for food grade industrial alcohol, which is dominated by petroleum-based or synthetic alcohol. Food grade industrial alcohol prices are normally consistent with prices for synthetic industrial alcohol.

Food grade industrial and beverage alcohol sales increased by approximately \$2.2 million during 2001 over 2000. Improved selling prices more than offset declined unit volume which resulted largely from the Company's decision to reduce export sales.

During the year, the Company took several initiatives to improve alcohol production. In the first quarter of the fiscal year, the Company completed the installation of new distillery columns to replace older equipment at its Atchison, Kansas plant, which permit the realization of improved food grade alcohol production efficiencies at that location. During the third quarter, the Company's Board of Directors approved a \$2.1 million distillery improvement project at the Atchison plant. Expected to be completed early in the third quarter of 2002, the project is designed to enhance the Company's production capabilities for both food grade and fuel grade alcohol. In June 2001, the Board of Directors approved a plan for installation of a new feed drier at the Company's Pekin, Illinois plant. Expected to be completed in late fiscal 2002 at a cost of approximately \$5 million, the new drier should improve alcohol production efficiencies at the Pekin plant.

Fuel Grade Alcohol

Fuel grade alcohol, which is commonly referred to as ethanol, is sold primarily for blending with gasoline to increase the oxygen and octane levels of the gasoline. As an octane enhancer, ethanol can serve as a substitute for lead and petroleum based octane enhancers. As an oxygenate, ethanol permits gasoline to meet certain environmental regulations and laws that regulate air quality by reducing carbon monoxide, hydrocarbon particulates and other toxic emissions generated from the burning of gasoline ("toxics"). Because ethanol is produced from grain, a renewable resource, it also provides a fuel alternative that tends to reduce the country's dependence on foreign oil.

Although ethanol can be blended directly with gasoline as an oxygenate to enable it to reduce toxic air emissions, it also increases the volatility of gasoline or its tendency to evaporate and release volatile organic compounds ("VOC's"). This latter characteristic has precluded it from meeting certain Clean Air Act requirements for gasoline that pertain to nine of the smoggiest U. S. metropolitan areas during the summer months (May 1 through September 15). As a consequence, the demand for ethanol typically increases during the period from August through March of each fiscal year as gasoline blenders acquire stocks for blending with gasoline to be marketed in the period September 16 through April 30.

Since the adoption of the Clean Air Act, the gasoline industry has relied primarily upon methyl tertiary butyl ether (MTBE) to reduce toxic emissions of air pollutants to meet the requirements of the Act and related EPA regulations. Ethanol is also used to a lesser extent during the cooler months of the year. However, the EPA has recently concluded that the use of MTBE has created a "significant and unacceptable risk to drinking water and ground water resources." Concerns have also been raised as to the effectiveness of MTBE versus the effectiveness of Ethanol as a reducer of air pollutants. As the result of these concerns, the EPA commissioned a "Blue Ribbon Panel" to investigate the matter and recommend solutions. In March 2000, the EPA announced the recommendations of the Panel. The recommendations propose that the Clean Air Act be amended to provide the EPA with authority to significantly reduce or eliminate the use of MTBE, and to "replace the 2 percent oxygenate requirement in the Clean Air Act with a renewable fuel annual average content for all gasoline at a level that maintains the current level of renewable fuel (1.2 percent of the gasoline supply) and allows for sustained growth over the next decade ."

Several states also have begun to take action to curb the use of MTBE, including California, which has adopted regulations that will require a phase out of the use of MTBE in that state by January 1, 2003. Based upon information published by the Renewable Fuels Association, other states that have taken steps to restrict or ban MTBE over the next few years include Arizona, Connecticut, Michigan and New York. In June of 2001, the Bush Administration denied California's request for a waiver from the clean octane provisions of the Clean Air Act that require oxygenates in gasoline. As a result of such actions, the Company expects that both the demand for ethanol and the capacity of the ethanol industry will expand in the future. According to the Renewable Fuels Association, projected annual industry production capacity is expected to grow to 3.5 billion gallons by the end of 2003, up from the current estimated industry capacity of 2 billion gallons.

The cost of producing ethanol has historically exceeded the cost of producing gasoline and gasoline additives, such as MTBE, all of which are derived from fossil non-renewable fuels such as petroleum. Accordingly, to encourage the production of ethanol for use in gasoline, the Federal government and various states have enacted tax and other incentives designed to make ethanol competitive with gasoline and gasoline additives. In December, 2000, the U.S. Department of Agriculture initiated a program to provide a two-year cash incentive for ethanol producers who increase

their grain usage by specified amounts to raise fuel alcohol production. The Company expects to meet the program's eligibility requirements and has increased alcohol production in the fuel area in response to the program.

Under the internal revenue code, and until the end of 2007, gasoline that has been blended in qualifying proportions with ethanol provide sellers of the blend with certain income tax credits and excise tax reductions that amount to up to \$0.54 per gallon of ethanol that is mixed with the gasoline (the "Federal Tax Credit"). A mix of at least 10% ethanol by volume is required to receive the maximum credit. Although the Federal Tax Credit is not directly available to the Company, it allows the Company to sell its ethanol at prices competitive with less expensive additives and gasoline. From time to time legislation is proposed to eliminate, reduce or extend the tax benefits enjoyed by the ethanol industry, and indirectly by producers of the grain that is converted into ethanol. During 1998 legislation was enacted that extended the credit through 2007, with the credit being reduced to \$0.51 per gallon beginning in 2005.

The Kansas Qualified Agricultural Ethyl Alcohol Producer Incentive Fund, which has been extended to 2011, provides incentives for sales of ethanol produced in Kansas to gasoline blenders. However, after 2004 incentives will be paid only for increased production. Fiscal 2001 payments to the Company out of the fund totaled \$360,000 for the ethanol produced by the Company at the Atchison plant during that year.

The fuel grade alcohol market is dominated by Archer Daniels Midland, with the Company being the smaller of a few other larger second tier ethanol producers. The Company competes with other producers of fuel grade alcohol on the basis of price and delivery service.

Fuel grade alcohol sales increased by approximately \$21.6 million, or 35%, during 2001, due primarily to increased volume and prices throughout the year.

Alcohol By-Products

The bulk of fiscal 2001 sales of alcohol by-products consisted of distillers feeds. Distillers feeds are the residue of corn, milo and wheat from alcohol processing operations. The residue is dried and sold primarily to processors of animal feeds as a high protein additive. The Company competes with other distillers of alcohol as well as a number of other producers of animal food additives in the sale of distillers feeds and mill feeds.

The balance of alcohol by-products consists primarily of carbon dioxide. During the production of alcohol, the Company traps carbon dioxide gas that is emitted in the fermentation process. The gas is purchased and liquefied on site by two principal customers, one at the Atchison Plant and one at the Pekin Plant, who own and operate the carbon dioxide processing and storage equipment under long term contracts with the Company. The liquefied gas is resold by these processors to a variety of industrial customers and producers of carbonated beverages.

Sales of alcohol by-products during fiscal 2001 increased by 2% relative to 2000 sales, due primarily to increased volume resulting from increased alcohol production.

Flour and Other Mill Products

The Company owns and operates a flour mill at the Atchison plant. The mill's output of flour is used internally to satisfy a majority of the raw material needed for the production of vital wheat gluten and premium wheat starch.

In addition to flour, the wheat milling process generates mill feeds or "midds." Midds are sold to processors of animal feeds as a feed additive.

Transportation

The Company's output is transported to customers by truck, rail and barge transportation equipment, most of which is provided by common carriers through arrangements made by the Company. The Company leases 329 rail cars which may be dispatched on short notice. Shipment by barge is offered to customers through barge loading facilities on the Missouri and Illinois Rivers. The barge facility on the Illinois River is adjacent to the Pekin plant and owned by

the Company. The facility on the Missouri River, which is not company-owned, is approximately one mile from the Atchison plant.

Raw Materials

The Company's principal raw material is grain, consisting of wheat, which is processed into all of the Company's products, and corn and milo, which are processed into alcohol, animal feed and carbon dioxide. Grain is purchased directly from surrounding farms, primarily at harvest time, and throughout the year from grain elevators. Historically, the cost of grain is subject to substantial fluctuations depending upon a number of factors which affect commodity prices in general, including crop conditions, weather, government programs, and purchases by foreign governments. Such variations in grain prices have had and are expected to have from time to time significant adverse effects on the results of the Company's operations. This is primarily due to a variety of factors. From time to time it has been difficult for the Company to compensate for increases in grain costs through adjustments in prices charged for the Company's vital wheat gluten due to the surge of subsidized E.U. wheat gluten, whose artificially low prices are not affected by such costs. Now that the quota has been lifted, the Company expects it will be more difficult to do so. Also, fuel grade alcohol prices, which historically have tracked the cost of gasoline, do not usually adjust to rising grain costs.

During fiscal 2001, market prices for grain remained reasonable. The average Kansas City market price per bushel for corn and milo was \$1.88 during 2001 and \$1.87 during 2000, while the average Kansas City market price for a bushel of wheat was \$2.87 during 2001 versus \$2.59 during 2000.

The Company engages in the purchase of commodity futures to hedge economic risks associated with fluctuating grain and grain products prices. During fiscal 2001, the Company hedged approximately 19% of corn processed, compared to 11% in 2000, and 9% of wheat processed, compared to 22% in 2000. The contracts are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as part of contract costs when contract positions are settled and related products are sold. For fiscal 2001, raw material costs included a net loss of approximately \$1.2 million on contracts settled during the year compared to a net loss of \$1.3 million for fiscal 2000. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk" in the Annual Report.

Energy

Because energy comprises a major cost of operations, the Company seeks to assure the availability of fuels for the Pekin and Atchison plants at competitive prices. This proved a difficult challenge in fiscal 2001, as exorbitant energy costs plagued the Company during a substantial portion of the year, especially during the third quarter. For the year as a whole, the Company's utility costs were 45% higher than the prior year. Although prices have declined recently, during the fourth quarter they were 27% higher than the comparable quarter in the prior year.

All of the natural gas demand for the Atchison plant is procured in the open market from various suppliers. Depending on existing market conditions, the Company has the ability to transport the gas through a gas pipeline owned by a wholly-owned subsidiary of the Company. The Atchison boilers may also be oil fired.

In 1995 the Company entered into a long-term arrangement with an Illinois utility to satisfy the energy needs of the Pekin, Illinois plant. Under the arrangement, the utility constructed a new gas fired electric and steam generating facility on ground leased from the Company. The utility sells steam and electricity to the Company, generally at fixed rates, using gas procured by the Company.

In order to control energy costs, the Company has a risk management program whereby at pre-determined prices, the Company will purchase a portion of its natural gas requirements for future delivery.

Employees

As of June 30, 2001, the Company had 416 employees, 268 of whom are covered by two collective bargaining agreements with one labor union. One agreement, which expires on August 31, 2002, covers 178 employees at the

Atchison Plant.

The other agreement, which expires in November 2002, covers 90 employees at the Pekin plant. As of June 30, 2000, the Company had 433 employees.

The Company considers its relations with its personnel to be good and has not experienced a work stoppage since 1978.

Regulation

The Company's beverage and industrial alcohol business is subject to regulation by the Bureau of Alcohol, Tobacco and Firearms ("BATF") and the alcoholic beverage agencies in the States of Kansas and Illinois. Such regulation covers virtually every aspect of the Company's alcohol operations, including production facilities, marketing, pricing, labeling, packaging, and advertising. Food products are also subject to regulation by the Food and Drug Administration. BATF regulation includes periodic BATF audits of all production reports, shipping documents, and licenses to assure that proper records are maintained. The Company is also required to file and maintain monthly reports with the BATF of alcohol inventories and shipments.

The Company is subject to extensive environmental regulation at the federal, state and local levels. The regulations include the regulation of water usage, waste water discharge, disposal of hazardous wastes and emissions of volatile organic compounds, particulates and other substances into the air. Under these regulations the Company is required to obtain operating permits and to submit periodic reports to regulating agencies. During 1997 the Illinois Environmental Protection Agency commenced an action against the Company with respect to alleged noncompliance of the Pekin Plant with certain air quality regulations. This action is further described under "Item 3. Legal Proceedings." The Company has submitted an application to the Agency for construction of new pollution control equipment that is expected to bring emissions into compliance with all applicable regulations.

Item 2. Properties.

The Company maintains the following principal plants, warehouses and office facilities:

Location -----	Purpose -----	Plant Area (in sq. ft.) -----	Tract Area (in acres) -----
Atchison, Kansas..	Principal executive offices, grain processing, warehousing, and research and quality control laboratories.	494,640	25
Kansas City, Kansas	Specialty protein and starch mixing facility and warehouse	83,200	12.5
Pekin, Illinois	Grain processing, warehousing, and quality control laboratories.	462,926	49

The facilities mentioned above are generally in good operating condition, are currently in normal operation, are generally suitable and adequate for the business activity conducted therein, and have productive capacities sufficient to maintain prior levels of production. The Atchison and Pekin facilities are owned and the Kansas City facility is leased from the Unified Government of Wyandotte County, Kansas City, Kansas pursuant to an industrial revenue bond financing consummated in August 2001. The Company has entered into loan agreements which contain covenants that limit its ability to pledge its facilities to others. The Company also owns transportation equipment and a gas pipeline described under Transportation and Energy.

Item 3. Legal Proceedings.

On April 13, 1997, an administrative proceeding was filed against the Company's Illinois subsidiary before the Illinois Pollution Control Board (the "Board"), by the Illinois Attorney General on behalf of the Illinois Environmental Protection Agency (the "Agency"). The proceeding relates to the Company's installation and operation of two feed dryers at its facility in Pekin, Illinois. The Complaint alleges that the dryers exceed the particulate emission limitations specified in the construction permits for the units; that the dryers are being operated without operating permits; and that the dryers were constructed without a Prevention of Significant Deterioration (PSD) construction permit setting forth a best available control technology ("BACT") emission limitation. The Complaint seeks a Board order ordering the Company to cease and desist from violations of the Illinois Environmental Protection Act and associated regulations, assessing a civil penalty, and awarding the state its attorneys fees.

The Company has filed an Answer before the Board admitting that compliance tests have shown particulate emissions in excess of the limits set forth in the construction permits, but denying the remainder of the State's claims. Since the time operational problems were discovered with the dryers' pollution control equipment, the Company has been conferring and negotiating with the Agency on the issues involved in the Complaint. The Company and the Agency have been conducting air modeling to support the construction of new pollution control equipment for the dryers, at an estimated cost of approximately \$1.0 million. It is anticipated that the new equipment will bring emissions into compliance with all applicable limitations. Once the modeling is complete, the Company expects to obtain permission from the Agency to construct this equipment.

Proceedings under the Complaint are being held in abeyance by agreement of the parties pending completion of the air modeling and completion of the Company's compliance activities. Once compliance has been achieved, the Company anticipates negotiating a settlement of the remainder of the State's claims. Based on the circumstances and a preliminary review of decisions by the Board in air pollution matters, the Company does not believe that any such settlement will be material to the business or financial condition of the Company.

There are no other legal proceedings pending as of June 30, 2001 which the Company believes to be material. Legal proceedings which are pending, including the proceeding with the Illinois Environmental Protection Agency described above, are believed by the Company to consist of matters normally incident to the business conducted by the Company and taken together do not appear material.

Item 4. Submissions of Matters to a Vote of Security Holders.

No matters have been submitted to a vote of stockholders during the fourth quarter of fiscal year covered by this report.

Item 4A. Executive Officers of the Registrant.

Executive officers of the Company are as follows:

Name	Age	Position
- - - - -	---	-----
Cloud L. Cray, Jr.	78	Chairman of the Board
Laidacker M. Seaberg	55	President, Chief Executive Officer
Sukh Bassi, Ph.D.	60	Vice President, Research and Development
Robert G. Booe	64	Vice President, Finance and Administration. Controller, Treasurer and Chief Financial Officer
Gerald Lasater	63	Vice President, Export Marketing and Sales
Marta L. Myers	41	Secretary and Administrative Assistant to the President
Steven J. Pickman	48	Vice President, Corporate Relations
David E. Rindom	46	Vice President, Human Resources
Randy M. Schrick	51	Vice President, Operations
Dennis E. Sprague	55	Vice President, Alcohol and Feed Products Marketing and Sales
William R. Thornton	49	Vice President, Quality Management
Michael J. Trautschold	53	Executive Vice President, Marketing and Sales

Mr. Cray, Jr. has served as Chairman of the Board since 1980. He served as Chief Executive Officer from 1980 to September, 1988, and has been an officer of the Company and its affiliates for more than thirty years.

Mr. Seaberg joined the Company in 1969 and has served as the President of the Company since 1980 and as Chief Executive Officer since September, 1988. He is the son-in-law of Mr. Cray, Jr.

Dr. Bassi has served as Vice President of Research and Development since 1985, and Vice President Specialty Ingredients Marketing and Sales between 1998 and 2000. He previously served as Technical Director from 1989 to 1998 and Vice President - Vital Wheat Gluten Marketing from 1992 to 1998. From 1981 to 1992 he was Manager of the Vital Wheat Gluten Strategic Business Unit. He was previously a professor of biology at Benedictine College for ten years.

Mr. Booe has served as Vice President, Treasurer and Chief Financial Officer of the Company since 1988. He joined the Company in 1966 as its Treasurer and became the Controller and Treasurer in 1980. In 1992 he was assigned the additional task of Vice President - Administration.

Mr. Lasater joined the Company in 1962. He has served as Vice President - Export Marketing and Sales since 1998. Previously, he served as Vice President - Starch Marketing from 1992 to 1998. Prior to that he served as Vice President in charge of the Wheat Starch Strategic Business Unit.

Ms. Myers joined the Company in 1996. She has served as Secretary since October 1996 and as Administrative Assistant to the President since 1999. Previously she was executive secretary for Superintendent of

Schools for Unified School District 409, Atchison, Kansas.

Mr. Pickman joined the Company in 1985. He has served as Vice President, Corporate Relations since June, 2000. Previously he was Executive Director of Corporate Relations from 1999 to June 2000 and prior to that Corporate Director of Public and Investor Relations. Between 1985 and 1989 he served as the Director of Public Relations and Marketing Administration for the Company's former subsidiary, McCormick Distilling Company, Weston, Missouri.

Mr. Rindom joined the Company in 1980. He has served as Vice President, Human Resources since June 2000. He was Corporate Director of Human Relations from 1992 to June 2000, Personnel Director from 1988 to 1992 and Assistant Personnel Director from 1984 to 1988.

Mr. Schrick, a Director since 1987, joined the Company in 1973. He has served as Vice President - Operations since 1992. From 1984 to 1992 he served as Vice President and General Manager of the Pekin plant. From 1982 to 1984 he was the Plant Manager of the Pekin Plant. Prior to 1982, he was Production Manager at the Atchison plant.

Mr. Sprague joined the Company in October 1998. He has served as Vice President, Alcohol and Feed Products since June, 2000. Previously, he served as Vice President, Corporate Marketing and Sales. Prior to joining the Company, he held a variety of management, sales and plant operations positions with Joseph E. Seagrams & Sons, Inc.

Mr. Thornton joined the Company in 1994. He has served as Vice President of Quality Management since June 2000. He was Corporate Director of Quality Management from 1997 to June 2000 and Corporate Director of Continuous Quality Improvement from 1994 to 1997.

Mr. Trautschold joined the Company in September 2000. He has served since then as Executive Vice President of Marketing and Sales. He was Vice President of Product Strategy in the Consumer direct Division of Schwan's Sales Enterprises, Inc. from 1999 to September 2000 and Vice President of Corporate Marketing Services for ConAgra, Inc. prior to that time.

PART II

Item 5. Market for Registrants Common Equity and Related Stockholders Matters.

The Common Stock of the Company has been traded on the NASDAQ National Market System under the symbol MWGP since November 1988.

The following table below reflects the high and low closing prices of the Common Stock for each quarter of fiscal 2001 and 2000. The Company paid a cash dividend of \$.10 per share in November 2000. The Board of Directors has declared a dividend of \$.15 per share payable on November 6, 2001 to stockholders of record on October 11, 2001. Previously, cash dividends had not been paid since the end of 1995. Any future dividends will be paid at the discretion of the Board of Directors, which will consider various factors, including the Company's operating results and cash requirements, in making any decision respecting dividends.

	High	Sales Price Low
2001:		
First Quarter	\$ 11.00	\$ 8.25
Second Quarter	10.25	8.75
Third Quarter	9.00	8.25
Fourth Quarter	11.25	8.13
2000:		
First Quarter	\$ 11.50	\$ 9.38
Second Quarter	9.75	7.00
Third Quarter	9.25	6.38
Fourth Quarter	8.63	6.13

At June 30, 2001 there were approximately 787 holders of record of the Company's Common Stock. It is believed that the Common Stock is held by approximately 1960 beneficial owners.

Item 6. Selected Financial Data.

Incorporated by reference to the information under "Selected Financial Information" on page 17 of the Annual Report, a copy of which page is included in Exhibit 13 to this Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Incorporated by reference to the information under "Managements Discussion and Analysis of Financial Condition and Results of Operations" on pages 18 through 24 of the Annual Report, copies of which pages are included in Exhibit 13 to this Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Incorporated by reference to the information under "Managements Discussion and Analysis of Financial Condition and Results of Operations - Market Risk" on page 23 of the Annual Report, a copy of which page is included in Exhibit 13 to this Report.

Item 8. Financial Statements and Supplementary Data.

Incorporated by reference to the consolidated financial statements and related notes on pages 25 through 36 of the Annual Report, copies of which pages are included in Exhibit 13 to this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

Item 10. Directors of the Registrant.

Incorporated by reference to the information under "Election of Directors" at pages 2 through 4 and "Section 16(a) Beneficial Ownership Reporting Compliance" at page 16 of the Proxy Statement.

Item 11. Executive Compensation.

Incorporated by reference to the information under "Executive Compensation" on pages 7 through 9 of the Proxy Statement; the material under the captions "Report of The Human Resources Committee" on pages 11 to 13 and "Performance of the Company's Common Stock" on page 10 is not incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Incorporated by reference to the information under "Principal Stockholders" beginning on page 14 of the Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

The following documents are filed as part of this report:

(a) Financial Statements:

Auditors' Report on Financial Statements.
Consolidated Balance Sheets at June 30, 2001 and 2000.
Consolidated Statements of Income - for the Three Years Ended June 30, 2001, 2000, and 1999. Consolidated Statements of Stockholders' Equity for the Three Years Ended June 30, 2001, 2000, and 1999.
Consolidated Statements of Cash Flow - for the Three Years Ended June 30, 2001, 2000, and 1999.
Notes to Consolidated Financial Statements.

The foregoing have been incorporated by reference to the Annual Report as indicated under Item 8.

(b) Financial Statement Schedules:

Auditors' Report on Financial Statement Schedules:
VIII - Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the information is contained in the Consolidated Financial Statements or notes thereto.

(c) Exhibits:

Exhibit No. -----	Description -----
3(a)	Articles of Incorporation of the Company (Incorporated by reference to Exhibit 3(a) of the Company's Registration Statement No. 33-24398 on Form S-1).
3(b)	Bylaws of the Company (Incorporated by reference to Exhibit 3(b) of the Company's Registration Statement No. 33-24398 on Form S-1).
4(a)	Copy of Note Agreement dated as of August 1, 1993, providing for the issuance and sale of \$25 million of 6.68% term notes ("Term Notes", incorporated by reference to Exhibit 4.1 to the Company's Report on Form 10-Q for the quarter ended September 30, 1993 (file number 0-17196)).
4(b)	Copy of Term Notes dated August 27, 1993 (incorporated by reference to Exhibit 4.2 to the Company's Report on Form 10-Q for the quarter ended September 30, 1993 (file number 0-17196)).
4(c)	Copy of Sixth Amended Line of Credit Loan Agreement providing for the Issuance of a Line of Credit Note in the amount of \$20,000,000 (incorporated by reference to Exhibit 4.1 to the Company's Report on Form 10-Q for the quarter ended December 31, 1999 (file number 0-17196)).
4(d)	Copy of Line of Credit Note Under Sixth Amended Line of Credit Loan Agreement (incorporated by reference to Exhibit 4.2 to the Company's Report on Form 10-Q for the quarter ended December 31, 1999 (file number 0-17196)).
4(e)	In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, certain instruments respecting long-term debt of the Registrant have been omitted but will be furnished to the Commission upon request.
9(a)	Copy of Cray Family Trust (Incorporated by reference to Exhibit 1 of Amendment No. 1 to Schedule 13D of Cloud L. Cray, Jr. dated November 17, 1995).
*10(a)	Summary of informal cash bonus plan.
10(b)	Executive Stock Bonus Plan as amended June 15, 1992 (incorporated by reference to Exhibit 10(b) to the Company's Form 10-K for the year ended June 30, 1992 (file number 0-17196)).
10(c)	Copy of Midwest Grain Products, Inc. Stock Incentive Plan of 1996, as amended as of August 26, 1996 (incorporated by reference to Exhibit A to the Company's Notice of Annual Meeting and Proxy Statement filed September 17, 1996).
10(d)	Copy of amendment to Midwest Grain Products, Inc. Stock Incentive Plan of 1996 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
10(e)	Form of Stock Option with respect to stock options granted under the Midwest Grain Products, Inc. Stock Incentive Plan of 1996 (incorporated by reference to Exhibit 10(e) to the Company's Form 10-K for the year ended June 30, 1996 (file number 0-17196)).
10(f)	Copy of Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors, as amended as of August 26, 1996 (incorporated by reference to Exhibit B to the Company's Notice of Annual Meeting and Proxy Statement filed September 17, 1996).

- 10(g) Copy of amendment to Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10(h) Copy of Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees (incorporated by reference to Appendix A to the Company's Notice of Annual Meeting and Proxy Statement dated September 17, 2000, filed with the Securities and Exchange Commission on September 15, 2000).
- 10(i) Form of Stock Option with respect to stock options granted under the Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees (incorporated by reference to Exhibit 10(e) to the Company's Form 10-K for the year ended June 30, 1996 (file number 0-17196)).
- 10(j) Copy of amendments to Options granted under Midwest Grain Products, Inc. Stock Option Plans (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10(k) Form of Option Agreement for the grant of Options under the Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors, as amended (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10.5 Form of Amended Option Agreements for the grant of Options under the Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10.6 Form of Option Agreement for the grant of Options under the Midwest Grain Products, Inc. Stock Incentive Plan of 1996, as amended (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10.7 Form of Incentive Stock Option Agreement approved on December 7, 2000, for use thereafter under the Stock Incentive Plan of 1996 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196)).
- 10.8 Form of Incentive Stock Option Agreement approved on December 7, 2000 for use thereafter under the 1998 Stock Incentive Plan for Salaried Employees (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196)).
- 10.9 Form of Memorandum of Agreement Concerning Options approved on December 7, 2000 between the Company and certain members of senior management, including the following named executive officers: Ladd M. Seaberg, Randall M. Schrick, Robert G. Booe, Dennis E. Sprague and Dr. Sukh Bassi incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196)).

- *10.10 Form of Lease Agreement dated as of August 1, 2001 among GE Public Finance, Inc., The Unified Government of Wyandotte County, Kansas City, Kansas, and Midwest Grain Products, Inc.
- *13 Information contained in the Midwest Grain Products, Inc. 2000 Annual Report to Stockholders that is incorporated herein by reference.
- 22 Subsidiaries of the Company other than insignificant subsidiaries:
- | Subsidiary | State of Incorporation
or Organization |
|---|---|
| Midwest Grain Pipeline, Inc. | Kansas |
| Midwest Grain Products of Illinois, Inc. | Illinois |
| Kansas City Ingredient Technologies, Inc. | Kansas |
- *23 Consent of Baird, Kurtz & Dobson.
- 25 Powers of Attorney executed by all officers and directors of the Company who have signed this report on Form 10-K (incorporated by reference to the signature pages of this report).

- -----
* Filed herewith

No reports on Form 8-K have been filed during the quarter ended June 30, 2001.

SIGNATURES

Pursuant to requirements of Section 13 of 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, in the city of Atchison, State of Kansas, on this 13th day of September, 2001.

MIDWEST GRAIN PRODUCTS, INC.

By /s/Laidacker M. Seaberg
Laidacker M. Seaberg, President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Cloud L. Cray, Jr., Laidacker M. Seaberg and Robert G. Booe and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all reports of the Registrant on Form 10-K and to sign any and all amendments to such reports and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities & Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the dates indicated.

Name - - - - -	Title - - - - -	Date - - - - -
/s/Laidacker M. Seaberg Laidacker M. Seaberg	President (Principal Executive Officer) and Director	September 13, 2001
/s/Robert G. Booe Robert G. Booe	Vice President, Treasurer and Controller (Principal Financial and Accounting Officer)	September 13, 2001
/s/Michael Braude Michael Braude	Director	September 13, 2001
/s/Cloud L. Cray, Jr. Cloud L. Cray, Jr.	Director	September 13, 2001
/s/Michael R. Haverty Michael R. Haverty	Director	September 13, 2001
/s/Linda E. Miller Linda E. Miller	Director	September 13, 2001
/s/Robert J. Reintjes Robert J. Reintjes	Director	September 13, 2001
/s/Randy M. Schrick Randy M. Schrick	Director	September 13, 2001
/s/Daryl R. Schaller Daryl R. Schaller	Director	September 13, 2001
/s/James A. Schindwein James A. Schindwein	Director	September 13, 2001

MIDWEST GRAIN PRODUCTS, INC.

Consolidated Financial Statement Schedules
(Form 10-K)

June 30, 2001, 2000, and 1999

(With Auditors' Report Thereon)

S-1

BKD, LLP
Certified Public Accountants
Twelve Wyandotte Plaza
120 West 12th Street, Suite 1200
Kansas City, MO 64105-1936

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

Board of Directors and Stockholders
Midwest Grain Products, Inc.
Atchison, Kansas

In connection with our audit of the consolidated financial statements of MIDWEST GRAIN PRODUCTS, INC. for each of the three years in the period ended June 30, 2001, we have also audited the following financial statement schedule. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits of the basic financial statements. The schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and regulations and is not a required part of the consolidated financial statements.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ BKD, LLP

Kansas City, Missouri
August 1, 2001
Member of Moores Rowland International

MIDWEST GRAIN PRODUCTS, INC.

VIII. VALUATION AND QUALIFYING ACCOUNTS

	Balance, Beginning Of Period -----	Charged to Costs and Expenses -----	Charged to Other Accounts -----	Write-Offs -----	Balance, End of Period -----
			(In Thousands)		
Year Ended June 30, 2001 Allowance for doubtful accounts	\$252	\$ 82		\$ 82	\$252
Year Ended June 30, 2000 Allowance for doubtful accounts	285	202	---	235	252
Year Ended June 30, 1999 Allowance for doubtful accounts	285	1,037	---	1,037	285

EXHIBIT INDEX

Exhibit No. -----	Description -----
3(a)	Articles of Incorporation of the Company (Incorporated by reference to Exhibit 3(a) of the Company's Registration Statement No. 33-24398 on Form S-1).
3(b)	Bylaws of the Company (Incorporated by reference to Exhibit 3(b) of the Company's Registration Statement No. 33-24398 on Form S-1).
4(a)	Copy of Note Agreement dated as of August 1, 1993, providing for the issuance and sale of \$25 million of 6.68% term notes ("Term Notes", incorporated by reference to Exhibit 4.1 to the Company's Report on Form 10-Q for the quarter ended September 30, 1993 (file number 0-17196)).
4(b)	Copy of Term Notes dated August 27, 1993 (incorporated by reference to Exhibit 4.2 to the Company's Report on Form 10-Q for the quarter ended September 30, 1993 (file number 0-17196)).
4(c)	Copy of Sixth Amended Line of Credit Loan Agreement providing for the Issuance of a Line of Credit Note in the amount of \$20,000,000 (incorporated by reference to Exhibit 4.1 to the Company's Report on Form 10-Q for the quarter ended December 31, 1999 (file number 0-17196)).
4(d)	Copy of Line of Credit Note Under Sixth Amended Line of Credit Loan Agreement (incorporated by reference to Exhibit 4.2 to the Company's Report on Form 10-Q for the quarter ended December 31, 1999 (file number 0-17196)).
4(e)	In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, certain instruments respecting long-term debt of the Registrant have been omitted but will be furnished to the Commission upon request.
9(a)	Copy of Cray Family Trust (Incorporated by reference to Exhibit 1 of Amendment No. 1 to Schedule 13D of Cloud L. Cray, Jr. dated November 17, 1995).
*10(a)	Summary of informal cash bonus plan.
10(b)	Executive Stock Bonus Plan as amended June 15, 1992 (incorporated by reference to Exhibit 10(b) to the Company's Form 10-K for the year ended June 30, 1992 (file number 0-17196)).
10(c)	Copy of Midwest Grain Products, Inc. Stock Incentive Plan of 1996, as amended as of August 26, 1996 (incorporated by reference to Exhibit A to the Company's Notice of Annual Meeting and Proxy Statement filed September 17, 1996).
10(d)	Copy of amendment to Midwest Grain Products, Inc. Stock Incentive Plan of 1996 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
10(e)	Form of Stock Option with respect to stock options granted under the Midwest Grain Products, Inc. Stock Incentive Plan of 1996 (incorporated by reference to Exhibit 10(e) to the Company's Form 10-K for the year ended June 30, 1996 (file number 0-17196)).

- 10(f) Copy of Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors, as amended as of August 26, 1996 (incorporated by reference to Exhibit B to the Company's Notice of Annual Meeting and Proxy Statement filed September 17, 1996).
- 10(g) Copy of amendment to Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10(h) Copy of Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees (incorporated by reference to Appendix A to the Company's Notice of Annual Meeting and Proxy Statement dated September 17, 2000, filed with the Securities and Exchange Commission on September 15, 2000).
- 10(i) Form of Stock Option with respect to stock options granted under the Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees (incorporated by reference to Exhibit 10(e) to the Company's Form 10-K for the year ended June 30, 1996 (file number 0-17196)).
- 10(j) Copy of amendments to Options granted under Midwest Grain Products, Inc. Stock Option Plans (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10(k) Form of Option Agreement for the grant of Options under the Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors, as amended (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10.5 Form of Amended Option Agreements for the grant of Options under the Midwest Grain Products, Inc. 1998 Stock Incentive Plan for Salaried Employees (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10.6 Form of Option Agreement for the grant of Options under the Midwest Grain Products, Inc. Stock Incentive Plan of 1996, as amended (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196)).
- 10.7 Form of Incentive Stock Option Agreement approved on December 7, 2000 for use thereafter under the 1998 Stock Incentive Plan of 1996 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196)).
- 10.8 Form of Incentive Stock Option Agreement approved on December 7, 2000 for use thereafter under the 1998 Stock Incentive Plan for Salaried Employees (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196)).
- 10.9 Form of Memorandum of Agreement Concerning Options approved on December 7, 2000 between the Company and certain members of senior management, including the following named executive officers: Ladd M. Seaberg, Randall M.

Schrick, Robert G. Booe, Dennis E. Sprague and Dr. Sukh Bassi incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196)).

*10.10 Form of Lease Agreement dated as of August 1, 2001 among GE Public Finance, Inc., The Unified Government of Wyandotte County, Kansas City, Kansas, and Midwest Grain Products, Inc.

*13 Information contained in the Midwest Grain Products, Inc. 2000 Annual Report to Stockholders that is incorporated herein by reference.

22 Subsidiaries of the Company other than insignificant subsidiaries:

Subsidiary	State of Incorporation	or Organization
Midwest Grain Pipeline, Inc.		Kansas
Midwest Grain Products of Illinois, Inc.		Illinois
Kansas City Ingredient Technologies, Inc.		Kansas

*23 Consent of Baird, Kurtz & Dobson.

25 Powers of Attorney executed by all officers and directors of the Company who have signed this report on Form 10-K (incorporated by reference to the signature pages of this report).

- -----
* Filed herewith

No reports on Form 8-K have been filed during the quarter ended June 30, 2001.

LEASE AGREEMENT

Among

GE CAPITAL PUBLIC FINANCE, INC.,

as Bondholder,

and

THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS,

as Lessor,

and

MIDWEST GRAIN PRODUCTS, INC.,

as Lessee

Dated as of August 1, 2001

This instrument constitutes a security agreement under the Kansas Uniform Commercial Code.

LEASE AGREEMENT

Bondholder: GE Capital Public Finance, Inc. Suite 470 8400 Normandale Lake Boulevard Minneapolis, MN 55437 Telephone: (800) 346-3164 Telecopier: (952) 897-5601

Lessor: The Unified Government of Wyandotte County/Kansas City, Kansas 701 N. 7th Street, 9th Floor Kansas City, KS 66101 Telephone: (913) 573-5076 Telecopier: (913) 573-5243

Lessee: Midwest Grain Products, Inc. 1300 Main Street Atchinson, KS 66002 Telephone: (913) 367-1480 Telecopier: (913) 367-0192

THIS LEASE AGREEMENT dated as of August 1, 2001 (this "Agreement") among GE Capital Public Finance, Inc., a Delaware corporation, as bondholder (with its successors and assigns, "Bondholder"), The Unified Government of Wyandotte County/Kansas City, Kansas, a municipal corporation duly organized and validly existing under the laws of the State of Kansas (the "State"), as lessor ("Lessor"), and Midwest Grain Products, Inc., a Kansas corporation, as lessee ("Lessee").

WHEREAS, Lessor is authorized and empowered under the laws of the State, including KSA ss. 12-1740 et. seq., as now in effect and as may from time to time hereafter be amended and supplemented (the "Act"), to issue industrial development revenue bonds and to enter into lease agreements, contracts and other instruments and documents necessary or convenient to obtain Leases for the purpose of facilitating the financing of certain projects as described in the Act; and

WHEREAS, in furtherance of the purposes of the Act, Lessor proposes to finance all or a portion of the acquisition and rehabilitation of the Project (as hereinafter defined) by Lessee pursuant to this Agreement by issuing the Bond (as hereinafter defined); and

WHEREAS, Lessee has obtained or will obtain title to the Project and will sell the Project to Lessor in exchange for Lessor's agreeing to obtain the financing from Bondholder and to make certain payments in accordance with this Agreement; and

WHEREAS, in order to obtain funds to make such payments, Lessor proposes to lease the Project to Lessee in exchange for Lessee's agreeing to make Lease Payments (as hereinafter defined) in accordance with this Agreement; and

WHEREAS, Lessee shall make Lease Payments directly to Bondholder as assignee of Lessor and holder of the Bond pursuant to the terms set forth in this Agreement; and

WHEREAS, this Agreement and the Bond shall not be deemed to constitute a debt or liability or moral obligation of the State or any political subdivision thereof, or a pledge of the faith and credit or taxing power of the State or any political subdivision thereof, but shall be a special obligation payable solely from the Lease Payments payable hereunder by Lessee to Bondholder as assignee of Lessor;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and in consideration of the premises contained in this Agreement, Bondholder, Lessor and Lessee agree as follows:

ARTICLE I
DEFINITIONS AND EXHIBITS

Section 1.01. Definitions. The following terms used herein will have the meanings indicated below unless the context clearly requires otherwise:

"Acquisition Costs" means the contract price paid or to be paid to the Vendors or reimbursed to Lessee for any portion of the Project upon Lessee's acceptance thereof, including administrative, engineering, legal, financial and other costs incurred by Bondholder, Lessor, Lessee, Escrow Agent and Vendors in connection with the acquisition and rehabilitation and financing by Bondholder of such Project.

"Agreement" means this Agreement, including all exhibits hereto, as any of the same may be supplemented or amended from time to time in accordance with the terms hereof.

"Assignment" means the Assignment of Rents and Leases dated as of August 1, 2001 executed by Lessee in favor of Bondholder.

"Bond" means Lessor's \$6,500,000 Industrial Development Revenue Bond (Midwest Grain Products, Inc. Project) Series 2001 in the form attached hereto as Exhibit F.

"Bondholder" means (i) GE Capital Public Finance, Inc., acting as bondholder under this Agreement, (ii) any surviving, resulting or transferee corporation of GE Capital Public Finance, Inc., and (iii) except where the context requires otherwise, any assignee(s) of Bondholder.

"Business Day" means a day other than a Saturday or Sunday on which banks are generally open for business in New York, New York.

"Code" means the Internal Revenue Code of 1986, as amended, and United States Treasury regulations promulgated thereunder.

"Default" means an event that, with giving of notice or passage of time or both, would constitute an Event of Default as provided in Article XI hereof.

"Determination of Taxability" means any determination, decision or decree by the Commissioner of Internal Revenue, or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion obtained by Bondholder of counsel qualified in such matters, that an Event of Taxability shall have occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

(a) the date when Lessee files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred; or

(b) the effective date of any federal legislation enacted after the date of this Agreement or promulgation of any income tax regulation or ruling by the Internal Revenue Service that causes an Event of Taxability after the date of this Agreement; or

(c) if upon sale, lease or other deliberate action taken with respect to the Project within the meaning of Treas. Reg. ss. 1.141-2(d), the failure to receive an unqualified opinion of bond counsel to the effect that such deliberate action will not cause interest payable by Lessee hereunder to become includable in the gross income of the recipient.

"Environmental Laws" means any federal, state and local laws relating to emissions, discharges, releases of Hazardous Wastes or Materials into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Wastes or Materials.

"Escrow Agent" means Commerce Bank, N.A., as escrow agent under the Escrow Agreement, and its successors and assigns permitted under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement dated as of August 1, 2001 among Bondholder, Lessor, Lessee and Escrow Agent.

"Escrow Fund" means the fund established and held by Escrow Agent pursuant to the Escrow Agreement.

"Event of Taxability" means, if as the result of any act, failure to act or use of the proceeds of the Lease, a change in use of the Project or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Agreement or the Tax Compliance Agreement by Lessor or Lessee or the enactment of any federal legislation after the date of this Agreement or the promulgation of any income tax regulation or ruling by the Internal Revenue Service after the date of this Agreement, the Interest is or becomes includable in Bondholder's gross income.

"Gross-Up Rate" means, with respect to any Interest payment (including payments made prior to the Event of Taxability), the rate necessary to calculate a total payment in an amount sufficient such that the sum of the Interest payment plus an additional payment would, after reduced by the federal tax (including interest and penalties) actually payable thereon, equal the amount of the Interest payment.

"Hazardous Substances Agreement" means the Certificate and Indemnity Agreement regarding Hazardous Substances dated as of August 1, 2001 executed by Lessee for the benefit of Bondholder.

"Hazardous Waste or Materials" means any substance or material defined in or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance, or other similar term, by any Environmental Law now or hereafter in effect.

"Interest" means the portion of any payment from Lessor to Bondholder designated as and comprising interest as shown in Exhibit A hereto.

"Lease" means the lease from Lessor to Lessee pursuant to this Agreement.

"Lease Payments" means the lease payments payable by Lessee pursuant to the provisions of this Agreement and the Bond as specifically set forth in Exhibit A hereto. As provided in Article II hereof, Lease Payments shall be payable by Lessee directly to Bondholder, as assignee of Lessor and holder of the Bond, in the amounts and at the times as set forth in Exhibit A hereto.

"Lease Proceeds" means the total amount of money to be paid to (i) Escrow Agent for deposit and application in accordance with the Escrow Agreement and (ii) Lessee for reimbursement of expenditures made by Lessee for the Project.

"Lessee" means Midwest Grain Products, Inc., a Kansas corporation.

"Lessor" means The Unified Government of Wyandotte County/Kansas City, Kansas, acting as lessor under this Agreement.

"Mortgage" means the Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of the date hereof executed by Lessee in favor of Bondholder, relating to the Project.

"Note Agreement" means the Note Agreement dated as of August 1, 1993, as amended and supplemented and in effect on the date hereof, between Lessee and Principal Mutual Life Insurance Company, without giving effect to any amendment thereof or supplement thereto after the date hereof, which Note Agreement shall be deemed to apply to Lessee and to the Lease under this Agreement (in lieu of the obligations under the Note Agreement) and shall survive this Agreement notwithstanding any termination of the Note Agreement.

"Permitted Exceptions" means the permitted exceptions listed on Exhibit J hereto.

"Personal Property" means the property and equipment acquired as part of the Project as set forth on Exhibit B hereto.

"Prepayment Amount" means the amount which Lessee may or must from time to time pay or cause to be paid to Bondholder as assignee of Lessor and holder of the Bond in order to prepay the Lease and the Bond, as provided in Section 2.07 hereof, such amounts being set forth in Exhibit A hereto, together with accrued interest and all other amounts due hereunder.

"Principal" means the portion of any Lease Payment designated as principal in Exhibit A hereto.

"Project" means (i) all of Lessee's estate, right, title and interest, now owned, including any reversion or remainder interest, in the real property located in the City of Kansas City, County of Wyandotte, State of Kansas described on Exhibit I hereto, including all heretofore vacated alleys and streets abutting the property, and all easements, rights, appurtenances, tenements, hereditaments, rents, royalties, mineral, oil and gas rights and profits, water, water rights and water stock appurtenant to the property (collectively, the "Premises"), (ii) all buildings, structures, improvements, parking areas, landscaping and fixtures now erected on, attached to, or used or adapted for use in the operation of such real property, including (without limitation) all heating, air conditioning, manufacturing and incinerating apparatus and equipment; all boilers, engines, motors, dynamos, generating equipment, piping and plumbing fixtures, water heaters, ranges, cooking apparatus and mechanical kitchen equipment, refrigerators, freezers, cooling, ventilating, sprinkling and vacuum cleaning systems, fire extinguishing apparatus, gas and electric fixtures, carpeting, floor coverings, underpadding, elevators, escalators, partitions, mantels, built-in mirrors, window shades, blinds, draperies, screens, storm sash, awnings, signs, furnishings of public spaces, halls and lobbies, and shrubbery and plants (other than manufacturing equipment not included as a portion of the Personal Property), (iii) the Personal Property, and (iv) the property and the improvements acquired or constructed with the Rehabilitation Expenditures.

"Property" means, collectively, all of Lessee's estate, right, title and interest, now owned or hereafter acquired, including any reversion or remainder interest, in the real property located in the City of Kansas City, County of Wyandotte, State of Kansas described on Exhibit I hereto, including all heretofore or hereafter vacated alleys and streets abutting the property, and all easements, rights, appurtenances, tenements, hereditaments, rents, royalties, mineral, oil and gas rights and profits, water, water rights and water stock appurtenant to the property; together with all of Lessee's estate, right, title and interest, now owned or hereafter acquired, in:

(a) all buildings, structures, improvements, parking areas, landscaping, equipment, software intangibles, fixtures and articles of property now or hereafter erected on, attached to, or used or adapted for use in the operation of the Premises, including (without limitation) all heating, air conditioning, manufacturing and incinerating apparatus and equipment; all boilers, engines, motors, dynamos, generating equipment, piping and plumbing fixtures, water heaters, ranges, cooking apparatus and mechanical kitchen equipment, refrigerators, freezers, cooling, ventilating, sprinkling and vacuum cleaning systems, fire extinguishing apparatus, gas and electric fixtures, carpeting, floor coverings, underpadding, elevators, escalators, partitions, mantels, built-in mirrors, window shades, blinds, draperies, screens, storm sash, awnings, signs, furnishings of public spaces, halls and lobbies, and shrubbery and plants, and including also all interest of any owner of the Premises in any of such items hereafter at any time acquired under

conditional sale contract, chattel mortgage or other title retaining or security instrument, but excluding any manufacturing equipment now or hereafter acquired that does not consist of any portion of the Personal Property (all of the foregoing together with any replacements thereto are referred to herein as the "Improvements");

(b) all compensation, awards, damages, rights of action and proceeds, including interest thereon and/or the proceeds of any policies of insurance therefor, arising out of or relating to a (i) taking or damaging of the Premises or Improvements thereon by reason of any public or private improvement, condemnation proceeding (including change of grade), sale or transfer in lieu of condemnation, or fire, earthquake or other casualty, or (ii) any injury to or decrease in the value of the Premises or the Improvements for any reason whatsoever;

(c) all the right, title and interest of Lessee in, to and under all written and oral leases and rental agreements (including extensions, renewals and subleases; all of the foregoing shall be referred to collectively herein as the "Leases") now or hereafter affecting the Premises including, without limitation, all rents, issues, profits and other revenues and income therefrom and from the renting, leasing or bailment of Improvements and equipment, all guaranties of tenants' performance under the Leases, all letter of credit rights and all other supporting obligations associated with the Leases, and all rights and claims of any kind that Lessee may have against any tenant under the Leases or in connection with the termination or rejection of the Leases in a bankruptcy or insolvency proceeding; and the leasehold estate, if applicable;

(d) plans, specifications, contracts, documents and agreements relating to the design or construction of the Improvements; Lessee's rights under any payment, performance or other bond in connection with the design or construction of the Improvements; all landscaping and construction materials, supplies and equipment used or to be used or consumed in connection with construction of the Improvements, whether stored on the Premises or at some other location; and contracts, agreements and purchase orders with contractors, subcontractors, suppliers and materialmen incidental to the design or construction of the Improvements;

(e) all books, records, surveys, reports and other documents related to the Premises, the Improvements, the Leases or other items of Property described herein; and

(f) all additions, accessions, replacements, substitutions, proceeds and products of the real and personal property, tangible and intangible, described herein.

"Purchase Agreements" means Lessee's purchase agreements with Vendors of the Project.

"Purchase Price" means \$6,500,000.

"Rehabilitation Expenditures" means those capital expenditures to be incurred by Lessee with respect to the Project as set forth on Exhibit C hereto.

"State" means the State of Kansas.

"Tax Compliance Agreement" means the Tax Compliance Agreement of even date herewith among Lessee, Lessor and Escrow Agent, as such Tax Compliance Agreement may be amended from time to time in accordance with its terms.

"UCC" means the Uniform Commercial Code as adopted and in effect in the State.

"Vendor" means the manufacturer, contractor or vendor of any portion of the Project, as well as the agents or dealers of the manufacturer or contractor, from whom Lessee has purchased or is purchasing portions of the Project.

Section 1.02. Exhibits The following exhibits are attached hereto and made a part hereof:

- Exhibit A: Schedule of Lease Payments setting forth the Lease Payments and Prepayment Amounts.
- Exhibit B: Description of Personal Property.
- Exhibit C: Description of Rehabilitation Expenditures.
- Exhibit D: Reserved.
- Exhibit E: Reserved.
- Exhibit F: Form of Bond.
- Exhibit G: Form of Certificate of Chief Financial Officer.
- Exhibit H: Reserved.
- Exhibit I: Legal Description of Real Property.
- Exhibit J: List of Permitted Exceptions.
- Exhibit K: List of Trade Names.
- Exhibit L: Survey Requirements.
- Exhibit M: Permanent Lease Insurance Requirements.
- Exhibit N: Phase I Requirements.

Section 1.03. Rules of Construction. (a) The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa. The use herein of a word of any gender shall include correlative words of all genders.

(b) Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivision of this

Agreement as originally executed. The words "hereof," "herein," "hereunder" and words of similar import refer to this Agreement as a whole.

(c) The headings or titles of the several articles and sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

ARTICLE II
FINANCING OF PROJECT AND TERMS OF LEASE

Section 2.01. Acquisition of Project. (a) Lessee either has obtained or shall obtain the Project pursuant to one or more Purchase Agreements from one or more Vendors. Lessee shall remain liable to the Vendor or Vendors in respect of its duties and obligations in accordance with each Purchase Agreement and shall bear the risk of loss with respect to any loss or claim relating to any portion of the Project covered by any Purchase Agreement, and neither Bondholder nor Lessor shall assume any such liability or risk of loss. Lessee covenants and agrees to pay or cause to be paid such amounts as may be necessary to complete the acquisition, installation, construction and improvement of the Project and to ensure that the Project is operational to the extent that the Lease Proceeds are insufficient to cause such acquisition, installation, construction and improvement.

(b) Lessee agrees to sell, and does hereby sell, to Lessor the Project on the terms and conditions of this Agreement, and Lessor agrees to purchase, and subject to the satisfaction of the conditions contained in Article III hereof, does purchase the Project in accordance with the terms and conditions of this Agreement, at the Purchase Price. Lessor and Lessee agree that, upon payment of the Purchase Price by Lessor to Lessee, title to the Project shall be deemed to be conveyed to and vested in Lessor. Lessee agrees to execute any and all documents, certificates and agreements necessary to effectuate such purchase of the Project.

(c) Lessor agrees to lease and hereby leases the Project to Lessee, and Lessee agrees to lease and hereby leases, the Project from Lessor in accordance with the terms and conditions of this Agreement. Lessee agrees that it shall be liable for all of its obligations under any agreements with Vendors in the event that the conditions contained in Article III hereof are not satisfied or the Lease Proceeds are not applied as provided in Section 2.02 hereof for any reason. Lessor and Lessee agree to execute any and all documents, certificates and agreements necessary to effectuate such lease of the Project.

(d) Title to the Project shall pass from Lessor to Lessee automatically and without further act upon the end of the term of this Agreement. Lessor agrees to execute any and all documents, certificates and agreements necessary to effectuate such transfer of the Project.

Section 2.02. Lease. Bondholder hereby agrees, subject to the terms and conditions of this Agreement, to purchase the Bond in the amount of \$6,500,000; Lessor hereby agrees, subject to the terms and conditions of this Agreement, to issue the Bond and to use the proceeds thereof to purchase the Project from Lessee; and Lessee hereby agrees to lease the Project from Lessor. The basic term of the Lease is seven years, commencing upon the delivery of this Agreement,

and with a scheduled termination date of September 1, 2008. Upon fulfillment of the conditions set forth in Article III hereof, Bondholder shall (i) deposit \$900,000.00 of the Lease Proceeds in the Escrow Fund to be held, invested and disbursed for Rehabilitation Expenditures, as provided in the Escrow Agreement and (ii) disburse \$5,600,000.00 of the Lease Proceeds to Lessee for reimbursement of expenditures previously made by Lessee for the Project. Lessor's obligation to make payments on the Bond, and Lessee's obligation to repay the Lease, shall commence, and interest shall begin to accrue, on the date that Lease Proceeds are deposited in the Escrow Fund and disbursed to Lessee.

Section 2.03. Interest. The principal amount of the Bond and the Lease hereunder outstanding from time to time shall bear interest (computed on the basis of actual days elapsed in a 360-day year) at the rate of five and twenty-three hundredths percent (5.23%). Interest accruing on the principal balance of the Bond and the Lease outstanding from time to time shall be payable as provided in Exhibit A and in the Bond and upon earlier demand in accordance with the terms hereof or prepayment in accordance with the terms of the Bond and Section 2.07 hereof. Upon the occurrence of a Determination of Taxability, Lessee shall, with respect to future interest payments, begin making Lease Payments calculated at the Gross-Up Rate. In addition, Lessee shall make immediately upon demand of Bondholder a payment to Bondholder sufficient to supplement prior Lease Payments to the Gross-Up Rate.

Section 2.04. Payments. Lessor shall pay the principal of, premium, if any in accordance with Section 2.07 hereof, and interest on the Bond, but only out of the amounts paid by Lessee pursuant to this Agreement. Lessee shall pay to Bondholder, as assignee of Lessor, Lease Payments, in the amounts and on the dates set forth in Exhibit A hereto. As security for its obligation to pay the principal of, premium, if any in accordance with Section 2.07 hereof, and interest on the Bond, Lessor assigns to Bondholder all of Lessor's right to receive Lease Payments from Lessee hereunder, all of Lessor's rights hereunder and all of Lessor's right, title and interest in and to the Project, and Lessor irrevocably constitutes and appoints Bondholder and any present or future officer or agent of Bondholder as its lawful attorney, with full power of substitution and resubstitution, and in the name of Lessor or otherwise, to collect the Lease Payments and any other payments due hereunder and under the Bond and to sue in any court for such Lease Payments or other payments, to exercise all rights hereunder with respect to the Project, and to withdraw or settle any claims, suits or proceedings pertaining to or arising out of this Agreement upon any terms. Such Lease Payments and other payments shall be made by Lessee directly to Bondholder, as Lessor's assignee and holder of the Bond, and shall be credited against Lessor's payment obligations hereunder and under the Bond. No provision, covenant or agreement contained in this Agreement or any obligation imposed on Lessor herein or under the Bond, or the breach thereof, shall constitute or give rise to or impose upon Lessor a pecuniary liability, a charge upon its general credit or taxing powers or a pledge of its general revenues. In making the agreements, provisions and covenants set forth in this Agreement, Lessor has not obligated itself except with respect to the Project and the application of the Lease Payments to be paid by Lessee hereunder. All amounts required to be paid by Lessee hereunder shall be paid in lawful money of the United States of America in immediately available funds. No recourse shall be had by Bondholder or Lessee for any claim based on this Agreement, the Bond or the Tax Compliance Agreement against any director, officer, employee or agent of Lessor alleging personal liability on the part of such person, unless such claim is based on the willful dishonesty of or intentional violation of law by such person.

Section 2.05. Payment on Non-Business Days. Whenever any payment to be made hereunder or under the Bond shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or the fees hereunder, as the case may be.

Section 2.06. Lease Payments To Be Unconditional. The obligations of Lessee to make the Lease Payments required under this Article II and to make other payments hereunder and to perform and observe the covenants and agreements contained herein shall be absolute and unconditional in all events, without abatement, diminution, deduction, setoff or defense for any reason, including (without limitation) any failure of the Project to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the Project or any accident, condemnation, destruction or unforeseen circumstances. Notwithstanding any dispute between Lessee and any of Lessor, Bondholder, any Vendor or any other person, Lessee shall make all Lease Payments when due and shall not withhold any Lease Payments pending final resolution of such dispute, nor shall Lessee assert any right of set-off or counterclaim against its obligation to make such payments required under this Agreement.

Section 2.07. Prepayments. (a) Lessee may, in its discretion, prepay the Lease and the Bond in whole at any time after the third anniversary of the date hereof by paying the applicable Prepayment Amount.

(b) Lessee shall prepay the Lease and the Bond in whole or in part at any time pursuant to Article IX hereof by paying the applicable Prepayment Amount.

(c) Lessee shall prepay the Lease and the Bond in full immediately upon demand of Bondholder after the occurrence of an Event of Default by paying the applicable Prepayment Amount.

(d) Lessee shall prepay the Lease and the Bond in full immediately upon demand of Bondholder after the occurrence of a Determination of Taxability by paying the applicable Prepayment Amount plus an amount necessary to supplement the prior Lease Payments to the Gross-Up Rate.

(e) The amounts due hereunder shall be repaid, and the amounts due under the Bond shall be paid, in part with funds remaining in the Escrow Fund upon termination of the Escrow Agreement as provided in Sections 2.03 or 2.04 of the Escrow Agreement.

Upon any prepayment in part of the Lease and the Bond other than pursuant to Section 2.03 of the Escrow Agreement, the prepayment shall be applied to the Principal portion of the Lease Payments in the inverse order of maturity.

Section 2.08. Security. The obligations of Lessee to make the Lease Payments required by this Article II and to make other payments hereunder and to perform or observe the covenants and agreements contained herein shall be secured, among other things, by a security interest in the Project, and pursuant to the Mortgage covering the Project as described therein, and by certain other documents executed and delivered in connection herewith. Nothing herein shall limit the liability of Lessee under the Hazardous Substances Agreement.

ARTICLE III
CONDITIONS PRECEDENT

Bondholder's agreement to purchase the Bond and to disburse the Lease Proceeds shall be subject to the condition precedent that Bondholder shall have received all of the following, each in form and substance satisfactory to Bondholder:

- (a) This Agreement, properly executed on behalf of Lessor and Lessee, and each of the Exhibits hereto properly completed.
- (b) The Bond, properly executed on behalf of Lessor.
- (c) The Tax Compliance Agreement, properly executed on behalf of Lessor and Lessee.
- (d) The Mortgage, properly executed on behalf of Lessee.
- (e) The Assignment, property executed on behalf of Lessee.
- (f) The Hazardous Substances Agreement, properly executed on behalf of Lessee.
- (g) The Escrow Agreement, properly executed on behalf of Lessor, Lessee and Escrow Agent.
- (h) A certificate of the Secretary or an Assistant Secretary of Lessee, certifying as to (i) the resolutions of the board of directors and, if required, the shareholders of Lessee, authorizing the execution, delivery and performance of this Agreement, the Mortgage, the Assignment, the Hazardous Substance Agreement, the Escrow Agreement and the Tax Compliance Agreement and any related documents, (ii) the bylaws of Lessee, and (iii) the signatures of the officers or agents of Lessee authorized to execute and deliver this Agreement, the Mortgage, the Assignment, the Hazardous Substance Agreement, the Escrow Agreement and the Tax Compliance Agreement and other instruments, agreements and certificates on behalf of Lessee.
- (i) Currently certified copies of the Articles of Incorporation of Lessee.
- (j) A Certificate of Good Standing issued as to Lessee by the Secretary of the State of the state of Lessee's incorporation not more than 10 days prior to the date hereof.
- (k) Certificates of the insurance required hereunder, containing a lender's loss payable clause or endorsement in favor of Bondholder and permanent loan insurance requirements set forth in Exhibit M hereto.
- (l) A completed and executed Form 8038 or evidence of filing thereof with the Secretary of Treasury.

(m) An ordinance taken by or on behalf of Lessor to authorize the transactions contemplated hereby.

(n) Evidence that the issuance of the Bond for the purpose of financing of the Project has been approved by the "applicable elected representative" of Lessor after a public hearing held upon reasonable notice.

(o) As applicable, financing statements executed by Lessee, as debtor, and naming Lessor, as secured party, and Bondholder, as assignee.

(p) Financing statements executed by Lessor, as debtor, and naming Bondholder, as secured party.

(q) Current searches of appropriate filing offices showing that (i) no state or federal tax liens have been filed and remain in effect against Lessee, (ii) no financing statements have been filed and remain in effect against Lessee relating to the Project except those financing statements filed by Bondholder, (iii) Bondholder has duly filed all financing statements necessary to perfect the security interest created pursuant to this Agreement and (iv) Bondholder has duly filed all financing statements necessary to perfect the transfer of Lessor's interest in this Agreement and the Lease Payments.

(r) An opinion of counsel to Lessee, addressed to Bondholder and Lessor, in form and substance acceptable to Bondholder and Lessor.

(s) An opinion of counsel to Lessor, addressed to Bondholder and Lessee, in form and substance acceptable to Bondholder and Lessee.

(t) An environmental engineering report for the Premises prepared by an engineer, and in a manner satisfactory to Bondholder, based upon an investigation relating to and making appropriate inquiries concerning the Premises and in substantial compliance with the Environmental Phase I Requirements set forth in Exhibit N hereto.

(u) A completed Environmental Questionnaire in the form provided by Bondholder executed on behalf of Lessee.

(v) An as built survey of the Project prepared in compliance with the requirements set forth in Exhibit L hereto.

(w) An ALTA (or equivalent) mortgagee policy of title insurance in the amount of \$3,120,000.00, with endorsements as Bondholder may require, containing no exceptions to title (printed or otherwise) which are unacceptable to Bondholder, and insuring that the Mortgage is a first-priority lien on the Project. Without limitation, such policy shall (i) be in the ALTA 1992 form (deleting arbitration and creditors' rights, if permissible) or, if not available, the form commonly used in the State, insuring Bondholder and its successors and assigns; and (ii) include the following endorsements and/or affirmative coverages: (A) ALTA 9 Comprehensive, (B) Survey, (C) Access, (D) Subdivision, (E) Tax Parcel and (F) Address and Improvement.

(x) A zoning compliance letter from the applicable City Planner's, County Clerk's or Zoning Department's office. Without limitation, such zoning compliance letter shall (i) provide the zoning classification code for the property, (ii) be addressed to Lessee and Bondholder, (iii) include the address of the Property, (iv) describe the type(s) of permitted use of the Property, and (v) include an expiration-dated copy of conditions or restrictions of use. If the applicable governmental agency does not, or is unwilling to, provide the required zoning compliance letter, Bondholder will require an ALTA 3.1 Zoning Endorsement (with additional coverage for number and type of parking spaces) to the mortgagee policy of title insurance.

(y) A copy of the final, permanent and unconditional Certificate of Occupancy for the Project.

(z) An engineer's "walk-through" inspection prepared by an engineer acceptable to Bondholder at Lessee's expense stating that the Project was built in conformance with approved plans and specifications with no evident structural deficiencies and including the building's compliance with the Americans with Disabilities Act of 1990 and all regulations promulgated thereunder.

(aa) A Final Appraisal of the Project addressed to Bondholder, in form and substance acceptable to Bondholder and prepared by an MAI certified appraiser acceptable to Bondholder in conformance with the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. In addition to the foregoing requirements, whenever the Income Approach is utilized by the appraiser, the report shall include a direct capitalization analysis as well as a discounted cash flow analysis and a final estimate of value based on the property's fee simple estate.

(bb) An opinion of special tax counsel, addressed to Bondholder, Lessor and Lessee, in form and substance acceptable to the addressees.

(cc) Payment of Bondholder's fees, commissions and expenses required by Section 12.01 hereof.

(dd) Payment of Lessor's fees, commissions and expenses incurred in connection with this Agreement and the transactions contemplated hereby.

(ee) Any other documents or items reasonably required by Bondholder.

(ff) Payment of Lessor's Bond origination fee.

Bondholder's agreement to purchase the Bond, to disburse the Lease Proceeds and to consider approval of any disbursement from the Escrow Fund shall be subject to the further conditions precedent that on the date thereof:

(gg) Each of the items required for a disbursement pursuant to the Escrow Agreement.

(hh) Invoice(s) and/or bill(s) of sale relating to the Project and, if such invoices have been paid by Lessor or Lessee, evidence of payment thereof and, if applicable, evidence of official intent to reimburse such payment as required by the Code.

(ii) The representations and warranties contained in Articles IV and V hereof are correct on and as of the date of such disbursement as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date.

(jj) No event has occurred and is continuing, or would result from the Bond or the Lease which constitutes a Default, an Event of Default or a Determination of Taxability.

ARTICLE IV
REPRESENTATIONS, WARRANTIES AND COVENANTS OF LESSOR

Lessor represents, warrants and covenants for the benefit of Bondholder and Lessee, as follows:

(a) Lessor is a municipal corporation duly created and validly existing under the Constitution and laws of the State.

(b) Lessor will exercise its best efforts to preserve and keep in full force and effect its existence as a municipal corporation.

(c) Lessor is authorized under the Constitution and laws of the State to issue the Bond and to enter into this Agreement, the Escrow Agreement, the Tax Compliance Agreement and the transactions contemplated hereby and to perform all of its obligations hereunder.

(d) Lessor has duly authorized the issuance of the Bond and the execution and delivery of this Agreement, the Escrow Agreement and the Tax Compliance Agreement under the terms and provisions of the resolution of its governing body or by other appropriate official approval, and further represents, covenants and warrants that all requirements have been met and procedures have occurred in order to ensure the enforceability of the Bond, this Agreement, the Escrow Agreement and the Tax Compliance Agreement against Lessor, and Lessor has complied with such public bidding requirements as may be applicable to the Bond, this Agreement, the Escrow Agreement and the Project. Lessor has taken all necessary action and has complied with all provisions of the Act, including but not limited to the making of the findings required by the Act, required to make the Bond, this Agreement, the Escrow Agreement and the Tax Compliance Agreement the valid and binding obligation of Lessor.

(e) The officer of Lessor executing the Bond, this Agreement, the Escrow Agreement, the Tax Compliance Agreement and any related documents has been duly authorized to issue the Bond and to execute and deliver this Agreement, the Escrow Agreement and the Tax Compliance Agreement and such related documents under the

terms and provisions of a resolution of Lessor's governing body, or by other appropriate official action.

(f) The Bond, this Agreement, the Escrow Agreement and the Tax Compliance Agreement are legal, valid and binding obligations of Lessor, enforceable in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

(g) Lessor has assigned to Bondholder all of Lessor's rights in the Project and this Agreement (except any indemnification payable to Lessor pursuant to Sections 7.07(d) and 7.12 hereof and notice to Lessor pursuant to Section 12.03 hereof) including the assignment of all rights in the security interest granted to Lessor by Lessee.

(h) Lessor will not pledge, mortgage or assign this Agreement or its duties and obligations hereunder to any person, firm or corporation, except as provided under the terms hereof.

(i) None of the issuance of the Bond or the execution and delivery of this Agreement, the Escrow Agreement or the Tax Compliance Agreement, the consummation of the transactions contemplated hereby or the fulfillment of or compliance with the terms and conditions of the Bond, this Agreement, the Escrow Agreement or the Tax Compliance Agreement violates any law, rule, regulation or order, conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which it is bound or constitutes a default under any of the foregoing or results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Lessor under the terms of any instrument or agreement.

(j) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Lessor's knowledge, threatened against or affecting Lessor, challenging Lessor's authority to issue the Bond or to enter into this Agreement, the Escrow Agreement or the Tax Compliance Agreement or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of the Bond, this Agreement, the Escrow Agreement or the Tax Compliance Agreement or any other transaction of Lessor which is similar hereto, or the exclusion of the Interest from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by this Agreement.

(k) Lessor will submit or cause to be submitted to the Secretary of the Treasury a Form 8038 (or other information reporting statement) at the time and in the form required by the Code.

(l) The issuance of the Bond for the purpose of financing the Project has been approved by the "applicable elected representative" (as defined in Section 147(f) of the Code) of Lessor after a public hearing held upon reasonable notice.

(m) Lessor will comply fully at all times with the Tax Compliance Agreement, and Lessor will not take any action, or omit to take any action, which, if taken or omitted, respectively, would violate the Tax Compliance Agreement.

(n) Lessor will take no action that would cause the Interest to become includable in gross income for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. ss. 1.148-2(c) or consenting to a deliberate action within the meaning of Treas. Reg. ss. 1.141-2(d)), and Lessor will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the Interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion).

ARTICLE V
REPRESENTATIONS, WARRANTIES AND COVENANTS OF LESSEE

Lessee represents, warrants and covenants for the benefit of Bondholder and Lessor, as follows:

(a) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the State of Kansas, has power to enter into this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, and by proper corporate action has duly authorized the execution and delivery of this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement and the Tax Compliance Agreement. Lessee is in good standing and is duly licensed or qualified to transact business in the State and in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary. Lessee's exact legal name is as set forth on the execution page hereof.

(b) Lessee has been fully authorized to execute and deliver this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement and the Tax Compliance Agreement under the terms and provisions of the resolution of its board of directors, or by other appropriate official approval, and further represents, covenants and warrants that all requirements have been met, and procedures have occurred in order to ensure the enforceability of this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement and the Tax Compliance Agreement and this Agreement, Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement and the Tax Compliance Agreement have been duly authorized, executed and delivered.

(c) The officer of Lessee executing this Agreement, the Escrow Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, and the Tax Compliance Agreement and any related documents has been duly authorized to execute and deliver this Agreement, the Mortgage, the Assignment, the Hazardous Substances

Agreement, the Escrow Agreement and the Tax Compliance Agreement and such related documents under the terms and provisions of a resolution of Lessee's board of directors.

(d) This Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement and the Tax Compliance Agreement constitute valid and legally binding obligations of Lessee, enforceable against Lessee in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

(e) The execution and delivery of this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement and the Tax Compliance Agreement, the consummation of the transactions contemplated hereby and the fulfillment of the terms and conditions hereof do not and will not violate any law, rule, regulation or order, conflict with or result in a breach of any of the terms or conditions of the articles of incorporation or bylaws of Lessee or of any corporate restriction or of any agreement or instrument to which Lessee is now a party and do not and will not constitute a default under any of the foregoing or result in the creation or imposition of any liens, charges or encumbrances of any nature upon any of the property or assets of Lessee contrary to the terms of any instrument or agreement.

(f) The authorization, execution, delivery and performance of this Agreement by Lessee do not require submission to, approval of, or other action by any governmental authority or agency, which action with respect to this Agreement has not been taken and which is final and nonappealable.

(g) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Lessee's knowledge, threatened against or affecting Lessee, challenging Lessee's authority to enter into this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement or the Tax Compliance Agreement or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement or the Tax Compliance Agreement or any other transaction of Lessee which is similar hereto, or the exclusion of the Interest from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by this Agreement.

(h) The property at which the Project and the Property are located is properly zoned for its current and anticipated use and the use of the Project and the Property will not violate any applicable zoning, land use, environmental or similar law or restriction. Lessee has all licenses and permits to use the Project and the Property.

(i) Lessee has furnished to Bondholder a Phase I Environmental Site Assessment dated December 6, 2000, prepared by Black & Veatch Corporation, and an Environmental Questionnaire dated August 17, 2001 (collectively, the "Report"). Except as disclosed to Bondholder in writing or in the Report, Lessee has received no notification of any kind suggesting that the Property or any adjacent property is or may be

contaminated with any Hazardous Waste or Materials or is or may be required to be cleaned up in accordance with any applicable law or regulation; and Lessee further represents and warrants that, except as previously disclosed to Bondholder in writing or in the Report, to the best of its knowledge as of the date hereof after due and diligent inquiry, there are no Hazardous Waste or Materials located in, on or under the Property, or incorporated in any Improvements, nor has the Property ever been used as a landfill or a waste disposal site, or a manufacturing, handling, storage, distribution or disposal facility for Hazardous Waste or Materials. Lessee has obtained all permits, licenses and other authorizations which are required under federal, state and local laws or any Environmental Law at the Property or in connection with the operation of the Project. Except as previously disclosed to Bondholder in writing, Lessee and all activities of Lessee at the Property comply with all Environmental Laws and with all terms and conditions of any required permits, licenses and authorizations applicable to Lessee with respect thereto. Except as previously disclosed to Bondholder in writing, with respect to the Property and the Project, Lessee is also in compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in Environmental Laws or contained in any plan, order, decree, judgment or notice of which Lessee is aware. Except as previously disclosed to Bondholder in writing, Lessee is not aware of, nor has Lessee received notice of, any events, conditions, circumstances, activities, practices, incidents, actions or plans which may interfere with or prevent continued compliance with, or which may give rise to any liability of Lessee under, any Environmental Laws with respect to the Property and the Project.

(j) The Project is of the type authorized and permitted to be financed with the proceeds of the Bond pursuant to the Act.

(k) Lessee intends to operate the Project, or cause the Project to be operated, as a "project," within the meaning of the Act, until the date on which all of the Lease Payments have been fully paid or the applicable Prepayment Amount has been fully paid.

(l) Lessee will not take any action that would cause the Interest to become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. ss. 1.148-2(c) or deliberate action within the meaning of Treas. Reg. ss. 1.141-2(d)), and Lessee will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the Interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion).

(m) Lessee has heretofore furnished to Bondholder the audited financial statements of Lessee for its fiscal years ended June 30, 1997, June 30, 1998, June 30, 1999 and June 30, 2000 and the unaudited financial statement of Lessee for the nine-months ended March 31, 2001, and those statements fairly present the financial condition of Lessee on the dates thereof and the results of its operations and cash flows for the periods then ended and were prepared in accordance with generally accepted

accounting principles. Since the date of the most recent financial statements, there has been no material adverse change in the business, properties or condition (financial or otherwise) of Lessee.

(n) Lessee has paid or caused to be paid to the proper authorities when due all federal, state and local taxes required to be withheld by it. Lessee has filed all federal, state and local tax returns which are required to be filed, and Lessee has paid or caused to be paid to the respective taxing authorities all taxes as shown on said returns or on any assessment received by it to the extent such taxes have become due.

(o) Lessee has or as of closing will have good and absolute title to its interest in the Project subject to the rights of Lessor free and clear of all mortgages, security interests, liens and encumbrances except for the security interest created pursuant to this Agreement and the Mortgage and except for the Permitted Exceptions.

(p) Lessee has provided to Bondholder signed financing statements sufficient when filed to perfect the security interest created pursuant to this Agreement. When such financing statements are filed in the offices noted therein, Bondholder, as assignee of Lessor and holder of the Bond, will have a valid and perfected security interest in the Project, subject to no other security interest, assignment, lien or encumbrance. None of the Project constitutes a replacement of, substitution for or accessory to any property of Lessee subject to a lien of any kind. Lessee owns the Project subject to no liens or encumbrances of any kind other than the Permitted Exceptions and the liens created hereunder and under the Mortgage.

(q) Lessee will aid and assist Lessor in connection with preparing and submitting to the Secretary of the Treasury a Form 8038 (or other applicable information reporting statement) at the time and in the form required by the Code.

(r) Lessee will comply fully at all times with the Tax Compliance Agreement, and Lessee will not take any action, or omit to take any action, which, if taken or omitted, respectively, would violate the Tax Compliance Agreement.

(s) Expenses for work done by officers or employees of Lessee in connection with the Project will be included as an Acquisition Cost, if at all, only to the extent (i) such persons were specifically employed for such particular purpose, (ii) the expenses do not exceed the actual cost thereof and (iii) such expenses are treated or capable of being treated (whether or not so treated) on the books of Lessee as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis.

(t) Any costs incurred with respect to that part of the Project paid from the Lease Proceeds shall be treated or capable of being treated on the books of Lessee as capital expenditures in conformity with generally accepted accounting principles applied on a consistent basis.

(u) No part of the Lease Proceeds will be used to finance inventory or rolling stock or will be used for working capital or to finance any other cost not constituting an Acquisition Cost.

(v) No person other than Lessee or Kansas City Ingredients Technology, Inc. is in occupancy or possession of any portion of the Property.

(w) The Project is property of the character subject to the allowance for depreciation under Section 167 of the Code.

ARTICLE VI
TITLE TO PROJECT; SECURITY INTEREST

Section 6.01. Title to Project. Legal title to the Project and any and all repairs, replacements, substitutions and modifications to such Project shall be in Lessor. Lessee will at all times protect and defend, at its own cost and expense, its and Lessor's title from and against all claims, liens and legal processes of creditors of Lessee, and keep all the Property and the Project free and clear of all such claims, liens and processes except for the Permitted Exceptions and the liens created hereunder and under the Mortgage.

Section 6.02. Security Interest in Project. This Agreement is intended to constitute a security agreement within the meaning of the UCC. As security for Lessee's payment to Bondholder, as assignee of Lessor, of Lease Payments and all other amounts payable to Bondholder hereunder, Lessee hereby grants to Lessor a security interest constituting a first lien on all of Lessee's rights, title and interest as lessee in and to (i) the Project, (ii) all securities, funds, moneys, deposits and other property at any time held in or subject to the Escrow Fund, (iii) all repairs and modifications to any of the foregoing property, (iv) all substitutions for or replacement of any of the foregoing property, (v) products and proceeds of any of the foregoing property, and (vi) all of Lessee's rights hereunder. As security for the Bond, Lessor hereby grants a security interest to Bondholder constituting a lien on all of Lessor's rights, title and interest in and to (i) the Project, (ii) all securities, funds, moneys, deposits and other property at any time held in or subject to the Escrow Fund, (iii) all repairs and modifications to any of the foregoing property, (iv) all substitutions for or replacement of any of the foregoing property, (v) products and proceeds of any of the foregoing property and (vi) all of Lessor's rights hereunder, including rights to receive Lease Payments. Lessee ratifies its previous authorization for Bondholder to pre-file UCC financing statements and any amendments thereto describing the Project and all other collateral described above and containing any other information required by the applicable UCC. Lessee authorizes Bondholder, and hereby grants Bondholder a power of attorney (which is coupled with an interest), to file financing statements and amendments thereto describing the Project and containing any other information required by the applicable UCC and all proper terminations of the filings of other secured parties with respect to the Project or the Property, in such form and substance as Bondholder, in its sole discretion, may determine. Lessor and Lessee agree to execute such additional documents, including financing statements, demands for terminations, assignments, affidavits, notices and similar instruments, in form satisfactory to Bondholder, and take such other actions that Bondholder deems necessary or appropriate to establish and maintain the security interest created by this Section, and Lessor and Lessee hereby designate and appoint Bondholder as their agent, and grant to Bondholder a power of attorney (which is coupled with an interest), to execute on behalf of Lessor and Lessee, as the case may be, such additional documents and to take such other actions. Lessee hereby waives any right that Lessee may have to file with the applicable filing officer any financing statement,

amendment, termination or other record pertaining to the Project and/or Bondholder's interest therein.

Section 6.03. Change in Name or Corporate Structure of Lessee; Change in Location of Lessee's Chief Executive Office. Lessee's chief executive office is located at the address set forth above, and all of Lessee's records relating to its business and the Property and the Project are kept at such location. Lessee hereby agrees to provide written notice to Bondholder and Lessor of any change or proposed change in its name, corporate structure or chief executive office or change or proposed change in the location of the Personal Property. Such notice shall be provided 30 days in advance of the date that such change or proposed change is planned to take effect. Lessee does business, and has done business, only under its own name and the trade names, if any, set forth on Exhibit K hereto.

Section 6.04. Liens and Encumbrances to Title. Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, charge, encumbrance or claim (together, "Liens") on or with respect to the Project or the Property other than the respective rights of Bondholder and Lessor as herein provided and provided in the Mortgage and except for the Permitted Exceptions.

Section 6.05. Assignment of Insurance. As additional security for the payment and performance of Lessee's obligations hereunder, Lessee hereby assigns to Bondholder, as assignee of Lessor, any and all moneys (including, without limitation, proceeds of insurance and refunds of unearned premiums) due or to become due under any and all policies of insurance now or at any time hereafter covering the Project or any evidence thereof or any business records or valuable papers pertaining thereto, and Lessee hereby directs the issuer of any such policy to pay all such moneys directly to Bondholder if Lessee fails to comply with Section 9.01 hereof. Lessee hereby assigns to Bondholder, as assignee of Lessor, and grants a security interest to Bondholder in, any and all moneys due or to become due with respect to any condemnation proceeding affecting the Project. At any time, whether before or after the occurrence of any Event of Default, Bondholder may (but need not), in Bondholder's name or in Lessee's name, execute and deliver proof of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the Lessor of any such policy or party in any condemnation proceeding.

Section 6.06. Agreement as Financing Statement. To the extent permitted by applicable law, a carbon, photographic or other reproduction of this Agreement or of any financing statements signed by Lessee is sufficient as a financing statement in any state to perfect the security interests granted in this Agreement.

Section 6.07. Subordination of Leasehold Interest. The leasehold interest created pursuant to this Agreement is now, and shall at all times continue to be, unconditionally subject and subordinate in each and every respect, to the Mortgage and to any and all renewals, modifications, extensions, substitutions, replacements and/or consolidations of the Mortgage. For so long as the Mortgage is a lien on the Project, Lessee shall not mortgage or otherwise encumber its leasehold interest or subordinate the estate of Lessee in this Agreement to any other mortgage or any other security instrument.

ARTICLE VII
AFFIRMATIVE COVENANTS OF LESSEE

So long as the Lease shall remain unpaid, Lessee will comply with the following requirements:

Section 7.01. Reporting Requirements. Lessee will deliver, or cause to be delivered, to Bondholder each of the following, which shall be in form and detail acceptable to Bondholder:

(a) as soon as available, and in any event within 120 days after the end of each fiscal year of Lessee, audited financial statements of Lessee with the unqualified opinion of independent certified public accountants selected by Lessee and acceptable to Bondholder, which annual financial statements shall include the balance sheet of Lessee as at the end of such fiscal year and the related statements of income, retained earnings and cash flows of Lessee for the fiscal year then ended, all in reasonable detail and prepared in accordance with generally accepted accounting principles applied on a consistent basis, together with a certificate of the chief financial officer of Lessee in the form of Exhibit G hereto stating (i) that such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, (ii) whether or not such officer has knowledge of the occurrence of any Default or Event of Default hereunder and, if so, stating in reasonable detail the facts with respect thereto all relevant facts in reasonable detail to evidence, and (iii) all relevant facts in reasonable detail to evidence, the computations as to, whether or not Lessee is in compliance with the requirements set forth in Sections 7.14 through 7.16 hereof;

(b) as soon as available and in any event within 90 days after the end of each fiscal quarter of Lessee, an unaudited/internal balance sheet and statements of income and retained earnings of Lessee as at the end of and for such quarter and for the year to date period then ended, in reasonable detail and stating in comparative form the figures for the corresponding date and periods in the previous year, all prepared in accordance with generally accepted accounting principles applied on a consistent basis and certified by the chief financial officer of Lessee subject to year-end audit adjustments; and accompanied by a certificate of that officer in the form of Exhibit G hereto stating (i) that such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, (ii) whether or not such officer has knowledge of the occurrence of any Default or Event of Default hereunder not theretofore reported and remedied and, if so, stating in reasonable detail the facts with respect thereto, and (iii) all relevant facts in reasonable detail to evidence, and the computations as to, whether or not Lessee is in compliance with the requirements set forth in Sections 7.14 through 7.16 hereof;

(c) immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting Lessee of the type described in Article V hereof or which seek a monetary recovery against Lessee in excess of \$1,000,000;

(d) as promptly as practicable (but in any event not later than ten Business Days) after an officer of Lessee obtains knowledge of the occurrence of any event that constitutes a Default or an Event of Default hereunder, notice of such occurrence, together with a detailed statement by a responsible officer of Lessee of the steps being taken by Lessee to cure the effect of such Default or Event of Default;

(e) promptly upon knowledge thereof, notice of loss or any material destruction of or damage to the Project or the Property or of any material adverse change in the Project or the Property;

(f) promptly upon their distribution, copies of all financial statements, reports and proxy statements that Lessee shall have sent to its stockholders;

(g) promptly after the amending thereof, copies of any and all amendments to its certificate of incorporation, articles of incorporation or bylaws;

(h) within 30 days of request by Bondholder, evidence satisfactory to Bondholder that Lessee has complied with the capital expenditure limitations of Code section 144(a)(4).

Section 7.02. Books and Records; Inspection and Examination. Lessee will keep accurate books of record and account for itself pertaining to the Project and the Property and pertaining to Lessee's business and financial condition and such other matters as Bondholder may from time to time request in which true and complete entries will be made in accordance with generally accepted accounting principles consistently applied and, upon request of Bondholder, will permit any officer, employee, attorney or accountant for Bondholder, at Bondholder's expense, to audit, review, make extracts from, or copy any and all corporate and financial books, records and properties of Lessee relating to the Project and the Property at all times during ordinary business hours, and to discuss the affairs of Lessee with any of its directors, officers, employees or agents. Lessee will permit Bondholder, or its employees, accountants, attorneys or agents, to examine and copy any or all of its records relating to the Property and the Project and to examine and inspect the Project and the Property at any time during Lessee's business hours.

Section 7.03. Compliance With Laws; Environmental Indemnity. Lessee will (a) comply with the requirements of applicable laws and regulations, the noncompliance with which would materially and adversely affect its business or its financial condition, (b) comply with all applicable Environmental Laws and regulations and obtain any permits, licenses or similar approvals required by any such laws or regulations and (c) use and keep the Project and the Property, and will require that others use and keep the Project and the Property, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance. Lessee shall secure all permits and licenses, if any, necessary for the installation and operation of the Project and the Property. Lessee shall comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Project and the Property) with all laws of the jurisdictions in which its operations involving any component of the Project or the Property may extend and of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the portions of the Project or the Property or its interest

or rights under this Agreement. Lessee will indemnify, defend and hold Lessor and Bondholder harmless from and against any claims, loss or damage to which Lessor or Bondholder may be subjected as a result of any past, present or future existence, use, handling, storage, transportation or disposal of any hazardous waste or substance or toxic substance by Lessee on the Property or Project. This indemnification shall survive the termination of this Agreement and payment of the indebtedness hereunder and under the Bond.

Section 7.04. Environmental Compliance. Lessee shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, treatment, disposal, storage, control, removal or cleanup of Hazardous Waste or Materials in, on or under the Property or the Project, at Lessee's expense. In the event that Bondholder upon an Event of Default reasonably believes that the Property or the Project is not free of all Hazardous Waste or Materials or that Lessee has violated any applicable Environmental Laws with respect to the Property or the Project, then immediately, upon request by Bondholder, Lessee shall obtain and furnish to Bondholder, at Lessee's sole cost and expense, an environmental audit and inspection of the Property or the Project from an expert satisfactory to Bondholder. In the event that Lessee fails to immediately obtain such audit or inspection, Bondholder or its agents may perform or obtain such audit or inspection at Lessee's sole cost and expense. Bondholder may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest in the Project; and whether or not Lessee has actual knowledge of the existence of Hazardous Waste or Materials on the Property, the Project or any adjacent property as of the date hereof, Lessee shall reimburse Bondholder as provided herein for the full amount of all costs and expenses incurred by Bondholder prior to Bondholder acquiring title to the Project through foreclosure or acceptance of a deed in lieu of foreclosure, in connection with such compliance activities. Neither this provision nor any provision herein or in the Mortgage, the Assignment or related documents shall operate to put Bondholder in the position of an owner of the Property or the Project prior to any acquisition of the Project by Bondholder. The rights granted to Bondholder herein and in the Mortgage, the Assignment or related documents are granted solely for the protection of Bondholder's lien and security interest covering the Project and do not grant to Bondholder the right to control Lessee's actions, decisions or policies regarding Hazardous Waste or Materials.

Section 7.05. Payment of Taxes and Other Claims. Lessee will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon it or upon its income or profits, upon the Project and the Property or upon or against the creation, perfection or continuance of the security interest created pursuant to this Agreement, prior to the date on which penalties attach thereto, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon the Project or the Property; provided, that Lessee shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings. Lessee will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or the Property, as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project or the Property.

Section 7.06. Maintenance of Project and Property. (a) Lessee shall, at its own expense, maintain, preserve and keep the Property in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Project and the Property in such condition, and in compliance with state and federal laws, ordinary wear and tear excepted, (b) shall not commit waste or permit impairment or deterioration of the Project or the Property, (c) shall not abandon the Project or the Property, (d) shall restore or repair promptly and in a good and workmanlike manner all or any part of the Project or the Property in a way that does not diminish the value or utility of the Project or the Property, (e) shall keep all improvements, fixtures, equipment, machinery and appliances on the Project or the Property, in good repair and shall replace fixtures, equipment, machinery and appliances on the Property when necessary to keep such items in good repair, (f) shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Project or the Property, (g) if all or part of the Project or the Property is for rent or lease, then Bondholder, at its option after the occurrence of an Event of Default, may require Lessee to provide for professional management of the Property by a property manager satisfactory to Bondholder pursuant to a contract approved by Bondholder in writing, unless such requirement shall be waived by Bondholder in writing, (h) shall generally operate and maintain the Project and the Property in a manner to ensure maximum rentals, and (i) shall give notice in writing to Bondholder of and, unless otherwise directed in writing by Bondholder, appear in and defend any action or proceeding purporting to affect the Project or the Property, the security of this Agreement or the rights or powers of Bondholder hereunder. Neither Lessee nor any tenant or other person shall remove, demolish or alter any improvement now existing or hereafter erected on the Project or the Property or any fixture, equipment, machinery or appliance that constitutes a portion of the Project or the Property except when incident to the replacement of fixtures, equipment, machinery and appliances with items of like kind. In the event that any parts or accessories forming part of any item or items of the Project become worn out, lost, destroyed, damaged beyond repair or otherwise rendered unfit for use, Lessee, at its own expense and expeditiously, will replace or cause the replacement of such parts or accessories by replacement parts or accessories free and clear of all liens and encumbrances and with a value and utility at least equal to that of the parts or accessories being replaced (assuming that such replaced parts and accessories were otherwise in good working order and repair). All such replacement parts and accessories shall be deemed to be incorporated immediately into and to constitute an integral portion of the Project and, as such, shall be subject to the terms of this Agreement. Neither Bondholder nor Lessor shall have any responsibility in any of these matters, or for the making of improvements or additions to the Project or the Property.

(b) Lessee will defend the Project and the Property against all claims or demands of all persons (other than Bondholder and Lessor) claiming the Project or the Property or any interest therein. Lessee represents, warrants and covenants that the Project and the Property, if applicable, is and shall be in compliance with the American with Disabilities Act of 1990 and all of the regulations promulgated thereunder, as the same may be amended from time to time.

(c) Lessee will keep the Project and the Property free and clear of all security interests, liens and encumbrances except the security interest created pursuant to this Agreement and the Mortgage and except for the Permitted Exceptions.

Section 7.07. Insurance. (a) Lessee shall obtain and maintain the following types of insurance upon and relating to the Project:

(i) "All Risk" property and fire insurance (with extended coverage endorsement including malicious mischief and vandalism) in an amount not less than the full replacement value of the Project (with a deductible not to exceed \$100,000 and with co-insurance limited to a maximum of 10% of the amount of the policy), naming Bondholder and Lessor under a lender's loss payee endorsement (form 438BFU or equivalent) and including agreed amount, inflation guard, replacement cost and waiver of subrogation endorsements;

(ii) Comprehensive general liability insurance in an amount not less than \$1,000,000.00 insuring against personal injury, death and property damage and naming Bondholder and Lessor as additional insured;

(iii) Business interruption insurance covering loss of rental or other income (including all expenses payable by tenants) for up to twelve (12) months; and

(iv) Such other types of insurance or endorsements to existing insurance as may be reasonably required from time to time by Bondholder.

(b) All of the insurance policies required hereunder shall be issued by corporate insurers licensed to do business in the state in which the Property is located and rated A:X or better by A.M. Best Company, and shall be in form acceptable to Bondholder. If and to the extent that the Project is located within an area that has been or is hereafter designated or identified as an area having special flood hazards by the Department of Housing and Urban Development or such other official as shall from time to time be authorized by federal or state law to make such designation pursuant to any national or state program of flood insurance, Lessee shall carry flood insurance with respect to the Project in amounts not less than the maximum limit of coverage then available with respect to the Project or the amount of the Bond, whichever is less. Certificates of all insurance required to be maintained hereunder shall be delivered to Bondholder, along with evidence of payment in full of all premiums required thereunder, contemporaneously with Lessee's execution of this Agreement. All such certificates shall be in form acceptable to Bondholder and shall require the insurance company to endeavor to give to Bondholder at least 30 days' prior written notice before canceling the policy for any reason. Certificates evidencing all renewal and substitute policies of insurance shall be delivered to Bondholder, along with evidence of the payment in full of all premiums required thereunder, at least 15 days before termination of the policies being renewed or substituted. If any loss shall occur at any time when Lessee shall be in default hereunder, Bondholder shall be entitled to the benefit of all insurance policies held or maintained by Lessee, to the same extent as if same had been made payable to Bondholder, and upon foreclosure hereunder, Bondholder shall become the owner thereof. Bondholder shall have the right, but not the obligation, to make premium payments, at Lessee's expense, to prevent any cancellation, endorsement, alteration or reissuance of any policy of insurance maintained by Lessee, and such payments shall be accepted by the insurer to prevent same.

(d) As among Bondholder, Lessee and Lessor, Lessee assumes all risks and liabilities from any cause whatsoever, whether or not covered by insurance, for loss or damage to any portion of the Project or Property and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others. Whether or not covered by insurance, Lessee hereby assumes responsibility for and agrees to reimburse Bondholder and Lessor for and will indemnify, defend and hold Bondholder and Lessor harmless from and against all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Bondholder or Lessor that in any way relate to or arise out of this Agreement, the transactions contemplated hereby, the Project and the Property, including but not limited to, (i) the selection, manufacture, purchase, acceptance or rejection of the Project and the Property or the ownership of the Project and the Property, (ii) the delivery, lease, possession, maintenance, use, condition, return or operation of the Project and the Property, (iii) the condition of the Project and the Property sold or otherwise disposed of after possession by Lessee, (iv) any patent or copyright infringement, (v) the conduct of Lessee, its officers, employees and agents, (vi) a breach of Lessee of any of its covenants or obligations hereunder and (vii) any claim, loss, cost or expense involving alleged damage to the environment relating to the Project or the Property, including, but not limited to investigation, removal, cleanup and remedial costs. All amounts payable by Lessee pursuant to the immediately preceding sentence shall be paid immediately upon demand of Lessee or Bondholder, as the case may be. This provision shall survive the termination of this Agreement.

Section 7.08. Preservation of Corporate Existence. Lessee will preserve and maintain its corporate existence and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business; and shall conduct its business in an orderly, efficient and regular manner.

Section 7.09. Performance by Bondholder. If Lessee at any time fails to perform or observe any of the covenants or agreements contained in this Agreement, and if Lessee shall not have commenced to cure such failure 10 calendar days after Bondholder gives Lessee written notice thereof (or in the case of the agreements contained in Sections 7.06 and 7.07 hereof, immediately upon the occurrence of such failure, without notice or lapse of time), Bondholder may, but need not, perform or observe such covenant on behalf and in the name, place and stead of Lessee (or, at Bondholder's option, in Bondholder's name) and may, but need not, take any and all other actions which Bondholder may reasonably deem necessary to cure or correct such failure (including, without limitation, the payment of taxes, the satisfaction of security interests, liens or encumbrances, the performance of obligations owed to account debtors or other obligors, the procurement and maintenance of insurance, the execution of assignments, security agreements and financing statements, and the endorsement of instruments); and Lessee shall thereupon pay to Bondholder on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by Bondholder in connection with or as a result of the performance or observance of such agreements or the taking of such action by Bondholder, together with interest thereon from the date expended or incurred at the lesser of 18% per annum or the highest rate permitted by law. To facilitate the performance or observance by Bondholder of such covenants of Lessee, Lessee hereby irrevocably appoints Bondholder, or the delegate of Bondholder, acting alone, as the attorney in

fact of Lessee with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file in the name and on behalf of Lessee any and all instruments, documents, assignments, security agreements, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Lessee under this Agreement.

Section 7.10. Limitations of Liability. In no event, whether as a result of breach of contract, warranty, tort (including negligence or strict liability), indemnity or otherwise, shall Bondholder, its assignees, if any, or Lessor be liable for any special, consequential, incidental, punitive or penal damages, including, but not limited to, loss of profit or revenue, loss of use of the Premises or any associated equipment, service materials or software, damage to associated equipment, service materials or software, cost of capital, cost of substitute property, service materials or software, facilities, services or replacement power or downtime costs.

Section 7.11. Kansas Retailers' Sales Tax. The parties have entered into this Agreement in contemplation that, under the existing provisions of K.S.A. 79-3606(d) and other applicable laws, sales of tangible personal property or services purchased in connection with construction of the Project are entitled to exemption from the tax imposed by the Kansas Retailers' Sales Tax Act. The parties agree that Lessor shall, upon the request of and with Lessee's assistance, promptly obtain from the State and furnish to the contractors and suppliers an exemption certificate for the construction of the Project. Lessee covenants that the exemption will be used only in connection with the purchase of tangible personal property or services becoming a part of the Project.

Section 7.12. Indemnification. (a) Lessee releases Lessor from, agrees that Lessor shall not be liable for, and indemnifies Lessor against, all liabilities, losses, damages (including reasonable attorneys' fees), causes of action (including negligent acts), suits, claims, costs and expenses, demands and judgments of any nature imposed upon or asserted against Lessor on account of:

(i) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project;

(ii) any breach or default on the part of Lessee in the performance of any covenant or agreement of Lessee under this Agreement or any related document, or arising from any act or failure to act by Lessee, or any of its agents, contractors, servants, employees or licensees;

(iii) violation of any law, ordinance or regulation affecting the ownership, occupancy or use of the Project;

(iv) the authorization, issuance and sale of the Bond, and the provision of any information furnished by Lessee in connection therewith concerning the Project or Lessee or arising from (A) any errors or omissions of any nature whatsoever such that the Bond, when delivered to Bondholder, are not validly issued and binding obligations of Lessor or (B) any fraud or misrepresentations or omissions contained in the proceedings of Lessor

furnished by or attributable to Lessee relating to the issuance of the Bond which, if known to the original purchaser of the Bond, might reasonably be considered a material factor in its decision to purchase the Bond; and

(v) any claim or action or proceeding with respect to the matters set forth in subsections (i), (ii), (iii) and (iv) above brought thereon.

(b) Lessee agrees to indemnify Lessor for and to hold it harmless against all liabilities, claims, costs and expenses incurred without negligence or willful misconduct on the part of Lessor, on account of any action taken or omitted to be taken by Lessor in accordance with the terms of this Agreement, the Bond or the Escrow Agreement or any action taken at the request of or with the consent of Lessee, including the costs and expenses of Lessor in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bond or the Escrow Agreement.

(c) In case any action or proceeding is brought against Lessor in respect of which indemnity may be sought hereunder, the party seeking indemnity shall promptly give notice of that action or proceeding to Lessee, and Lessee upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve Lessee from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by Lessee. At its own expense, an indemnified party may employ separate legal counsel and participate in the defense. Lessee shall not be liable for any settlement without its consent.

(d) The indemnification set forth above is intended to and shall include the indemnification of all affected commissioners, officials, directors, officers, attorneys, accountants, financial advisors, staff and employees of Lessor. That indemnification is intended to and shall be enforceable by Lessor to the full extent permitted by law.

Section 7.13. Agreement to Pay Attorneys' Fees and Expenses. In connection with any Event of Default by Lessee, if Lessor employs attorneys or incurs other expenses for the collection of amounts payable hereunder or the enforcement of the performance or observance of any covenants or agreements on the part of Lessee herein contained, Lessee agrees that it will, on demand therefore, pay such party the reasonable fees of such attorneys and such other reasonable expenses so incurred by such party.

Section 7.14. Current Ratio. Borrower will at all times keep and maintain the ratio of Consolidated Current Assets (as defined in the Note Agreement) to Consolidated Current Liabilities (as defined in the Note Agreement) at not less than 1.50 to 1.00.

Section 7.15. Consolidated Tangible Net Worth. Borrower will at all times keep and maintain Consolidated Tangible Net Worth (as defined in the Note Agreement) at an amount not less than the greater of (i) \$70,000,000 and (ii) the sum of \$70,000,000 plus 50% of Consolidated Net Income (as defined in the Note Agreement) for the period from and after March 31, 1993 to the date of determination thereof (considered as a single accounting period).

Section 7.16. Fixed Charges Coverage Ratio. Borrower will not permit, as at the end of each fiscal quarter, the ratio of Net Income Available for Fixed Charges (as defined in the Note Agreement) to Fixed Charges (as defined in the Note Agreement) for the period of four consecutive fiscal quarters then ending to be less than 1.50 to 1.00.

ARTICLE VIII
NEGATIVE COVENANTS OF LESSEE

So long as the Lease and the Bond shall remain unpaid, Lessee agrees that:

Section 8.01. Lien. Lessee will not create, incur or suffer to exist any mortgage, deed of trust, pledge, lien, security interest, assignment or transfer upon or of any of the Project or the Property except for the security interest created pursuant to this Agreement and the liens created pursuant to the Mortgage and the Permitted Exceptions.

Section 8.02. Sale of Assets. Lessee will not sell, lease, assign, transfer or otherwise dispose of all or a substantial part of its assets or of any portion of the Project or the Property or any interest therein (whether in one transaction or in a series of transactions). Notwithstanding any provision herein, in the Mortgage or in the Assignment to the contrary, Lessee may sub-lease the Property and the Project to any wholly-owned subsidiary of Lessee, provided that such wholly-owned subsidiary subordinates in writing its leasehold interest in the Project and the Property to the Mortgage.

Section 8.03. Consolidation and Merger. Lessee will not consolidate with or merge into any person, or permit any other person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all of the assets of any other person, unless:

(a) Lessee shall be the continuing corporation, or the successor or transferee corporation ("Successor") shall be a corporation organized under the laws of the United State of America or a state thereof or the District of Columbia;

(b) Successor, if any, expressly assumes in writing delivered to Bondholder the due and punctual payment of all obligations under this Agreement according to their tenor and the due and punctual performance and observance of all covenants and conditions of this Agreement to be performed by Successor, and Bondholder has received a legal opinion, in form and substance acceptable to Bondholder, to the effect that this Agreement is the legal, valid and binding obligation of Successor enforceable in accordance with its terms;

(c) if Lessee becomes a wholly-owned subsidiary of another entity ("Parent"), Parent delivers to Bondholder a guaranty in form and substance acceptable to Bondholder, guaranteeing the due and punctual payment of all obligations hereunder;

(d) Bondholder has received an opinion of bond counsel, in form and substance acceptable to Bondholder, to the effect that under then existing laws the

consummation of such merger, consolidation or sale would not cause the interest on the Bond to become includable in gross income under the Code or adversely affect the validity of this Agreement or the Bond;

(e) immediately after such merger, consolidation or sale, Lessee or Survivor shall meet the requirements of Sections 7.14 through 7.16 hereof; and

(f) immediately after such consolidation or merger, no Default or Event of Default exists under this Agreement.

Section 8.04. Accounting. Lessee will not adopt, permit or consent to any material change in accounting principles other than as required by generally accepted accounting principles. Lessee will not adopt, permit or consent to any change in its fiscal year.

Section 8.05. Transfers. Lessee will not in any manner transfer any property without prior or present receipt of full and adequate consideration.

Section 8.06. Other Defaults. Lessee will not permit any breach, default or event of default by Lessee to occur under any note, loan agreement, indenture, lease, mortgage, contract for deed, security agreement or other contractual obligation binding upon Lessee or any judgment, decree, order or determination applicable to Lessee that would have a material adverse effect on Lessee's financial or operating condition.

Section 8.07. Modifications and Substitutions. Lessee will not make any material alterations, modifications or additions to the Project or the Property without the prior written consent of Bondholder unless required pursuant to Section 7.06 hereof. Lessee shall provide such documents or assurances as Bondholder may reasonably request to maintain or confirm the security interest assigned to Bondholder in the Project and the Property as so modified or substituted.

Section 8.08. Use of the Project and the Property. Lessee will not install, use, operate or maintain the Project or the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement. Also, unless required by applicable law or unless Bondholder has otherwise agreed in writing, Lessee shall not allow changes in the use for which all or any part of the Property or the Project was intended at the time this Agreement was executed. Lessee shall not, without Bondholder's prior written consent, (a) initiate or acquiesce in a change in the zoning classification (including any variance under any existing zoning ordinance applicable to the Property or the Project), (b) permit the use of the Property or the Project to become a non-conforming use under applicable zoning ordinances, (c) file any subdivision or parcel map affecting the Property or the Project, or (d) amend, modify or consent to any easement or covenants, conditions and restrictions pertaining to the Property or the Project.

ARTICLE IX
DAMAGE AND DESTRUCTION; USE OF NET PROCEEDS; CONDEMNATION

Section 9.01. Damage and Destruction Lessee shall provide a complete written report to Bondholder immediately upon any loss, theft, damage or destruction of any portion of the Project that exceeds \$100,000 and of any accident involving any Project. If all or any portion of the Project with a value of at least \$100,000 is lost, stolen, destroyed or damaged beyond repair ("Damaged Property"), Lessee shall as soon as practicable after such event either: (a) replace the same at Lessee's sole cost and expense with property having substantially similar specifications and of equal or greater value to the Damaged Property immediately prior to the time of the loss occurrence, such replacement property to be subject to Bondholder's approval, whereupon such replacement property shall be substituted in this Agreement and the other related documents by appropriate endorsement or amendment; or (b) pay the applicable Prepayment Amount of the Damaged Property. Lessee shall notify Bondholder of which course of action it will take within 15 calendar days after the loss occurrence. If, within 45 calendar days of the loss occurrence, (a) Lessee fails to notify Bondholder; (b) Lessee and Bondholder fail to execute an amendment to this Agreement to delete the Damaged Property and add the replacement property or (c) Lessee fails to pay the applicable Prepayment Amount, then Bondholder may, at its sole discretion, declare the applicable Prepayment Amount to be immediately due and payable, and Lessee is required to pay the same. The payment of the Prepayment Amount and the termination of Bondholder's interest in the Damaged Property is subject to the terms of Section 2.07 hereof. For purposes of this Article, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including reasonable attorneys' fees) incurred in the collection of such claim or award.

Section 9.02. Condemnation. If the Project, or any part thereof, shall be condemned for any reason, including without limitation fire or earthquake damage, or otherwise taken for public or quasi-public use under the power of eminent domain, or be transferred in lieu thereof, all damages or other amounts awarded for the taking of, or injury to, the Project shall be paid to Bondholder who shall have the right, in its sole and absolute discretion, to apply the amounts so received against (a) the costs and expenses of Bondholder, including attorneys' fees incurred in connection with collection of such amounts, and (b) the balance against the Indebtedness; provided, however, that if (i) no Event of Default shall have occurred and be continuing hereunder, (ii) Lessee provides evidence satisfactory to Bondholder of its ability to pay all amounts becoming due hereunder during the pendency of any restoration or repairs to or replacement of the Project, (iii) Bondholder determines, in its sole discretion, that the proceeds of such award are sufficient to restore, repair, replace and rebuild the Project as nearly as possible to its value, condition and character immediately prior to such taking (or, if the proceeds of such award are insufficient for such purpose, if Lessee provides additional sums to Bondholder's satisfaction so that the aggregate of such sums and the proceeds of such award will be sufficient for such purpose), and (iv) Lessee provides evidence satisfactory to Bondholder that none of the tenants of the Project will terminate their lease agreements as a result of either the condemnation or taking or the repairs to or replacement of the Project, the proceeds of such award, together with additional sums provided by Lessee, shall be placed in a separate account for the benefit of Bondholder and Lessee to be used to restore, repair, replace and rebuild the Project as nearly as possible to its value, condition and character immediately prior to such taking. All work to be

performed in connection therewith shall be pursuant to a written contract therefore, which contract shall be subject to the prior approval of Bondholder. To the extent that any funds remain after the Project has been so restored and repaired, the same shall be applied against the Indebtedness in such order as Bondholder may elect. To enforce its rights hereunder, Bondholder shall be entitled to participate in and control any condemnation proceedings and to be represented therein by counsel of its own choice, and Lessee will deliver, or cause to be delivered to Bondholder such instruments as may be requested by it from time to time to permit such participation. In the event Bondholder, as a result of any such judgment, decree or award, believes that the payment or performance of the Lease or the Bond is impaired, Bondholder may declare the obligations hereunder immediately due and payable.

ARTICLE X
ASSIGNMENT, SUBLEASING AND SELLING

Section 10.01. Assignment by Bondholder. This Agreement, and the obligations of Lessee to make payments hereunder, may be assigned and reassigned in whole or in part to one or more assignees or subassignees (who shall be purchaser of the Bond or an interest therein) by Bondholder at any time subsequent to its execution, without the necessity of obtaining the consent of Lessor or Lessee; provided, however, that no such assignment or reassignment shall be effective unless and until (a) Lessor and Lessee shall have received notice of the assignment or reassignment disclosing the name and address of the assignee or subassignee, which notice Lessor shall maintain as evidence of the ownership and registration of the Bond, and (b) in the event that such assignment or reassignment is made to a bank or trust company as trustee for holders of certificates representing interests in this Agreement and the Bond, such bank or trust company agrees to maintain, or cause to be maintained, a book-entry system by which a record of the names and addresses of such holders as of any particular time is kept and agrees, upon request of Lessor or Lessee, to furnish such information to Lessor or Lessee. Upon receipt of notice of assignment, Lessee will reflect in a book-entry the assignee designated in such notice of assignment, and shall agree to make all payments to the assignee designated in the notice of assignment, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Agreement or otherwise) that Lessor and Lessee may from time to time have against Bondholder or the assignee. Lessor and Lessee agree to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by Bondholder or its assignee to protect their interest in the Project and in this Agreement.

Section 10.02. No Sale or Assignment by Lessee. This Agreement and the interest of Lessee in the Project or the Property may not be sold, assumed, assigned or encumbered by Lessee.

ARTICLE XI
EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default. The following constitute "Events of Default" under this Agreement:

(a) failure by Lessee to pay to Bondholder, as assignee of Lessor, when due any Lease Payment or to pay any other payment required to be paid hereunder and the continuation of such failure for a period of 10 days;

(b) failure by Lessee to maintain insurance on the Project in accordance with Section 7.06 hereof;

(c) failure by Lessee to comply with the provisions of Sections 6.04, 7.14, 7.15, 7.16, 8.01, 8.02 or 8.03 hereof;

(d) failure by Lessee or Lessor to observe and perform any other covenant, condition or agreement contained herein, in the Escrow Agreement, in the Mortgage, in the Assignment, in the Hazardous Substances Agreement, in the Tax Compliance Agreement or in any other document or agreement executed in connection herewith on its part to be observed or performed for a period of 30 days after written notice is given to Lessee or Lessor, as the case may be, specifying such failure and directing that it be remedied; provided, however, that, if the failure stated in such notice cannot be corrected within such 30-day period, Bondholder will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee or Lessor, as the case may be, within the applicable period and diligently pursued until the default is corrected;

(e) initiation by Lessor of a proceeding under any federal or state bankruptcy or insolvency law seeking relief under such laws concerning the indebtedness of Lessor;

(f) Lessee shall be or become insolvent, or admit in writing its inability to pay its debts as they mature, or make an assignment for the benefit of creditors; or Lessee shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of Lessee, as the case may be; or Lessee shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against Lessee; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of Lessee;

(g) determination by Bondholder that any representation or warranty made by Lessee or Lessor herein, in the Mortgage, in the Assignment, in the Hazardous Substance Agreement, in the Tax Compliance Agreement or in any other document executed in connection herewith was untrue in any material respect when made;

(h) Lessee improperly files an amendment or termination relating to a filed financing statement describing any of the Project or (ii) anyone (other than Lessee or Bondholder) improperly files an amendment or termination relating to a filed financing statement describing any of the Project and such filing remains of record for 20 days after written notice is given to Lessee by Bondholder;

(i) an Event of Taxability shall occur;

(j) the occurrence of a default or event of default under the Mortgage or the Assignment; or

(k) the occurrence of a default or an event of default under any instrument, agreement or other document evidencing or relating to any indebtedness or other monetary obligation of Lessee that has a material adverse effect on Lessee's financial or operating condition.

Section 11.02. Remedies on Default. Whenever any Event of Default shall have occurred, Bondholder, as assignee of Lessor, shall have the right, at its sole option without any further demand or notice, to take any one or any combination of the following remedial steps insofar as the same are available to secured parties under Article 9 of the UCC in effect in the State from time to time and which are otherwise accorded to Bondholder, as assignee of Lessor, by applicable law:

(a) by notice to Lessor and Lessee, declare the entire unpaid principal amount of the Lease and the Bond then outstanding, all interest accrued and unpaid thereon and all amounts payable under this Agreement to be forthwith due and payable, whereupon the Lease, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by Lessee;

(b) take possession of the Project wherever situated, without any court order or other process of law and without liability for entering the premises, and lease, sublease or make other disposition of the Project for use over a term in a commercially reasonable manner, all for the account of Bondholder, provided that Lessee shall remain directly liable for the deficiency, if any, between the rent or other amounts paid by a lessee or sublessee of the Project pursuant to such lease or sublease during the same period of time, after deducting all costs and expenses, including reasonable attorneys' fees and expenses, incurred with respect to the recovery, repair and storage of the Project during such period of time;

(c) take possession of the Project wherever situated, without any court order or other process of law and without liability for entering the premises, and sell the Project in a commercially reasonable manner. All proceeds from such sale shall be applied in the following manner:

FIRST, to pay all proper and reasonable costs and expenses associated with the recovery, repair, storage and sale of the Project, including reasonable attorneys' fees and expenses;

SECOND, to pay (i) Bondholder the amount of all unpaid Lease Payments or other obligations (whether direct or indirect owed by Lessee to Bondholder), if any, which are then due and owing, together with interest and late charges thereon, (ii) Bondholder the then applicable Prepayment Amount (taking into account the payment of past-due Lease Payments as aforesaid), plus a pro rata allocation of interest, at the rate utilized to calculate the Lease Payments, from the

next preceding due date of a Lease Payment until the date of payment by the buyer, and (iii) any other amounts due hereunder, including indemnity payments, taxes, charges, reimbursement of any advances and other amounts payable to Bondholder or Lessor hereunder; and

THIRD, to pay the remainder of the sale proceeds, purchase moneys or other amounts paid by a buyer of the Project to Lessee;

(d) exercise all rights and remedies under the Mortgage and the Assignment;

(e) proceed by appropriate court action to enforce specific performance by Lessor or Lessee of the applicable covenants of this Agreement or to recover for the breach thereof, including the payment of all amounts due from Lessee. Lessee shall pay or repay to Bondholder or Lessor all costs of such action or court action, including, without limitation, reasonable attorneys' fees; and

(f) take whatever action at law or in equity that may appear necessary or desirable to enforce its rights with respect to the Project. Lessee shall pay or repay to Bondholder or Lessor all costs of such action or court action, including, without limitation, reasonable attorneys' fees.

Notwithstanding any other remedy exercised hereunder, Lessee shall remain obligated to pay to Bondholder any unpaid portion of the Prepayment Amount.

Section 11.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to Bondholder or Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Bondholder or Lessor to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be required by this Article. All remedies herein conferred upon or reserved to Bondholder or Lessor shall survive the termination of this Agreement.

Section 11.04. Late Lease Payments. If Lessee is set up on an automatic debit/credit payment system in connection with making the Lease Payments hereunder, any Lease Payment not paid by Lessee on the due date hereof shall bear interest from the due date to the date of payment at the lesser of 18% or the highest rate permitted by law, and Lessee shall be obligated to pay the same immediately upon receipt of Bondholder's written invoice therefore. If Lessee is not set up on an automatic debt/credit payment system, any Lease Payment not paid by Lessee on the due date thereof shall, to the extent permissible by law, bear a late charge equal to the lesser of five cents (\$.05) per dollar of the delinquent amount or the lawful maximum, and Lessee shall be obligated to pay the same immediately upon receipt of Bondholder's written invoice therefor.

ARTICLE XII
MISCELLANEOUS

Section 12.01. Costs and Expenses of Bondholder. Lessee shall pay to Bondholder, in addition to the Lease Payments payable by Lessee hereunder, such amounts in each year as shall be required by Bondholder in payment of any reasonable costs and expenses incurred by Bondholder in connection with the enforcement of this Agreement (including, without limitation, attorneys' fees and disbursements) and all other direct and necessary costs of Bondholder or charges required to be paid by it in order to enforce its rights under, this Agreement. Such costs and expenses shall be billed to Lessee by Bondholder from time to time, together with a statement certifying that the amount so billed has been paid by Bondholder for one or more of the items above described, or that such amount is then payable by Bondholder for such items. Amounts so billed shall be due and payable by Lessee within 30 days after receipt of the bill by Lessee.

Section 12.02. Disclaimer of Warranties. BONDHOLDER AND LESSOR MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT OR THE PROPERTY, OR ANY OTHER WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT THERETO. In no event shall Bondholder or Lessor be liable for any loss or damage in connection with or arising out of this Agreement, the Project, the Property or the existence, furnishing, functioning or Lessee's use of any item or products or services provided for in this Agreement.

Section 12.03. Notices. All notices, certificates, requests, demands and other communications provided for hereunder or under the Escrow Agreement or the Tax Compliance Agreement shall be in writing and shall be (a) personally delivered, (b) sent by first class United States mail, (c) sent by overnight courier of national reputation, or (d) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth above and, if telecopied, transmitted to that party at its telecopier number set forth above or, as to each party, at such other address or telecopier number as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. All such notices, requests, demands and other communications shall be deemed to have been given on (a) the date received if personally delivered, (b) the third Business Day following deposit when deposited in the mail if delivered by mail, (c) the date after delivery to an overnight carrier if sent by overnight courier, or (d) the date of transmission if delivered by telecopy. If notice to Lessee of any intended disposition of the Project or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in this Section) at least 10 calendar days prior to the date of intended disposition or other action.

Section 12.04. Further Assurance and Corrective Instruments. Lessor and Lessee hereby agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further acts, instruments, conveyances, transfers and assurances, as Bondholder reasonably deems necessary or advisable for the implementation,

correction, confirmation or perfection of this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement or the Tax Compliance Agreement and any rights of Bondholder hereunder or thereunder.

Section 12.05. Binding Effect; Time of the Essence. This Agreement shall inure to the benefit of and shall be binding upon Bondholder, Lessor, Lessee and their respective successors and assigns. Time is of the essence.

Section 12.06. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.07. Amendments. To the extent permitted by law, the terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Section 12.08. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart, provided that only the original marked "Original: 1 of 6" on the execution page thereof shall constitute chattel paper under the UCC.

Section 12.09. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 12.10. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 12.11. Entire Agreement. This Agreement, the Tax Compliance Agreement, the Escrow Agreement and the exhibits hereto and thereto constitute the entire agreement among Bondholder, Lessor, Lessee and Escrow Agent. There are no understandings, agreements, representations or warranties, express or implied, not specified herein or in such documents regarding this Agreement or the Project financed hereby.

Section 12.12. Usury. It is the intention of the parties hereto to comply with any applicable usury laws; accordingly, it is agreed that, notwithstanding any provisions to the contrary in this Agreement, in no event shall this Agreement require the payment or permit the collection of interest or any amount in the nature of interest or fees in excess of the maximum permitted by applicable law.

Section 12.13. Bound Transcripts. Within 90 days of the day of closing, Lessee shall prepare and furnish or cause to be prepared and furnished, at Lessee's expense, to Bondholder and its counsel, bound transcripts containing this Agreement, the Mortgage, the Assignment, the Hazardous Substances Agreement, the Escrow Agreement, the Tax Compliance Agreement and all other documents related thereto.

Section 12.14. No Pecuniary Liability. No provision, representation, covenant or agreement contained in this Agreement, the Escrow Agreement or the Bond or any obligation herein or therein imposed upon Lessor, or the breach thereof, shall constitute or give rise to or impose upon Lessor a pecuniary liability (except to the extent of any rental payments, revenues and receipts derived by Lessor pursuant to this Agreement). No provision hereof shall be construed to impose a charge against the general credit of Lessor or any personal or pecuniary liability upon any commissioner, official or employee of Lessor.

Section 12.15. Extent of Covenants of Lessor; No Personal or Pecuniary Liability. (a) No covenant, agreement or obligation contained in this Agreement shall be deemed to be a covenant, agreement or obligation of any present or future commissioner, officer, employee or agent of Lessor in his or her individual capacity, and neither the commissioners of Lessor nor any officer thereof executing the Bond shall be liable personally on the Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No commissioner, officer, employee or agent of Lessor shall incur any personal liability with respect to any other action taken by him pursuant to this Agreement or the Act, provided such member, officer, employee or agent acts in good faith.

(b) No agreements or provisions contained in this Agreement nor any agreement, covenant or undertaking by Lessor contained in any document executed by Lessor in connection with the Project, or the issuance, sale and delivery of the Bond shall give rise to any pecuniary liability of Lessor or a charge against its general credit, or shall obligate Lessor financially in any way except as may be payable from the Lease Payments by Lessee and the proceeds of the Bond. No failure of Lessor to comply with any term, condition, covenant or agreement herein or in any document executed by Lessor in connection with the issuance and sale of the Bond shall subject Lessor to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Lease Payments or proceeds of the Bond. Nothing in this Agreement precludes a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against Lessor for any failure to comply with any term, condition, covenant or agreement herein, provided that no costs, expenses or other monetary relief will be recoverable from Lessor except as may be payable from the repayments by Lessee under this Lease Agreement or from the proceeds of the Bond.

(c) No recourse shall be had for the payment of this principal or of premium or interest on the Bond or for any claim based thereon or upon any obligation, covenant or agreement contained in this Agreement against any past, present or future officer, commissioner, employee or agent of Lessor, or of any successor corporation, as such, either directly or through Lessor or any successor corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, commissioners, employees or agents, as such, is hereby expressly waived and released as a condition of, and consideration for, the execution of this Agreement and the issuance of the Bond.

(d) Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that (i) Lessor may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to Lessor by Lessee as to the existence of any fact or state of affairs required hereunder to be noticed by Lessor;

(ii) Lessor shall not be under any obligation hereunder to perform any record keeping or to provide any legal services; and (iii) none of the provisions of this Agreement shall require Lessor to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement, unless it shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred.

Section 12.16. Waiver of Jury Trial. BONDHOLDER, LESSOR AND LESSEE HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS AMONG BONDHOLDER, LESSOR OR LESSEE RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED AMONG BONDHOLDER, LESSOR AND LESSEE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS). THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

[REMAINDER OF PAGE INTENTIONALLY BLANK; EXECUTION PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective corporate names by their duly authorized officers, all as of the date first written above.

Bondholder: GE CAPITAL PUBLIC FINANCE, INC.
By: _____
Title: Vice President

Lessor: THE UNIFIED GOVERNMENT OF
WYANDOTTE COUNTY/KANSAS CITY,
KANSAS

[SEAL] By: _____
Name: Carol Marinovich
Title: Mayor/CEO

ATTEST:
By: _____
Name: Tom G. Roberts
Title: Unified Government Clerk

Lessee: MIDWEST GRAIN PRODUCTS, INC.
By: _____
Title:

ORIGINAL: ___ OF 6

[EXECUTION PAGE OF LEASE AGREEMENT]

Exhibit A to Lease Agreement
SCHEDULE OF LEASE PAYMENTS

Closing Date: August 22, 2001
Coupon Rate: 5.23%

Payment Date	Payment Number	Lease Payment	Principal Component	Interest Component	Principal Balance*	Prepayment Amount*
8/21/2001	0		--	--	6,500,000.00	6,630,000.00
10/1/2001	1	114,208.87	77,380.95	36,827.92	6,422,619.05	6,551,071.43
11/1/2001	2	105,372.87	77,380.96	27,991.91	6,345,238.09	6,472,142.85
12/1/2001	3	105,035.62	77,380.96	27,654.66	6,267,857.13	6,393,214.27
1/1/2002	4	104,698.36	77,380.95	27,317.41	6,190,476.18	6,314,285.70
2/1/2002	5	104,361.11	77,380.95	26,980.16	6,113,095.23	6,235,357.13
3/1/2002	6	104,023.86	77,380.95	26,642.91	6,035,714.28	6,156,428.57
4/1/2002	7	103,686.61	77,380.96	26,305.65	5,958,333.32	6,077,499.99
5/1/2002	8	103,349.36	77,380.96	25,968.40	5,880,952.36	5,998,571.41
6/1/2002	9	103,012.10	77,380.95	25,631.15	5,803,571.41	5,919,642.84
7/1/2002	10	102,674.85	77,380.95	25,293.90	5,726,190.46	5,840,714.27
8/1/2002	11	102,337.60	77,380.95	24,956.65	5,648,809.51	5,761,785.70
9/1/2002	12	102,000.35	77,380.96	24,619.39	5,571,428.55	5,682,857.12
10/1/2002	13	101,663.10	77,380.96	24,282.14	5,494,047.59	5,603,928.54
11/1/2002	14	101,325.84	77,380.95	23,944.89	5,416,666.64	5,524,999.97
12/1/2002	15	100,988.59	77,380.95	23,607.64	5,339,285.69	5,446,071.40
1/1/2003	16	100,651.34	77,380.95	23,270.39	5,261,904.74	5,367,142.83
2/1/2003	17	100,314.09	77,380.96	22,933.13	5,184,523.78	5,288,214.26
3/1/2003	18	99,976.84	77,380.96	22,595.88	5,107,142.82	5,209,285.68
4/1/2003	19	99,639.58	77,380.95	22,258.63	5,029,761.87	5,130,357.11
5/1/2003	20	99,302.33	77,380.95	21,921.38	4,952,380.92	5,051,428.54
6/1/2003	21	98,965.08	77,380.95	21,584.13	4,874,999.97	4,972,499.97
7/1/2003	22	98,627.83	77,380.95	21,246.88	4,797,619.02	4,893,571.40
8/1/2003	23	98,290.58	77,380.96	20,909.62	4,720,238.06	4,814,642.82
9/1/2003	24	97,953.32	77,380.95	20,572.37	4,642,857.11	4,735,714.25
10/1/2003	25	97,616.07	77,380.95	20,235.12	4,565,476.16	4,656,785.68
11/1/2003	26	97,278.82	77,380.95	19,897.87	4,488,095.21	4,577,857.11
12/1/2003	27	96,941.57	77,380.95	19,560.62	4,410,714.26	4,498,928.55
1/1/2004	28	96,604.32	77,380.96	19,223.36	4,333,333.30	4,419,999.97
2/1/2004	29	96,267.06	77,380.95	18,886.11	4,255,952.35	4,341,071.40
3/1/2004	30	95,929.81	77,380.95	18,548.86	4,178,571.40	4,262,142.83
4/1/2004	31	95,592.56	77,380.95	18,211.61	4,101,190.45	4,183,214.26
5/1/2004	32	95,255.31	77,380.95	17,874.36	4,023,809.50	4,104,285.69
6/1/2004	33	94,918.06	77,380.96	17,537.10	3,946,428.54	4,025,357.11
7/1/2004	34	94,580.80	77,380.95	17,199.85	3,869,047.59	3,946,428.54
8/1/2004	35	94,243.55	77,380.95	16,862.60	3,791,666.64	3,867,499.97
9/1/2004	36	93,906.30	77,380.95	16,525.35	3,714,285.69	3,788,571.40

10/1/2004	37	93,569.05	77,380.95	16,188.10	3,636,904.74	3,709,642.83
11/1/2004	38	93,231.80	77,380.96	15,850.84	3,559,523.78	3,630,714.26
12/1/2004	39	92,894.54	77,380.95	15,513.59	3,482,142.83	3,551,785.69
1/1/2005	40	92,557.29	77,380.95	15,176.34	3,404,761.88	3,472,857.12
2/1/2005	41	92,220.04	77,380.95	14,839.09	3,327,380.93	3,393,928.55
3/1/2005	42	91,882.79	77,380.95	14,501.84	3,249,999.98	3,314,999.98
4/1/2005	43	91,545.54	77,380.96	14,164.58	3,172,619.02	3,236,071.40
5/1/2005	44	91,208.28	77,380.95	13,827.33	3,095,238.07	3,157,142.83
6/1/2005	45	90,871.03	77,380.95	13,490.08	3,017,857.12	3,078,214.26
7/1/2005	46	90,533.78	77,380.95	13,152.83	2,940,476.17	2,999,285.69
8/1/2005	47	90,196.53	77,380.95	12,815.58	2,863,095.22	2,920,357.12
9/1/2005	48	89,859.28	77,380.96	12,478.32	2,785,714.26	2,841,428.55
10/1/2005	49	89,522.02	77,380.95	12,141.07	2,708,333.31	2,762,499.98
11/1/2005	50	89,184.77	77,380.95	11,803.82	2,630,952.36	2,683,571.41
12/1/2005	51	88,847.52	77,380.95	11,466.57	2,553,571.41	2,604,642.84
1/1/2006	52	88,510.27	77,380.95	11,129.32	2,476,190.46	2,525,714.27
2/1/2006	53	88,173.02	77,380.96	10,792.06	2,398,809.50	2,446,785.69
3/1/2006	54	87,835.76	77,380.95	10,454.81	2,321,428.55	2,367,857.12
4/1/2006	55	87,498.51	77,380.95	10,117.56	2,244,047.60	2,288,928.55
5/1/2006	56	87,161.26	77,380.95	9,780.31	2,166,666.65	2,209,999.98
6/1/2006	57	86,824.01	77,380.95	9,443.06	2,089,285.70	2,131,071.41
7/1/2006	58	86,486.76	77,380.96	9,105.80	2,011,904.74	2,052,142.83
8/1/2006	59	86,149.50	77,380.95	8,768.55	1,934,523.79	1,973,214.27
9/1/2006	60	85,812.25	77,380.95	8,431.30	1,857,142.84	1,894,285.70
10/1/2006	61	85,475.00	77,380.95	8,094.05	1,779,761.89	1,815,357.13
11/1/2006	62	85,137.75	77,380.95	7,756.80	1,702,380.94	1,736,428.56
12/1/2006	63	84,800.50	77,380.96	7,419.54	1,624,999.98	1,657,499.98
1/1/2007	64	84,463.24	77,380.95	7,082.29	1,547,619.03	1,578,571.41
2/1/2007	65	84,125.99	77,380.95	6,745.04	1,470,238.08	1,499,642.84
3/1/2007	66	83,788.74	77,380.95	6,407.79	1,392,857.13	1,420,714.27
4/1/2007	67	83,451.49	77,380.95	6,070.54	1,315,476.18	1,341,785.70
5/1/2007	68	83,114.24	77,380.96	5,733.28	1,238,095.22	1,262,857.12
6/1/2007	69	82,776.98	77,380.95	5,396.03	1,160,714.27	1,183,928.56
7/1/2007	70	82,439.73	77,380.95	5,058.78	1,083,333.32	1,104,999.99
8/1/2007	71	82,102.48	77,380.95	4,721.53	1,005,952.37	1,026,071.42
9/1/2007	72	81,765.23	77,380.95	4,384.28	928,571.42	947,142.85
10/1/2007	73	81,427.98	77,380.96	4,047.02	851,190.46	868,214.27
11/1/2007	74	81,090.72	77,380.95	3,709.77	773,809.51	789,285.70
12/1/2007	75	80,753.47	77,380.95	3,372.52	696,428.56	710,357.13
1/1/2008	76	80,416.22	77,380.95	3,035.27	619,047.61	631,428.56
2/1/2008	77	80,078.97	77,380.95	2,698.02	541,666.66	552,499.99
3/1/2008	78	79,741.72	77,380.96	2,360.76	464,285.70	473,571.41
4/1/2008	79	79,404.46	77,380.95	2,023.51	386,904.75	394,642.84
5/1/2008	80	79,067.21	77,380.95	1,686.26	309,523.80	315,714.28
6/1/2008	81	78,729.96	77,380.95	1,349.01	232,142.85	236,785.71
7/1/2008	82	78,392.71	77,380.95	1,011.76	154,761.90	157,857.14

8/1/2008	83	78,055.46	77,380.96	77,380.94	78,928.56	674.50
9/1/2008	84	77,718.20	77,380.94	337.26	(0.00)	(0.00)
		-----	-----	-----	-----	-----
TOTAL		7,712,488.36	6,500,000.00	1,212,488.36		

*After payment of Lease Payment due opposite Prepayment Amount.

Exhibit B to Lease Agreement

DESCRIPTION OF PERSONAL PROPERTY

Asset Number	Asset Description
93	Cleaver Brooks 200 H.P. Boiler
94	Boiler Electrical
259	Boiler Upgrades
314	Boiler Upgrades
95	Boiler Mechanical
120	Wall Above the Boiler
363	Gas Meter Phone Line
375	Primary Switch Gear
386	Inspection Platform
390	Plant 6" Water Header
222	Steam Cleaning System
232	Freezer Room
354	Freezer Upgrades
226	Tx-144 Mix System Platforms
230	Process Electrical Tx-144
344	Tx-144 PLC Processor
231	Process Mechanical Tx-144
236	Tx-144 Cooking Extruder, Mix System, Cooler, Pneumatics
406	Tx-144 Comitrol Processor
400	Tx-144 Drying System
401	Tx-144 Drying System Electrical
402	Tx-144 Drying System Mechanical
404	Tx-144 Drying System Platform
272	Tx-144 Misc. Parts
326	Tx-85 Mix System
225	Tx-85 Extruder Modifications
104	Tx-85 Mix System Platform
124	Tx-85 Extruder Platform
294	Tx-85 Stuffer
405	Tx-85 Comitrol Processor
327	Tx-85 Magnum Upgrade
229	Fabrication of Tx-85 System Pneumatics
8	Tx-80 Cylinder, Live Bin, Mix System, Pneumatics, Cooler
24	Platforms & Ladders
25	Bulk Bag Unloader
224	Silo Pad Expansion
328	F2/K2 Peabody TecTank Silos and Mac Equip. Pneumatics
267	F2/K2 Silo Kinergy Rings
224	Silo Pad Expansion For F3, F4, F5, K3 Silos
239	F3, F4, F5, K3 Peabody TecTank Silos

337 Silo Modifications
237 Line #4 Bemis 7115 Packaging System
378 Line #3 Bemis 7115 Packaging System
366 Linx #4 Date Coder
377 2 Safe Line Metal Detectors
407 1 safe Line Bag Metal Detector
106 1 Gardner/Denver Air Compressor
373 2 Gardner/Denver Air Compressors
122 Moisture Analyzer
149 Break Room Water Heater
349 NIR Analyzer
353 Liquid Process Tanks
382 Moyno Pumps for Process Tanks
355 Plant Platform Scale
403 Scott Continuous Batching Mix System
388 Plant Racking
335 Dock Shelters
312 Trash Compactor Enclosure
370 Motorized Hand Jack
170 Mig Welder
364 Hydraulic Press
53 Floor Crane
26 Tool Cage
369 Shop Platforms
55 Telephone System
171 Richcol Copier
275 Office Remodel
290 CFO Office Furniture
292 RTC Office Furniture

Exhibit C to Lease Agreement

DESCRIPTION OF REHABILITATION EXPENDITURES

BUILDING ROOF REPLACEMENT
RESIN COOLER UPGRADE
MILLING & PACKAGING UPGRADE
MULTIPLE INGREDIENT BLENDING
COMITROL PROJECT FOR TX-144
OFFICE RENOVATION

FORM OF BOND

\$6,500,000
The Unified Government of Wyandotte County/Kansas City, Kansas
Industrial Development Revenue Bond
(Midwest Grain Products, Inc. Project)
Series 2001

No.: R-1 \$6,500,000

Maturity Date
September 1, 2008

Interest Rate
5.23%

THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, a municipal corporation created and validly existing under the laws of the State of Kansas (hereafter referred to as "Lessor"), for value received, hereby promises to pay GE Capital Public Finance, Inc., 8400 Normandale Lake Boulevard, Suite 470, Minneapolis, Minnesota 55437, or to registered assigns, but solely from the Lease Payments hereinafter described, the principal sum of

SIX MILLION FIVE HUNDRED THOUSAND DOLLARS

in any coin or currency of the United States of America which on the date of payment thereof is the legal tender for the payment of public and private debts, and to pay, solely from such Lease Payments, in like coin and currency, interest on the principal sum from the date hereof, such interest to be at the rates, and all such payments of interest, principal or interest and principal to be payable at the time and place, in the amounts and in accordance with the terms set forth in that certain Lease Agreement dated as of August 1, 2001 (the "Lease Agreement") among Lessor, GE Capital Public Finance, Inc. and Midwest Grain Products, Inc. ("Lessee"). All terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Lease Agreement.

This Bond is payable as to principal and prepayment premium, if any, solely from Lease Payments to be made by Lessee and is secured by, among other things, a lien on the Project financed pursuant to the Lease Agreement.

This Bond shall not represent or constitute a debt or pledge of the faith and credit of Lessor, and this Bond is payable solely from the revenues pledged therefor pursuant to the Lease Agreement, and no moneys of Lessor raised by taxation shall be obligated or pledged for the payment of Lease Payments or any other amounts due under this Bond.

This Bond is subject to prepayment upon the terms and conditions set forth in the Lease Agreement.

It is hereby certified, recited and declared that all acts, conditions and things required to exist to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the Constitution and laws of the State of Kansas applicable thereto and that the issuance of this Bond is in full compliance with all Constitutional and statutory limitations, provisions and restrictions.

IN WITNESS WHEREOF, THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS has issued this Bond and has caused the same to be signed by the signature of its authorized representative this __ day of _____, 2001.

THE UNIFIED GOVERNMENT OF WYANDOTTE
COUNTY/KANSAS CITY, KANSAS

By: _____
Name: Carol Marinovich
Its: Mayor/CEO

[SEAL]

ATTEST:

By: _____
Name: Tom G. Roberts
Title: Unified Government Clerk

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned _____ (the "Transferor") hereby sells, assigns and transfers unto _____ (the "Transferee")

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF TRANSFEREE

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to register the transfer of the within Bond on the books kept for registration of transfer thereof, with full power of substitution in the premises.

Date:
Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP) or New York Stock Exchange Medallion Signature Program.

NOTICE: No transfer will be registered and no new Bond will be issue in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied.

LEGAL DESCRIPTION OF REAL PROPERTY

Tract I

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 on the North right-of-way line of Berger Avenue, as now established, said point being 343.29 feet East of the East right-of-way line of vacated 1st Street as now established, said point also being 906.0 feet North and 1460.79 feet East of the Southwest corner of the Southeast Quarter of said Section 15;

Thence Northwesterly 124.81 feet, along a curve concave to the Northeast, having a radius of 1208.11 feet through a central angle of 5E 55' 16" and to which the center of the circle of said curve bears North 52E 15' 04" East;

Thence North 29E 36' 07" West 139.08 feet, along a line which makes a right deflection angle of 2E 13' 34" with the tangent of the curve last described;

Thence North 28E 33' 48" West 57.55 feet to a point on the center line of vacated Bayard Avenue (also know as Delaware Avenue), said point being 177.49 feet East of the East right-of-way line of vacated 1st Street;

Thence North 9E 11' 48" East 278.87 feet to a point on the South right-of-way line of vacated Carr Avenue, as now established, said point being 223.68 feet East of the East right-of-way line of vacated 1st Street;

Thence North 0E 20' 15" West 30.0 feet to a point on the centerline of vacated Carr Avenue;

Thence North 89E 38' 27" East 123.82 feet, along the center line of vacated Carr Avenue, to a point 347.5 feet East of the East right-of-way line of vacated 1st Street;

Thence North 0E 20' 15" West 27.22 feet, along a line parallel with and 347.5 feet East of the East right-of-way line of vacated 1st Street;

Thence South 84E 28' 27" East 904.85 feet to a one-half inch reinforcing bar found with LS-533 survey cap;

Thence South 05E 31' 33" West 261.82 feet to the beginning of a non-tangent curve concave to the Northwest having a radius of 431.80 feet and a one-half inch reinforcing bar found with LS-533 survey cap;

Thence Southwesterly 129.60 feet, along said non-tangent curve, through a central angle of 17E 11' 49" having a chord bearing of South 30E 09' 18" West and a chord distance of 129.12 feet, said curve being parallel with and 46.5 feet Northwesterly of the center line of the Kansas City Belt Railway connection to Badger Lumber Yard, as recorded in Book 82 at Page 420, to a one-half inch reinforcing bar found with LS-533 survey cap;

Thence South 37E 10' 40" West 12.06 feet, parallel with and 46.5 feet Northwesterly of the center line of said railway connection, to a one-half inch reinforcing bar found with LS-533 survey cap;

Thence South 58E 47' 33" West 273.49 feet to a point on the North right-of-way line of Berger Avenue, as now established, and a one-half inch reinforcing bar found with LS-533 survey cap;

Thence South 89E 38' 27" West 501.80 feet, along said North right-of-way line to the point of beginning, containing 497,928 square feet or 11.4309 acres, more or less.

Subject to all easements and restrictions of record.

Tract II

Lots 1, 10, 11, 12, and 13, Block 1 and Lots 1, 2, 3, 4, 5, 6 and 7, Block 2, THE JUNCTION, a subdivision of land in Kansas City, Wyandotte County, Kansas.

LIST OF PERMITTED EXCEPTIONS

1. All assessments and taxes for the year 2001 and all subsequent years. None are now due and payable.
2. Memorandum of Agreement by and between Union Pacific Railroad Company, Cedrite Technologies, Inc., formerly known as SNP, Inc., by instrument dated November 9, 1987, filed for record November 30, 1987, as Document No. 1044269 in Book 3262, Page 276.
3. All coal, oil, gas and the minerals and mineral rights reserved in the premises by the Union Pacific Railroad Company, in a Deed dated September 24, 1987, and recorded in Book 3262, Page 283, as Document No. 1044270.
4. Corporation Easement by and between Prime Investments, Inc., and the City of Kansas City, Kansas for the use and benefit of the Board of Public Utilities of Kansas City, Kansas filed January 25, 1988, in Book 3272, Page 89, as Document No. 1046997, granting the right to erect, maintain and repair wires and all appurtenances thereto, for the transmission and distribution of electric energy and the right to trim or remove such trees, branches, shrubs, bushes, and other obstacles as may interfere with, the safe, proper and expeditious erection, reconstruction, operation and maintenance under varying conditions of operation, renewal and removal of said line or any part thereof, said right of way being over, under, along and across the following lands in the City of Kansas City, Kansas, to wit:

A strip of land 10.00 feet wide situated in the Southeast Quarter of Section 15, Township 11 South, Range 25 East of the Sixth Principal Meridian in Kansas City, Wyandotte County, Kansas, said strip of land lying 5.00 feet on each side of the following described center line: Beginning at a point on the North right of way line of Berger Avenue, as now established, said point being 640.05 feet East of the East right of way line of vacated First Street, as now established, said point also being 906.0 feet North and 1757.55 feet East of the Southwest corner of the Southeast Quarter of said Section 15; thence North 2 degrees 18 minutes 39 seconds West 12.92 feet, along said center line, to Point "A"; thence North 32 degrees 57 minutes 47 seconds East 153.42 feet, along said center line; thence South 84 degrees 28 minutes 27 seconds East 111.42 feet, along said center line; thence North 5 degrees 31 minutes 33 seconds East 335.76 feet, along said center line; thence North 84 degrees 28 minutes 27 seconds West 237.42 feet, along said center line, to the "point of terminus" of said easement description. Together with a 10.00 feet wide guy anchor easement lying 5.00 feet on each side of the following described center line; Beginning at Point "A" in the above described easement; thence North 2 degrees 18 minutes 39 seconds West 20.00 feet to the "Point of Terminus" of said easement description.

NOTE: The side lines of the above described easements are to be lengthened and/or shortened at the points of beginning, points of intersection and/or points of terminus to prevent any gores, gaps or overlaps which may be created by this description.

5. Easement granted to City of Kansas City, Kansas by the instrument filed April 25, 1989 as Document No. 1073766 in Book 3360 at Page 163, over a portion of the premises in question, as more fully described therein.

Years ended June 30	2001	2000	1999	1998	1997
(in thousands, except per share amounts)					
Income Statement Data:					
Net sales	\$229,241	\$231,880	\$216,101	\$223,254	\$224,733
Cost of sales	212,058	210,978	200,622	214,453	213,733
Gross profit	17,183	20,902	15,479	8,801	11,000
Selling, general and administrative expenses	13,545	12,109	11,908	11,363	9,169
Other operating income (expense)	(3)	39	136	100	370
Income (Loss) from operations	3,635	8,832	3,707	(2,462)	2,201
Other income (Loss), net	2,109	719	350	658	618
Interest expense	(1,347)	(1,469)	(1,959)	(1,887)	(2,604)
Income (Loss) before income taxes	4,397	8,082	2,098	(3,691)	215
Provision (Credit) for income taxes	1,737	3,192	828	(1,455)	84
Net income (loss)	\$ 2,660	\$ 4,890	\$ 1,270	\$ (2,236)	\$ 131
Earnings (Loss) per common share	\$ 0.32	\$ 0.54	\$ 0.13	\$ (0.23)	\$ 0.01
Cash dividends per common share	0.10				
Weighted average common shares outstanding	8,397	9,122	9,609	9,700	9,762
Balance Sheet Data:					
Working capital	\$47,490	\$ 45,089	\$ 43,053	\$ 39,825	\$ 36,580
Total assets	174,450	155,779	157,370	161,978	165,330
Long-term debt, less current maturities	24,420	18,181	21,099	25,536	29,933
Stockholders' equity	100,544	102,378	105,445	106,325	108,561

-17-

Midwest Grain Products, Inc., Annual Report 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth items in the Company's consolidated statements of income expressed as percentages of net sales for the years indicated and the percentage change in the dollar amount of such items compared to the prior period:

	Percentage of Net Sales Years Ended June 30			Percentage Increase (Decrease)	
	2001	2000	1999	Fiscal 2001 Over 2000	Fiscal 2000 Over 1999
Net sales	100.0%	100.0%	100.0%	(1.1)%	7.3%
Cost of sales	92.5	91.0	92.8	0.5	5.2
Gross profit	7.5	9.0	7.2	(17.8)	35.0
Selling, general and administrative expenses	5.8	5.2	5.6	11.9	1.7
Other operating income (loss)	(0.1)	0.0	0.1	107.7	(71.3)
Income (Loss) from operations	1.6	3.8	1.7	(58.8)	138.3
Other income (expense)	0.3	(.3)	(0.7)	201.6	(53.4)
Income before income taxes	1.9	3.5	1.0	(45.6)	285.2
Provision (Credit) for income taxes	0.8	1.4	0.4	(45.6)	285.5
Net income (loss)	1.1%	2.1%	0.6%	(45.6)	285.0%

-18-

Management's Discussion and Analysis

FISCAL 2001 COMPARED TO FISCAL 2000

The Company's results for fiscal 2001 declined from fiscal 2000. This was largely due to abnormally high energy costs resulting from a dramatic rise in natural gas prices. Reduced sales of vital wheat gluten, premium wheat starch and food grade alcohol were also affecting factors. The decrease was partially offset by increased sales of fuel grade alcohol and value-added wheat proteins. The recognition of income from a United States Department of Agriculture Commodity Credit Corporation program, which is detailed below, also helped to partially offset the decrease.

The severe spike in natural gas prices was caused by low gas reserves and increased demand across the nation, especially during the winter months. After reaching record levels in January, gas prices began to fall, dropping substantially in the fourth quarter. Additionally, the Company was able to satisfy a portion of the energy requirements at its Atchison, Kansas plant with lower priced fuel oil, a situation that prevented energy costs from being affected even more severely during the year.

The reduction in vital wheat gluten sales occurred because the Company elected to curtail production due to pricing pressures from artificially low priced gluten imports from the European Union (E.U). The Company believes that competitive pressures from the E.U. would have been even more intense but for a three-year-long quota that was placed on gluten imports by former President Clinton in 1998. The quota helped reduce the extent of injuries caused to U.S. producers by excess amounts of low priced gluten imports from subsidized E.U. producers.

In February, 2001, the U.S. International Trade Commission unanimously recommended a two-year extension of the quota following a request for an extension by the Wheat Gluten Industry Council of the U.S. The recommendation was based on grounds that through circumvention and similar tactics, E.U. producers deliberately and effectively prevented the U.S. wheat gluten industry from receiving the full extent of relief that the quota intended. Rather than granting an extension, however, the White House approved a funding program to support the development of products and markets for value-added wheat gluten and wheat starches.

Administered by the U.S. Department of Agriculture's Commodity Credit Corporation, the program began in June, 2001 and is scheduled to end May 31, 2003. Under the program, the Company is eligible for approximately \$26 million of the program total of \$40 million. For the first 12 months of the program, approximately \$17.3 million has been allocated to the Company. The remaining amount is expected to become available to the Company starting in June, 2002. The funds are to be used for capital, research, marketing and promotional costs related to value-added gluten, or wheat protein, and starch products. Funds received will be recognized in income during the period during which they are expended for a permitted purpose. However, funds that are used for capital expenditure projects will be recognized in income over the periods during which those projects are depreciated. They are not intended to be used to reduce production and marketing-related costs for commodity vital wheat gluten and wheat starches which could extend the U.S. industry's participation in these markets.

With the expiration of the import quota in June, vital wheat gluten prices in the U.S. became subjected to increased downward pressures from E.U. suppliers. As a result, the Company elected to reduce wheat gluten production and sales even further in the final quarter of fiscal 2001. Unless future conditions warrant otherwise, the Company plans to maintain a reduced presence in the more traditional, commodity-related gluten markets while continuing to build its presence in specialty, value-added markets.

Due principally to increased customer interest and the effects of intensified marketing programs, demand for the Company's specialty wheat proteins continued to strengthen in fiscal 2001. As a result, sales of these products showed an improvement over the prior fiscal year. Produced for a variety of food and non-food applications, these value-added products include dough enhancers, meat extenders and replacers, ingredients for hair care and skin care systems, and bio-polymers for producing pet treats as well as degradable, plastic-like items.

In February, the Company was named the successful bidder on a state-of-the-art manufacturing facility owned by a Kansas City, Kansas firm that entered Chapter 11 bankruptcy proceedings. The Company is using the facility, which is operated by its subsidiary, Kansas City Ingredient Technologies, Inc., primarily for the production of Wheatex(TM), Midwest Grain's unique line of textured wheat proteins that are sold to enhance the flavor and texture of vegetarian and extended meat products, as well as wheat-based bio-polymers. Finalized in the third quarter of fiscal 2001 at a cost of approximately \$6.5 million, the purchase replaces the Company's earlier plan to build a Wheatex(TM) plant at a similar cost. The Company expects the acquisition will allow it to increase the production of textured wheat proteins and bio-polymers at a more accelerated rate. Also, the Company anticipates that, in addition to providing more space than was incorporated into the design for a new plant, the facility will provide greater flexibility for producing other lines of value-added specialty wheat proteins.

The Company's wheat starch sales in fiscal 2001 were down due partially to a reduction in sales for export. The Company expects that starch sales in fiscal 2002 should show an improvement based on indications of increased demand both domestically and abroad.

Increased demand for fuel grade alcohol, or ethanol as it is commonly known, drove up sales of this product compared to the prior fiscal year. The heightened market interest was partially attributable to the Environmental Protection Agency's proposal to phase out MTBE, a competing fuel oxygenate that

-19-
Midwest Grain Products, Inc., Annual Report 2001

is synthetically derived and has been shown to be harmful to groundwater supplies. In response to the increased demand, the Company raised fuel alcohol production levels, while also experiencing substantial upward price adjustments. The Company also experienced improved selling prices for its food grade alcohol for beverage and industrial applications. However, the unit volume of food grade alcohol for beverage uses declined compared to fiscal 2000 due largely to the Company's decision to reduce sales to export markets.

A program developed by the U.S. Department of Agriculture and initiated in December, 2000, provides a two-year cash incentive for ethanol producers who increase their grain usage by specified amounts to raise fuel alcohol production. The Company presently satisfies the program's eligibility requirements and began experiencing its effects in the third quarter of fiscal 2001. Additionally, the installation of new distillery columns to replace older equipment at the Company's Atchison, Kansas plant during the first quarter has allowed the Company to improve food grade alcohol production efficiencies at that location. This project also is allowing the Company to serve beverage alcohol customers with an even higher purity, higher quality premium product.

In fiscal 2001, the Company's Board of Directors approved a \$2.1 million distillery improvement project at the Atchison plant. Expected to be completed early in the third quarter of fiscal 2002, this project is designed to enhance food grade alcohol production, while also strengthening the Company's fuel grade alcohol production capabilities. The Board has additionally approved plans for the installation of a new feed drier at Midwest Grain's Pekin, Illinois plant. Expected to be completed by the end of fiscal 2002 at a cost of \$5 million, the new drier should improve alcohol production efficiencies at that location. Distillers feed is the principal by-product of the alcohol production process.

Although slightly higher than they were during the prior fiscal year, per unit raw material costs for grain continued to remain relatively low in fiscal 2001. However, that situation was offset by the severe rise in natural gas prices. With the onset of more normal energy costs combined with reasonable grain costs, continued strength in alcohol demand and growth in sales of value-added wheat gluten and starch products, the Company should experience improved conditions for growth going forward.

Net sales in fiscal 2001 decreased approximately \$2.6 million below net sales in fiscal 2000. The decrease resulted mainly from reduced sales of vital wheat gluten throughout fiscal 2001, reduced sales of wheat starch in the second and third quarters and lower sales of food grade alcohol for beverage applications in the second, third and fourth quarters. These decreases were partially offset by increased fuel alcohol sales in all four quarters of fiscal 2001 and higher sales of food grade alcohol for industrial uses in the first, third and fourth quarters.

Sales of vital wheat gluten dropped due to reductions in both unit sales and selling prices. This decrease was partially offset by increased unit sales of the Company's specialty wheat proteins. Wheat starch sales declined primarily due to lower unit sales compared to the prior year. Sales of food grade alcohol fell as the result of decreased unit sales in the beverage market. This offset an increase in unit sales of food grade alcohol for industrial uses, as well as improved selling prices in both the beverage and industrial markets. Sales of fuel grade alcohol rose compared to fiscal 2000 as the result of higher unit sales and substantially higher prices caused by increased demand. Sales of distillers feed were approximately even with the prior year's level as a slight decrease in selling prices offset a small increase in unit sales.

The cost of sales in fiscal 2001 rose by approximately \$1.1 million above the cost of sales in the prior fiscal year. This principally was due to a significant increase in energy costs resulting from higher natural gas prices. Non-recurring costs related to the final installation of new distillation equipment at the Company's Atchison plant in the first quarter also contributed to the increase. Lower raw material costs for grain, due mainly to lower grain requirements resulting from reduced vital wheat gluten production, partially offset the higher costs resulting from the above.

In order to control energy costs, the Company has developed a risk management program whereby, at pre-determined prices, the Company will purchase a portion of its natural gas requirements for future delivery.

In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, the Company enters into commodity contracts to reduce or hedge the risk of future grain price increases. Additionally, the Company uses gasoline futures to hedge fuel alcohol sales contractually sold at prices fluctuating with gasoline futures. In fiscal 2001, raw material costs included a net hedging loss of \$1,215,945 compared to a net hedging loss of \$1,345,329 on contracts in fiscal 2000.

Selling, general and administrative expenses in fiscal 2001 were approximately \$1.4 higher than selling, general and administrative expenses in fiscal 2000. The increase was due largely to an increase in costs associated with employee-related benefits, industry-related fees and a combination of various other factors, including increased marketing-related expenses and higher technology costs.

The increase in other income relates to the recognition of \$1.35 million of income from the previously discussed USDA program for value-added wheat gluten and wheat starch products.

The consolidated effective income tax rate is consistent for all periods. The general effects of inflation were minimal.

As the result of the foregoing factors, the Company experienced net income of \$2,660,000 in fiscal 2001 compared to net income of \$4,890,000 in fiscal 2000.

FISCAL 2000 COMPARED TO FISCAL 1999

The Company's results for fiscal 2000 were up substantially over results for the prior fiscal year. Net income rose to \$4,890,000

-20-

Management's Discussion and Analysis

compared to \$1,270,000 in fiscal 1999, due principally to the effects of heightened demand for the Company's vital wheat gluten, specialty and modified wheat proteins and wheat starches. Lower per unit costs for grain also contributed to the improvement. These conditions partially offset the impact of reduced selling prices for the Company's alcohol products resulting from the availability of excess alcohol supplies throughout the industry.

The increased demand for wheat gluten was mainly due to the effects of measures to create a more equitable competitive environment in the U.S. market. On June 1, 1998, just one month prior to the start of the Company's 1999 fiscal year, President Clinton imposed a three-year annual quota on imports of foreign wheat gluten. This action was taken after the U.S. International Trade Commission determined that the U.S. wheat gluten industry was being seriously injured by excess imports of artificially-priced gluten from the European Union (E.U.).

While the quota helped reduce some of the severe effects of excessive, artificially-priced gluten shipments from the E.U. in fiscal 2000, expectations of more substantial relief failed to be realized. In the early part of the fiscal year, the U.S. was suddenly and rapidly inundated with gluten imports, due mainly to the E.U.'s entire allocation entering the market within just two weeks after the second year of the quota opened on June 1, 1999. Additionally, the U.S. saw a substantial increase in gluten imports from other parts of the world, particularly Poland. In response, President Clinton decided to allocate imports of foreign wheat gluten on a quarterly rather than an annual basis effective with the start of the third year of the three-year-long quota on June 1, 2000. He additionally added Poland to the list of countries which were placed under the quota after determining that dramatically increased shipments from Poland "have impaired the effectiveness" of the quota.

Demand for the Company's specialty wheat proteins continued to gain momentum in fiscal 2000, principally due to increased customer interest and the effects of intensified marketing programs. Produced for a variety of food and non-food applications, these value-added products include dough conditioners, meat extenders and replacers, ingredients for hair care and skin care systems, and bio-polymers for producing degradable, plastic-like items.

Increased sales of wheat starch resulted largely from strengthened demand for the Company's modified and specialty starches. To further serve customers' requirements for these unique ingredients, the Company completed the installation of additional production capacity at its Atchison, Kansas, plant in the early part of fiscal 2000.

In addition, in the final quarter of fiscal 2000, the Company began to experience increased demand for its fuel grade alcohol. This resulted partially from a proposal by the Environmental Protection Agency (EPA) to phase-out MTBE, a synthetically-derived fuel oxygenate, due to health-related environmental concerns associated with that product.

Net sales in fiscal 2000 increased nearly \$16 million above net sales in fiscal 1999. The increase resulted principally from higher sales of wheat gluten, premium wheat starch and fuel grade alcohol.

Growth in wheat gluten sales occurred as the result of higher unit sales of wheat gluten and specialty wheat proteins together with a modest improvement in selling prices.

Increased wheat starch sales resulted from higher unit sales, while selling prices for this product were slightly below selling prices in fiscal 1999. The lower selling prices occurred with a reduction in raw material prices for wheat.

Fiscal 2000 alcohol sales were just slightly above the level reached the prior year due to an increase in unit sales of fuel grade alcohol. This increase helped to offset a decline in unit sales of food grade alcohol for industrial applications, as well as decreases in selling prices for food grade alcohol for both industrial and beverage uses. The drop in food grade alcohol selling prices was due to lower demand caused mainly by the availability of excess supplies throughout the industry. The average selling price of fuel grade alcohol, meanwhile, was approximately even with the average selling price in fiscal 1999. This was due mainly to a price improvement in the fourth quarter of fiscal 2000 as the Company experienced an upturn in demand. Sales of distillers feed, the principal by-product of the alcohol production process, dropped below fiscal 1999 sales. This was due to lower unit sales as the selling price was approximately even with prior year's level.

The cost of sales in fiscal 2000 rose by approximately \$10.4 million above the cost of sales for the prior year. This was due to higher energy and manufacturing costs together with costs associated with increased volume sales, largely of gluten and alcohol products. Lower per unit grain prices partially offset the higher costs resulting from increased volumes.

In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, the Company enters into commodity contracts to reduce or hedge the risk of future grain price increases. The contracts are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as part of contract costs when contract positions are settled and as related products are sold. For fiscal 2000, raw material costs included a net hedging loss of \$1,345,329 on contracts compared to a net hedging loss of \$3,472,815 on contracts for fiscal 1999.

Selling, general and administrative expenses in fiscal 2000 increased by approximately \$201,000 above selling, general and administrative expenses in fiscal 1999. The increase was due largely to increased marketing activities, industry-related fees and higher technology costs. A sizeable reduction in bad debts partially offset this increase.

The consolidated effective income tax rate is consistent for all periods. The general effects of inflation were minimal.

As the result of the foregoing factors, the Company experienced net income of \$4,890,000 in fiscal 2000 compared to net income of \$1,270,000 in fiscal 1999.

QUARTERLY FINANCIAL INFORMATION

Generally, the Company's sales have not been seasonal except for variations affecting fuel grade alcohol, beverage alcohol and vital wheat gluten sales. In recent years, demand for fuel grade alcohol has tended to increase during the fall and winter to satisfy clean air standards during those periods. Historically, beverage alcohol sales tend to peak in the fall as distributors order stocks for the holiday season, while vital wheat gluten sales tend to increase during the second half of the fiscal year as demand increases for hot dog buns and similar bakery products. Vital wheat gluten sales are expected to decline during the next year due to the expiration of the annual quota on imports of foreign wheat gluten. The table below shows quarterly information for each of the years ended June 30, 2001 and 2000.

Quarter Ending	Sept. 30	Dec. 31	March 31	June 30	Total
(in thousands, except per share amounts)					
FISCAL 2001					
Sales	\$58,287	\$58,489	\$55,434	\$57,021	\$229,241
Gross profit	2,765	6,153	2,541	5,724	17,183
Net income (loss)	(395)	1,724	(218)	1,549	2,660
Earnings (Loss) per share	(.05)	.20	(.03)	.19	.32
FISCAL 2000					
Sales	\$54,975	\$59,962	\$57,656	\$59,287	\$231,880
Gross profit	4,225	5,955	6,046	4,676	20,902
Net income (loss)	751	1,563	1,607	969	4,890
Earnings (Loss) per share	.08	.17	.18	.11	.54

MARKET RISK

The Company produces its products from wheat, corn and milo and, as such, is sensitive to changes in commodity prices. Grain futures and/or options are used as a hedge to protect against fluctuations in the market. For inventory and open futures, the table below presents the carrying amount and fair value at June 30, 2001 and 2000.

As of June 30	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value

(in thousands)				
INVENTORIES				
Corn	\$ 1,598	\$ 1,603	\$ 965	\$ 986
Milo	169	171	659	714
Wheat	2,377	2,375	1,649	1,652
=====				
	Expected Maturity*	Fair Value	Expected Maturity*	Fair Value

CORN FUTURES (long)				
Contract Volumes (bushels)	2.90 million			
Weighted Average Price	\$ 2.07			
Contract Amount	\$6.01 million	\$5.72 million		
=====				

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

The Company also contractually sells a portion of its fuel grade alcohol at prices that fluctuate with gasoline futures. Gasoline futures are used as a hedge to protect against these fluctuations. The table below presents information about open futures contracts as of June 30, 2001 and 2000.

As of June 30	2001		2000	
	Expected Maturity*	Fair Value	Expected Maturity*	Fair Value

GASOLINE FUTURES (short)				
Contract Volumes (gallons)	2.23 million		2.77 million	
Weighted Average Price	\$.86		\$.93	
Contract Amount	\$1.92 million	\$1.61 million	\$2.58 million	\$2.62 million
=====				

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

LIQUIDITY AND CAPITAL RESOURCES

The following table is presented as a measure of the Company's liquidity and financial condition:

June 30,	2001	2000

(in thousands)		
Cash and cash equivalents	\$ 33,454	\$ 7,728
Working capital	47,490	45,089
Amounts available under lines of credit	5,500	23,000
Notes payable and long-term debt	26,693	20,454
Stockholders' equity	100,544	102,378
=====		

Cash flow generated from operations combined with \$17.3 million received as a result of the program administered by the U.S. Department of Agriculture's Commodity Credit Corporation produced total cash provided by operations of \$37.3 million. Reduced levels of receivables due primarily to lower gluten sales and lower inventories also contributed to improved cash flow. While a portion of the positive operating cash flow was used to pay for capital additions, acquire treasury stock and pay dividends, cash balances increased to \$33.4 million at the end of the year.

The Company made open market purchases of 403,743 shares of its common stock during the year. These purchases were made to fund the Company's stock option plans and for other corporate purposes. As of June 30, 2001, the Board has authorized the purchase of an additional 414,482 shares of the Company's common stock.

During the year, the Company completed property and equipment additions totaling \$13.4 million, including the \$6.5 million acquisition of the new facility for the production of Wheatex(TM) and the installation of new distillery columns at the Atchison, Kansas plant to improve food grade alcohol production efficiencies. At June 30, 2001, the Company had \$8.1 million committed to improvements and replacements of existing equipment and for the acquisition of a new feed dryer at the Pekin, Illinois plant to improve alcohol production efficiencies at that location. The Company is also developing plans for other additions relating to value-added wheat gluten and wheat starch products.

The Company has financed its new Wheatex(TM) production facility through a capital lease financing involving the issuance on August 22, 2001 of a \$6.5 million industrial revenue bond by The Unified Government of Wyandotte County/Kansas City, Kansas. The bond bears interest at a rate of 5.23% per annum and matures in September 2008. Under the lease, the Company will make monthly payments declining from \$114,200 in October 2001 to \$77,700 in September 2008. In connection with the financing, the Company must maintain certain financial ratios, including a current ratio of 1.5 to 1, minimum consolidated tangible net worth of \$84 million and a debt service coverage ratio of 1.5 to 1.

The Company has added to its normally strong equity and working capital positions while continuing to generate strong earnings before interest, taxes, and depreciation. Management believes the Company is well positioned to effectively expand its production of specialty products as well as supply customer needs for all its other products.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill (and tangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. Because the Company does not currently have any recorded

intangible assets deemed to have indefinite lives, the adoption of this statement is not expected to have a material impact on the financial statements.

FORWARD-LOOKING INFORMATION

This report contains forward-looking statements as well as historical information. Forward-looking statements are identified by or are associated with such words as "intend," "believe," "estimate," "expect," "anticipate," "hopeful" and similar expressions. 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. The forward-looking statements are based on many assumptions and factors including those relating to grain prices, energy costs, product pricing, competitive environment and related market conditions, operating efficiencies, access to capital and actions of governments. Any changes in the assumptions or factors could produce materially different than those predicted and could impact stock values.

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors and Stockholders
Midwest Grain Products, Inc.
Atchison, Kansas

We have audited the accompanying consolidated balance sheets of MIDWEST GRAIN PRODUCTS, INC. as of June 30, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MIDWEST GRAIN PRODUCTS, INC. as of June 30, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

s/BKD, LLP
Kansas City, Missouri
August 1, 2001

-25-

Midwest Grain Products, Inc., Annual Report 2001

CONSOLIDATED STATEMENTS OF INCOME

Years ended June 30	2001	2000	1999
(in thousands, except per share amounts)			
Net sales	\$229,241	\$231,880	\$216,101
Cost of sales	212,058	210,978	200,622
Gross profit	17,183	20,902	15,479
Selling, general & administrative expenses	13,545	12,109	11,908
Other operating income (loss)	3,638 (3)	8,793 39	3,571 136
Income from operations	3,635	8,832	3,707
Other income, net	2,109	719	350
Interest expense	(1,347)	(1,469)	(1,959)
Income before income taxes	4,397	8,082	2,098
Provision (Credit) for income taxes	1,737	3,192	828
Net income	\$ 2,660	\$ 4,890	\$ 1,270
Earnings per common share	\$ 0.32	\$ 0.54	\$ 0.13
Other comprehensive income			
Net income	\$ 2,660	\$ 4,890	\$ 1,270
Other comprehensive income, net of tax:			
Loss on cash flow hedge	1,201		
Reclassification adjustment for (losses) included in net income	(1,216)		
Other comprehensive income	15		
Comprehensive income	\$ 2,675	\$ 4,890	\$ 1,270

CONSOLIDATED BALANCE SHEETS

Years ended June 30	2001	2000
(in thousands)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 33,454	\$ 7,728
Receivables (less allowance for doubtful accounts; 2001 and 2000--\$252)	26,109	30,272
Inventories	18,230	19,246
Prepaid expenses	1,625	1,617
Deferred income taxes	2,451	4,058
Refundable income taxes	299	
Total Current Assets	82,168	62,921
Property & equipment, at cost	245,305	232,508
Less accumulated depreciation	153,181	139,737
Property & equipment, net	92,124	92,771
Other assets	158	87
Total Assets	\$174,450	\$155,779
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	\$ 4,273	\$ 2,273
Accounts payable	10,446	10,563
Accrued expenses	4,008	4,044
Deferred income	15,951	
Income taxes payable		952
Total Current Liabilities	34,678	17,832
Long-term debt	22,420	18,181
Post-retirement benefits	6,034	6,170
Deferred income taxes	10,774	11,218
Stockholders' equity		
Capital stock		
Preferred, 5% non-cumulative, \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4
Common, no par; authorized 20,000,000 shares; issued 9,765,172 shares	6,715	6,715
Additional paid-in capital	2,485	2,485
Retained earnings	105,878	104,073
Accumulated other comprehensive income cash flow hedges	15	
Treasury stock, at cost	115,097	113,277
Common; 2001--1,585,518 shares, 2000--1,181,775 shares	(14,553)	(10,899)
Total stockholders' equity	100,544	102,378
Total liabilities and stockholders' equity	\$174,450	\$155,779

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended June 30	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Income Cash Flow Hedges	Other Income Treasury Stock	Total
(in thousands)							
Balance, June 30, 1998	\$4	\$6,715	\$2,485	\$ 97,913		\$ (792)	\$106,325
Purchase of treasury stock						(2,150)	(2,150)
1999 net income				1,270			1,270
Balance, June 30, 1999	4	6,715	2,485	99,183		(2,942)	105,445
Purchase of treasury stock						(7,957)	(7,957)
2000 net income				4,980			4,890
Balance, June 30, 2000	4	6,715	2,485	104,073		(10,889)	102,378
Purchase of treasury stock						(3,654)	(3,654)
2001 net income				2,660			2,660
Dividends paid--\$.10 per share				(855)			(855)
Unrealized gain on cash hedge					\$ 15		15
Balance, June 30, 2001	\$4	\$6,715	\$2,485	\$105,878	\$ 15	\$(14,553)	\$100,544

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30	2001	2000	1999
Cash Flows from Operating Activities			
Net income	\$ 2,660	\$ 4,890	\$ 1,270
Items not requiring (providing) cash:			
Depreciation	13,627	13,515	13,604
(Gain) loss on sale of assets	6		(19)
Deferred income taxes	1,163	1,995	38
Gain on retirement of long-term debt		(603)	
Changes in:			
Accounts receivable	4,163	(3,616)	(287)
Inventories	1,031	5,204	(4,020)
Accounts payable	226	1,334	38
Deferred revenue	15,951		
Income taxes (receivable) payable	(1,251)	495	1,791
Other	(251)	(838)	298
Net cash provided by operating activities	37,325	22,376	12,713
Cash Flows from Investing Activities			
Additions to property & equipment	(13,384)	(8,127)	(6,054)
Proceeds from sale of equipment	55	12	31
Net cash used in investing activities	(13,329)	(8,115)	(6,023)
Cash Flows from Financing Activities			
Purchase of treasury stock	(3,654)	(8,112)	(1,995)
Principal payments on long-term debt	(2,273)	(2,475)	(5,364)
Net proceeds on line of credit	8,512		
Dividends paid	(855)		
Net cash provided by (used in) in financing activities	1,730	(10,587)	(7,359)
Increase (Decrease) in Cash & Cash Equivalents	25,726	3,674	(669)
Cash & Cash Equivalents, Beginning of Year	7,728	4,054	4,723
Cash & Cash Equivalents, End of Year	\$33,454	\$ 7,728	\$ 4,054

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. The activities of Midwest Grain Products, Inc. and its subsidiaries consist of the processing of wheat, corn and milo into a variety of products through an integrated production process. The process produces wheat gluten products, which include vital wheat gluten and specialty wheat proteins; premium wheat starch; alcohol products; and flour mill products. The Company sells its products on normal credit terms to customers in a variety of industries located primarily throughout the United States. Through its wholly-owned subsidiaries, the Company operates in Atchison, Kansas and Pekin, Illinois (Midwest Grain Products of Illinois, Inc.). Additionally, Midwest Grain Pipeline, Inc., another wholly-owned subsidiary, supplies natural gas to the Company's Atchison plant and Kansas City Ingredients Technology, another wholly owned subsidiary, supplies labor expertise in manufacturing specialty products.

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

Principles of Consolidation. The consolidated financial statements include the accounts of Midwest Grain Products, Inc. and all subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Inventories. Inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, Midwest Grain Products, Inc. enters into commodity contracts to reduce the risk of future grain price increases. These contracts are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as part of product cost when contract positions are settled and as related products are sold. If grain requirements fall below anticipated needs and open contract levels, then gains and losses are recognized immediately for the excess open contract levels. Additionally, the Company enters into futures contracts for the sale of fuel grade alcohol to protect its selling price to the customer. At June 30, 2001, the Company had entered into contracts hedging future gasoline prices through the second quarter of fiscal 2002 and corn prices through the first quarter of fiscal 2002.

Property and Equipment. Depreciation is computed using both straight-line and accelerated methods over the following estimated useful lives:

Buildings and improvements	20-30 years
Transportation equipment	5-6 years
Machinery and equipment	10-12 years

Earnings Per Common Share. Earnings per common share data is based upon the weighted average number of common shares totaling 8,397,308 for 2001, 9,121,717 for 2000 and 9,608,769 for 1999. The effect of employee stock options, which were the only potentially dilutive securities held by the Company, was anti-dilutive in all three years.

Cash Equivalents. The Company considers all liquid investments with maturities of three months or less to be cash equivalents.

Income Taxes. Deferred tax liabilities and assets are recognized for the tax effect of the differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

NOTE 2: INVENTORIES

Inventories consist of the following:

June 30,	2001	2000

(in thousands)		
Alcohol	\$ 4,216	\$ 5,317
Unprocessed grain	5,745	4,971
Operating supplies	4,486	4,348
Gluten and starch	3,393	4,186
By-products and other	390	424

	\$18,230	\$19,246
=====		

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

June 30,	2001	2000

(in thousands)		
Land, buildings and improvements	\$ 20,553	\$ 19,516
Transportation equipment	1,155	1,138
Machinery and equipment	219,822	205,152
Construction in progress	3,775	6,702

	245,305	232,508
Less accumulated depreciation	153,181	139,737

	\$ 92,124	\$ 92,771
=====		

NOTE 4: ACCRUED EXPENSES

Accrued expenses consist of the following:

June 30,	2001	2000
(in thousands)		
Excise taxes	\$ 337	\$ 540
Employee benefit plans (Note 10)	1,795	1,661
Salaries and wages	704	635
Property taxes	596	480
Insurance	20	138
Interest	528	569
Other expenses	28	21
	\$4,008	\$4,044

NOTE 5: LONG-TERM DEBT

Long-term debt consists of the following:

June 30,	2001	2000
(in thousands)		
Senior notes payable	\$18,181	\$20,454
Lines of credit	8,512	
	26,693	20,454
Less current maturities	4,273	2,273
Long-term portion	\$22,420	\$18,181

The unsecured senior notes are payable in annual installments of \$2,273,000 from 2001 through 2008 with the final principal payment of \$2,270,000 due in 2009. Interest is payable semiannually at 6.68% per annum for the fifteen-year term of the notes.

At June 30, 2001, the Company had a \$12,233,741 unsecured revolving line of credit expiring on November 30, 2002, with interest at 1% below prime on which there were borrowings of \$6,511,500 at June 30, 2001. The Company had a \$3 million unsecured term note expiring on October 1, 2001, with interest at 1% below prime on which there was \$2,000,000 in borrowings at June 30, 2001. The Company had an additional line of credit totaling \$2.0 million expiring on April 26, 2002, with interest of .5% below prime on which there were no borrowings at June 30, 2001 and 2000.

In connection with the above borrowings, the Company, among other covenants, is required to maintain certain financial ratios, including a current ratio of 1.5 to 1, minimum consolidated tangible net worth of \$84 million, debt to tangible net worth not to exceed 2.5 to 1, and debt service coverage ratio of 1.5 to 1.

Aggregate annual maturities of long-term debt at June 30, 2001 are as follows:

(in thousands)	
2002	\$ 4,273
2003	8,785
2004	2,273
2005	2,273
2006	2,273
Thereafter	6,816

	\$26,693
	=====

NOTE 6: INCOME TAXES

The provisions (credit) for income taxes is comprised of the following:

June 30,	2001	2000	1999
	-----	-----	-----
(in thousands)			
Income taxes currently payable	\$ 574	\$ 1,197	\$790
Income taxes deferred	1,163	1,995	38
	-----	-----	-----
	\$1,737	\$ 3,192	\$828
	=====	=====	=====

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets are as follows:

June 30,	2001	2000
	-----	-----
(in thousands)		
Deferred tax assets:		
Accrued employee benefits	\$ 149	\$ 155
Post-retirement liability	2,353	2,406
Insurance accruals	226	478
State operating loss carryforwards	744	772
Alternative minimum tax	2,411	2,259
Other	486	1,563
	-----	-----
	6,369	7,633
Deferred tax liabilities:		
Accumulated depreciation	(14,130)	(14,533)
Deferred gain on involuntary conversion	(247)	(260)
Deferred income from federal grant	(315)	
	-----	-----
	(14,692)	(14,793)
Net deferred tax liability	\$ (8,323)	\$ (7,160)
	=====	=====

The above net deferred tax liability is presented on the consolidated balance sheets as follows:

June 30,	2001	2000
(in thousands)		
Deferred tax asset--current	\$ 2,451	\$ 4,058
Deferred tax liability--long-term	(10,774)	(11,218)
Net deferred tax liability	\$ (8,323)	\$ (7,160)

No valuation allowance has been recorded at June 30, 2001 or 2000.

-31-
Midwest Grain Products, Inc., Annual Report 2001

A reconciliation of the provision for income taxes at the normal statutory federal rate to the provision (credit) included in the accompanying consolidated statements of operations is shown below:

Years Ended June 30,	2001	2000	1999
(in thousands)			
"Expected" provision (credit) at federal statutory rate (34%)	\$1,495	\$2,748	\$714
Increases (Decreases) resulting from:			
Effect of state income taxes	139	176	78
Other	103	268	36
Provision (Credit) for income taxes	\$1,737	\$3,192	\$828

NOTE 7: CAPITAL STOCK

The Common Stock is entitled to elect four out of the nine members of the Board of Directors, while the Preferred Stock is entitled to elect the remaining five directors. Holders of Common Stock are not entitled to vote with respect to a merger, dissolution, lease, exchange or sale of substantially all of the Company's assets, or on an amendment to the Articles of Incorporation, unless such action would increase or decrease the authorized shares or par value of the Common or Preferred Stock, or change the powers, preferences or special rights of the Common or Preferred Stock so as to affect the holders of Common Stock adversely.

NOTE 8: OTHER OPERATING INCOME (EXPENSE)

Other operating income (expense) consists of the following:

Years Ended June 30,	2001	2000	1999
(in thousands)			
Truck operations	\$ (79)	\$ (53)	\$108
Warehousing and storage operations	(10)	(35)	(10)
Miscellaneous	86	127	38
	\$ (3)	\$ 39	\$136

NOTE 9: ENERGY COMMITMENT

During fiscal 1995, the Company negotiated a 15 year agreement to purchase steam heat and electricity from a utility for its Illinois operations. Steam heat is being purchased for a minimum monthly charge of \$114,000, with a declining fixed charge for purchases in excess of the minimum usage. Electricity purchases will occur at fixed rates through May 31, 2002. In connection with the agreement, the Company leased land to the utility company for 15 years so it could construct a co-generation plant at the Company's Illinois facility. The Company has also agreed to reimburse the utility for the net book value of the plant if the lease is not renewed for an additional 19 years. The estimated net book value of the plant would be \$10.6 million at that date.

NOTE 10: EMPLOYEE BENEFIT PLANS

Employee Stock Ownership Plans. The Company and its subsidiaries have employee stock ownership plans covering all eligible employees after certain requirements are met. Contributions to the plans totaled \$409,000, \$880,000 and \$947,000 for the years ended June 30, 2001, 2000 and 1999, respectively. Contributions are made in the form of cash and/or additional shares of common stock.

401(k) Profit Sharing Plans. During 1998, the Company and its subsidiaries formed 401(k) profit sharing plans covering all employees after certain eligibility requirements are met. Contributions to the plans totaled \$740,000, \$392,000 and \$215,000 for the years ended June 30, 2001, 2000 and 1999, respectively.

Post-Retirement Benefit Plan. The Company and its subsidiaries provide certain post-retirement health care and life insurance benefits to all employees. The liability for such benefits is unfunded.

The status of the Company's plans at June 30, 2001 and 2000 was as follows:

June 30,	2001	2000
(in thousands)		
Accumulated post-retirement benefit obligations:		
Retirees	\$3,044	\$3,390
Active plan participants	3,207	2,872
Unfunded accumulated obligation	6,251	6,262
Unrecognized actuarial gain (loss)	(217)	(92)
Accrued post-retirement benefit cost	\$6,034	\$6,170

-32-

Net post-retirement benefit cost included the following components:

June 30,	2001	2000	1999
(in thousands)			
Service cost	\$177	\$154	\$110
Interest cost	407	355	323
(Gain) loss amortization	(16)		(27)
	\$568	\$493	\$406

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 8.75% (compared to 9.00% assumed for 2000) reducing to 7.25% over seven years and 6.0% over 13 years. A one percentage point increase in the assumed health care cost trend rate would have increased the accumulated benefit obligation by \$405,000 at June 30, 2000, and the service and interest cost by \$56,000 for the year then ended.

A weighted average discount rate of 7.50% was used in determining the accumulated benefit obligation.

Stock Options. The Company has three stock option plans, the Stock Incentive Plan of 1996 (the "1996 Plan"), the Stock Option Plan for Outside Directors (the "Directors Plan"), and the 1998 Stock Incentive Plan for Salaried Employees (the "Salaried Plan"). These Plans permit the issuance of stock awards, stock options and stock appreciation rights to salaried employees and outside directors of the Company. The Company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost been determined consistent with FASB Statement No. 123, the Company's 2001, 2000 and 1999 net income and earnings per share would have been reduced to the following pro forma amounts:

	2001	2000	1999
Net Income (loss):			
As Reported	\$2,660	\$4,890	\$1,270
Pro Forma	\$1,979	\$4,206	\$697
Basis Earnings Per Share:			
As Reported	\$.32	\$.54	\$.13
Pro Forma	\$.24	\$.46	\$.07

Under the 1996 Plan, the Company may grant incentives for up to 600,000 shares of the Company's common stock to key employees. The term of each award is determined by the committee of the Board of Directors charged with administering the 1996 Plan. Under the terms of the 1996 Plan, options granted may be either nonqualified or incentive stock options and the exercise price may not be less than the fair value on the date of the grant. Through June 30, 2001, the Company has granted incentive stock options to purchase 472,500 shares. The options become exercisable in yearly increments over four-year periods. They have ten-year terms and have exercise prices equal to fair market value on the date of grant.

Under the Directors Plan, each non-employee or "outside" director of the Company receives on the day after each annual meeting of stockholders an option to purchase 1,000 shares of the Company's common stock at a price equal to the fair market value of the Company's common stock on such date. Options become exercisable on the 184th day following the date of grant and expire not later than ten years after the date of grant. Subject to certain adjustments, a total of 90,000 shares are reserved for annual grants under the Plan. Through June 30, 2001, the Company had granted options to purchase 33,000 shares, all of which were exercisable as of June 30, 2001.

Under the Salaried Plan, the Company may grant stock incentives for up to 300,000 shares of the Company's common stock to full-time salaried employees. The Salaried Plan provides that the amount, recipients, timing and terms of each award be determined by the Committee of the Board of Directors charged with administering the Salaried Plan. Under the terms of the Salaried Plan, options granted may be either nonqualified or incentive stock options and the exercise price may not be less than the fair value on the date of the grant. Through June 30, 2001, the Company has granted incentive stock options on 288,320 shares. The options become exercisable in yearly increments over four-year periods. They have ten-year terms and have exercise prices equal to fair market value on the date of grant.

A summary of the status of the Company's three stock option plans at June 30, 2001, 2000 and 1999 and changes during the years then ended is presented below:

	2001		2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding Beginning of Year	729,360	12.30	544,860	\$ 13.74	441,360	\$14.04
Granted	133,460	9.33	184,500	8.03	103,500	12.43
Cancelled	(69,000)	\$14.00				
Outstanding End of Year	793,820	\$11.65	729,360	\$12.30	544,860	\$13.74

These are comprised as follows:

	Shares	Exercise Price	Remaining Contractual Lives (Years)	Shares Exercisable at June 30, 2001
1996 Plan	21,000	\$14.00	4.50	21,000
	86,500	\$15.25	5.50	86,500
	79,500	\$13.75	6.50	59,625
	96,500	\$12.50	7.50	48,250
	86,000	\$ 8.00	8.50	21,500
	34,000	\$ 9.31	9.50	
	69,000	\$ 9.31	10.00	
Directors Plan	7,000	\$16.25	5.25	7,000
	7,000	\$14.25	6.25	7,000
	7,000	\$11.75	7.25	7,000
	6,000	\$ 9.00	8.25	6,000
	6,000	\$ 9.63	8.25	6,000
Salaried Plan	171,360	\$13.50	6.67	85,680
	92,500	\$ 8.00	8.50	23,125
	24,460	\$ 9.31	9.50	
	793,820			378,680

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used for the year ended June 30, 2001: Risk free interest rate of 4.98%; expected dividend yield of 0%; expected volatility of 35%, expected life of ten years.

NOTE 11: OPERATING LEASES

The Company has several noncancelable operating leases for railcars and other equipment, which expire from October 2001 through November 2004. The leases generally require the Company to pay all service costs associated with the railcars. Rental payments include minimum rentals plus contingent amounts based on mileage.

Future minimum lease payments at June 30, 2001 are as follows:

(in thousands)	
2002	\$1,260
2003	645
2004	151
2005	2
-----	-----
Future minimum lease payments	\$4,094
=====	=====

Rental expense for all operating leases with terms longer than one month totaled \$2,385,777, \$2,458,096 and \$2,305,235 for the years ended June 30, 2001, 2000 and 1999, respectively.

NOTE 12: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain significant concentrations. Those matters include the following:

A majority of the Company's labor force is covered by collective bargaining agreements which expire August 31, 2002 at the Atchison plant and on October 31, 2003 at the Pekin plant.

Under its self-insurance plan, the Company accrues the estimated expense of health care and workers' compensation claims costs based on claims filed subsequent to year-end and an additional amount for incurred but not yet reported claims based on prior experience. An accrual for such costs of \$20,000 is included in the accompanying 2001 financial statements. Claims payments based on actual claims ultimately filed could differ materially from these estimates.

During the years ended June 30, 2001, 2000 and 1999, the Company had sales to one customer accounting for approximately 8.7%, 13.3% and 12.0%, respectively, of consolidated sales.

NOTE 13: OPERATING INFORMATION

The Company is comprised of one segment: the processing and marketing of products derived from wheat, corn and milo through a single integrated production process. Product group sales for the years ended June 30, are summarized as follows:

	2001	2000	1999
Wheat gluten products	\$ 49,762	\$ 70,912	\$ 56,153
Premium wheat starch	27,907	29,186	27,173
Alcohol products	149,538	129,023	129,729
Flour and other mill products	2,034	2,759	3,046
	\$229,241	\$231,880	\$216,101

NOTE 14: FAIR VALUE OF FINANCIAL INVESTMENTS

The following table presents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which method involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

	2001		June 30, 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$33,454	\$33,454	\$ 7,728	\$ 7,728
Accounts receivable	26,109	26,109	30,272	30,272
Futures contracts	15	15		
Financial liabilities:				
Long-term debt	26,693	25,374	20,454	19,000

NOTE 15: ADDITIONAL CASH FLOWS INFORMATION

Years Ended June 30,	2001	2000	1999

(in thousands)			
Investing and Non-cash Financing Activities			
Purchase of property and equipment in accounts payable	\$ 343	\$ 255	\$ 136
Purchase of treasury stock in accounts payable			\$ 155
Additional Cash Payment Information:			
Interest paid	\$1,388	\$1,542	\$ 2,013
Income taxes paid (refunded)	\$1,825	\$ 704	\$ (1,001)
=====			

NOTE 16: CONTINGENCIES

There are various legal proceedings involving the Company and its subsidiaries. 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 recently advised customers and the Food and Drug Administration that certain products in one of its specialty protein lines required relabeling because they contain sulfites, a potential allergen. The products represented less than 1% of the Company's total wheat protein product sales during 2001. Certain customers have advised the Company that they will expect indemnity against resulting losses allegedly incurred as a result of the mislabeling. Although the Company is unable to estimate the costs that it might incur if any claims are brought against it, after taking into account anticipated insurance coverage the Company does not expect such costs would be material to its financial condition or results of operations.

NOTE 17: USDA GRANT

During the fourth quarter of fiscal 2001, the United States Department of Agriculture developed a grant program for the gluten industry in place of a two-year extension of a wheat gluten import quota that took effect on June 1, 1998. Over the life of the program, which is scheduled to end May 31, 2003, the Company is eligible to receive nearly \$26 million of the program total of \$40 million. For the first year of the program, approximately \$17.3 million has been allocated to the Company with the remainder available in the second year. The funds are to be used for research, marketing, promotional and capital costs related to value-added gluten and starch products. Funds allocated on the basis of current operating costs will be considered revenue as those costs are incurred. Funds allocated based on capital expenditures will reduce the cost basis of the related capital assets. Approximately \$1,350,000 is included in other income for the year ended June 30, 2001, related to this program.

NOTE 18: FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. Because the Company does not currently have any recorded intangible assets deemed to have indefinite lives, the adoption of this statement is not expected to have a material impact on the financial statements.

BKD, LLP
Certified Public Accountants
Twelve Wyandotte Plaza
120 West 12th Street, Suite 1200
Kansas City, MO 64105-1936

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Midwest Grain Products, Inc.
Atchison, Kansas

We consent to the incorporation by reference in Registration Statement No. 333-51849 on Form S-8 and the related Prospectus dated May 5, 1998, of Midwest Grain Products, Inc. of our report dated August 1, 2001, relating to the consolidated balance sheets of Midwest Grain Products, Inc. as of June 30, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2001, which report is incorporated by reference in the Annual Report on Form 10-K of Midwest Grain Products, Inc. for the fiscal year ended June 30, 2001, and of our report dated August 1, 2001, with regard to the financial statement schedule that is included in such Form 10-K for the year ended June 30, 2001. We also consent to the reference to our firm under the heading "Experts" in the Prospectus to the Registration Statement.

/s/ BKD, LLP

Kansas City, Missouri
September 10, 2000

The Company has an informal cash bonus plan pursuant to which the Human Resources Committee authorized a \$50,000 bonus pool that may be paid at the discretion of the Chief Executive Officer to reward superior performance during the Fiscal 2001 by any employee of the Company other than the Chief Executive Officer.