

MGP INGREDIENTS INC
Form DEF 14A
April 03, 2012

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

MGP Ingredients, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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NOTICE OF 2012 ANNUAL MEETING OF
STOCKHOLDERS AND PROXY STATEMENT



MGP INGREDIENTS, INC.

Cray Business Plaza
100 Commercial Street
Atchison, Kansas 66002

April 20, 2012

NOTICE OF ANNUAL MEETING

To the Stockholders:

The Annual Meeting of Stockholders of MGP Ingredients, Inc. will be held at the Benedictine College Administration Building, 1020 North 2nd Street, Atchison, Kansas 66002, on Thursday, May 31, 2012, beginning at 10:00 a.m., local time, for the following purposes:

§ To elect three directors, each for a term expiring at the Annual Meeting in 2015;

§ To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012;

§ To conduct an advisory vote on the compensation of our named executive officers; and

§ To transact such other business as may properly come before the meeting.

Holders of Common and Preferred Stock of record on the books of the Company at the close of business on April 2, 2012, will be entitled to vote at the meeting or any adjournment thereof.

IF YOU HOLD YOUR SHARES IN A STREET NAME, YOUR BROKER WILL NOT BE ABLE TO VOTE YOUR SHARES WITH RESPECT TO THE ELECTION OF DIRECTORS AND MATTERS RELATING TO EXECUTIVE COMPENSATION IF YOU HAVE NOT PROVIDED DIRECTIONS TO YOUR BROKER.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE CAST YOUR VOTE AS SOON AS POSSIBLE. GENERALLY, YOU MAY VOTE BY TELEPHONE, BY INTERNET, OR BY COMPLETING, SIGNING AND RETURNING THE ENCLOSED PROXY/VOTING INSTRUCTION CARD. SPECIFIC INSTRUCTIONS APPEAR ON THE ENCLOSED PROXY/VOTING INSTRUCTION CARD.

By Order of the Board of Directors

John R. Speirs
Chairman of the Board

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 31, 2012. This Notice, the Company's proxy statement and its Transition Report to stockholders are available at www.proxyvote.com.

PROXY STATEMENT

We are furnishing this Proxy Statement and the enclosed form of Proxy/Voting Instruction Card in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders of MGP Ingredients, Inc. (the "Company" or "New MGPI") to be held on Thursday, May 31, 2012, as set forth in the preceding Notice. We expect that this Proxy Statement and the enclosed form of Proxy/Voting Instruction Card will be mailed to stockholders commencing April 20, 2012.

We have changed our fiscal year end from June 30 to December 31. Accordingly, some of the information contained in this proxy statement, including compensation related disclosure, covers the six month period from July 1, 2011 (following the conclusion of our prior fiscal year) to December 31, 2011. In this proxy statement, "2011 transition period" means the six month period from July 1, 2011 to December 31, 2011, "fiscal year 2011" means the fiscal year ended June 30, 2011, "fiscal year 2010" means the fiscal year ended June 30, 2010 and "fiscal year 2009" means the fiscal year ended June 30, 2009.

We have also reorganized into a holding company system. On January 3, 2012, the Company became the holding company for the former MGP Ingredients, Inc., which is now named MGPI Processing, Inc. ("Old MGPI") and which is now the wholly-owned subsidiary of the Company. In connection with the reorganization, the Company changed its name from MGPI Holdings, Inc. to MGP Ingredients, Inc. ("New MGPI"). All of the outstanding common shares of Old MGPI were converted, without exchange, into an equal number of common shares of New MGPI, and all of the outstanding preferred shares of Old MGPI were converted, without exchange, into an equal number of preferred shares of New MGPI. The common stock of New MGPI trades on the NASDAQ Global Select Market under the symbol "MGPI". In the reorganization, the persons serving as members of the Board of Directors or executive officers of Old MGPI became members of the Board of Directors and executive officers of New MGPI, respectively, and New MGPI assumed each plan governing equity compensation for directors, officers and employees of Old MGPI. Throughout this Proxy Statement, when we refer to the Company in reference to activities that occurred prior to the reorganization on January 3, 2012, we are referring to Old MGPI, and when we refer to the Company in reference to activities occurring after the reorganization, we are referring to New MGPI, except to the extent that the context otherwise indicates.

GENERAL INFORMATION

As of April 2, 2012, there were 18,115,965 shares of Common Stock outstanding and 437 shares of Preferred Stock outstanding. The holders of outstanding shares of Common Stock and Preferred Stock of the Company at the close of business on April 2, 2012 are entitled to notice of and to vote at the Annual Meeting. The presence in person or by proxy of persons entitled to vote a majority of the issued and outstanding shares of each class of stock entitled to vote will constitute a quorum for the transaction of business at the meeting. Abstentions and broker non-votes (defined below) are counted as present and entitled to vote for purposes of determining if a quorum exists.

Generally, holders of Common and Preferred Stock each vote separately as a class with respect to each matter that the class is authorized to vote on, with each share of stock in each class being entitled to one vote. In the election of directors, the holders of Common Stock are entitled to vote on the election of Group A directors and the holders of Preferred Stock are entitled to vote on the election of Group B directors. Election of directors is determined by a plurality vote, and the candidates for office who receive the highest number of votes will be elected. For the ratification of the Audit Committee's selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2012, the affirmative vote of the holders of a majority of the shares of Preferred Stock and of the holders of a majority of the shares of Common Stock present in person or by proxy at the meeting and entitled to vote thereat is required. For the advisory vote seeking approval of named executive officer compensation, the affirmative vote of the holders of a majority of the shares of Preferred Stock and of the holders of a majority of the shares of Common Stock present in person or by proxy at the meeting and entitled to vote thereat is

required.

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Abstentions will be treated as shares present and entitled to vote for purposes of any matter requiring the affirmative vote of a majority or other proportion of the shares present and entitled to vote. Accordingly, abstentions with respect to the advisory vote on executive compensation and on ratification of the appointment of KPMG LLP as our independent registered public accounting firm will have the same effect as a vote against the proposal. Because it is a plurality vote, abstentions and withheld votes will have no effect on the election of directors. With respect to shares relating to any Proxy as to which a broker non-vote is indicated on a proposal, those shares will not be considered present and entitled to vote with respect to any such proposal and therefore will not affect the outcome of the proposal. If any matter is brought before the Annual Meeting requiring the affirmative vote of a majority or other proportion of the outstanding shares of a class, an abstention or broker non-vote will have the same effect as a vote against the matter being voted upon.

Stockholders of record may vote in person at the Annual Meeting or by granting a proxy. Common shares may be voted by proxy in one of the following ways: (i) by Internet at the address listed on the enclosed Proxy/Voting Instruction Card, (ii) by telephone using the toll-free number listed on the enclosed Proxy/Voting Instruction Card, or (iii) by returning the enclosed Proxy/Voting Instruction Card (signed and dated) in the envelope provided. All shares represented by a Proxy that is properly submitted and received in time for the meeting and not revoked will be voted. If a choice is specified with respect to any matter to be acted upon, the shares will be voted in accordance with the specification so made. If no choice is specified, the Proxy will be voted FOR each of the nominees named on the Proxy with respect to the election of directors, FOR ratification of the appointment of KPMG LLP as our independent registered accounting firm for the year ending December 31, 2012 and FOR approval of the resolution approving the Company's named executive officer compensation.

Stockholders holding shares in street name are receiving a voting instruction card from their broker, trustee or other nominee, and should check the voting form used by that firm to determine whether the stockholder may provide voting instructions to the broker or other nominee by telephone or the Internet. Brokers who hold shares in street name for customers are required to vote shares in accordance with instructions received from the beneficial owners. Brokers who are record holders of shares are restricted from exercising authority to vote those shares. Brokers are permitted to vote on discretionary items if they have not received instructions from the beneficial owners, but they are not permitted to vote (a "broker non-vote") on non-discretionary items absent instructions from the beneficial owner. With respect to the Annual Meeting, brokers are prohibited from exercising discretionary authority in the election of our directors and on the advisory vote to approve named executive officer compensation.

Persons with shares held in the Company's Employee Stock Purchase Plan ("ESPP") will receive a Proxy/Voting Instruction Card in the same form that is sent to record holders of Common Stock and may give their voting instructions to the ESPP plan administrator by any of the methods specified above. If you hold shares in the ESPP and do not provide instructions, your shares will not be voted. Persons with shares in the Company's Employee Stock Ownership Plan ("ESOP") are receiving a voting instruction card from the plan trustee. To vote these shares, ESOP participants will need to follow the instructions on the voting instruction card. The trustees will vote ESOP shares in a participant's account as directed by the participant. If no direction is given, it is anticipated that the trustees will vote the participant's shares in accordance with the recommendation of the Company's Board of Directors.

Proxies may be revoked at any time before they are exercised (i) by written notice to the Corporate Secretary, (ii) by telephone or electronic notice to the Company's transfer agent, (iii) by a properly executed, later-dated written or electronic proxy, or (iv) by voting by ballot at the Annual Meeting. Your voting method will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person.

The principal executive offices of the Company are located at Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002 and the Company's telephone number at that address is (913) 367-1480.

PROPOSAL 1-ELECTION OF DIRECTORS

Nominees

Two Group A Directors and one Group B Director are required to be elected at the Annual Meeting. The holders of the Common Stock are entitled to vote for the persons nominated for the Group A positions. The holders of Preferred Stock are entitled to vote for the person nominated for the Group B position. Linda E. Miller and Daryl R. Schaller, Ph.D. have been nominated by the Board of Directors for election to the Group A positions for terms expiring at the Annual Meeting in 2015. Michael Braude has been nominated by the Board of Directors for election to the Group B position for a term expiring at the Annual Meeting in 2015. Ms. Miller has been a director since 2000. Dr. Schaller has been a director since 1997. Mr. Braude has been a director since 1991. Each of the nominees has consented to serve if elected. If for any reason any of the nominees should not be available or able to serve, the Proxies will exercise discretionary authority to vote for substitutes deemed by them to be in the best interests of the Company.

GROUP A NOMINEES
(For terms expiring in 2015)

LINDA E. MILLER

Ms. Miller, age 59, has been a director since June 2000. She is Chairman of the Nominating and Governance Committee and a member of the Audit Committee and the Human Resources and Compensation Committee. She is an independent marketing consultant and has been a member of the Engineering Management Graduate Faculty at the University of Kansas since 1989. She was previously employed by Dupont, Baxter Healthcare and the American Business Women's Association, Kansas City, Missouri. The Company believes that Ms. Miller's qualifications to serve on the Board include her experience as a marketing consultant and her background as educator in the field of business management.

DARYL R. SCHALLER, Ph.D.

Dr. Schaller, age 68, has been a director since October, 1997. He is Chairman of the Human Resources and Compensation Committee and a member of the Audit Committee and the Nominating and Governance Committee. He currently provides, and from 1996 through November 2001 provided, consulting services through his consulting firm, Schaller Consulting. He was Vice President of Research and Development of International Multifoods Corp., of Minneapolis, Minnesota, from November 2001 through June 2003. He retired from Kellogg Co. in 1996 after 25 years of service. He served Kellogg as its Senior Vice President—Scientific Affairs from 1994 until 1996, and previously was Senior Vice President—Research, Quality and Nutrition for Kellogg. The Company believes that Dr. Schaller's qualifications to serve on the Board include his education and extensive experience in the food industry.

GROUP B NOMINEE
(For a term expiring in 2015)

MICHAEL BRAUDE

Mr. Braude, age 76, has been a director since 1991. He is a member of the Nominating and Governance Committee, the Audit Committee and the Human Resources and Compensation Committee. He was the President and Chief Executive Officer of the Kansas City Board of Trade, a commodity futures exchange, from 1984 until his retirement

in 2000. Mr. Braude is a director of Kansas City Life Insurance Company, a director of Midwest Trust Company, Kansas City, Missouri and a trustee of Midwest Research Institute. The Company believes that Mr. Braude's qualifications to serve on the Board include his long tenure on the Board and his experience in and knowledge of grain market dynamics.

OTHER
GROUP A DIRECTORS

GARY GRADINGER

Mr. Gradinger, age 69, has been a director since June 2005. His current term expires in 2014. He is a member of the Audit Committee, the Human Resources and Compensation Committee and the Nominating and Governance Committee. Since 1983, he has served as the Chairman and Chief Executive Officer of Golden Star, Inc., a privately owned company which is engaged in the production of textile cleaning, communication and safety products. He also serves as a director of Buffalo Funds, Buffalo Large Cap Fund, Inc., Buffalo High Yield Fund, Inc., Buffalo US Global Fund, Inc., Buffalo Balanced Fund, Inc. and Buffalo Small Cap Fund, Inc. The Company believes that Mr. Gradinger's qualifications to serve on the Board include his long experience as a CEO and his experience on boards of other publicly held companies.

JOHN R. SPEIRS

Mr. Speirs, age 63, has been a director since 2004. His current term expires in 2013. He serves in the capacity of lead director and was named Chairman of the Board upon the retirement of Ladd Seaberg from Board service on August 27, 2009. He is the Chairman and co-founder of Stellus Consulting, a Minneapolis, Minnesota-based strategy consulting firm formed in 2001 that specializes in business strategy, strategic visioning, merger and acquisition support and branding strategy. From 1998 to 2000 he served as Executive Vice President of Marketing for Diageo PLC and from 1989 to 1998 he served in various capacities with Pillsbury, the last being as Senior Vice President of Strategy and Brand Development from 1995 to 1998. Prior thereto he served as an officer and in other management capacities with Lever Brothers from 1975. The Company believes that Mr. Speirs' qualifications to serve on the Board include his experience as a member of senior management in both the food and alcohol industries and as a strategic planner.

OTHER
GROUP B DIRECTORS

JOHN E. BYOM

Mr. Byom, age 58, has been a director since 2004. His current term expires in 2013. He is Chairman of the Audit Committee and a member of the Human Resources and Compensation Committee and the Nominating and Governance Committee. Since October 2007, Mr. Byom has been an owner and the CEO of Classic Provisions, Inc., a specialty foods distribution company based in Plymouth, Minnesota. He is the former Chief Financial Officer of International Multifoods Corporation. He left that company in March 2005 after 26 years with the company, including four years as Vice President of Finance and Chief Financial Officer, from March 2000 to June 2004. After the sale

of Multifoods to The J.M. Smucker Company in June 2004, he was President of Multifoods Foodservice & Bakery Products. Prior to his time as CFO, Mr. Byom was President, US Manufacturing from July 1999 to March 2000, and Vice President of Finance and IT for the North American Foods Division from 1993 to 1999. Mr. Byom held various other positions prior thereto, including Controller of the Bakery Products Division from 1990 to 1991 and Internal Auditor and Supervisor of Audit from 1979 to 1981. Mr. Byom also is a director of Prestige Brands Holdings, Inc. The Company believes that Mr. Byom's qualifications to serve on the Board include his background in finance, IT and internal audit, his experience as a chief financial officer and his public company board experience.

CLOUD L. CRAY, JR.

Mr. Cray, age 89, has been a director since 1957. His current term expires in 2013. He served as Chairman of the Board from 1980 until 2006 and as Chief Executive Officer from 1980 to September, 1988, and has been an officer or director of the Company for more than 50 years. He is the father of Karen Seaberg. The Company believes that Mr. Cray's qualifications to serve on the Board include his long tenure as a Board member and CEO of the Company, his familiarity with the markets in which the Company operates and his significant stock ownership.

TIMOTHY W. NEWKIRK

Mr. Newkirk, age 43, has served as President and Chief Executive Officer since March 2008. His current term as a director expires in 2014. He served as Director of Operations from May 2005 to March 2006, as Vice President and Chief Operating Officer from March 2006 to October 2006, and as President and Chief Operating Officer from October 2006 to March 2008. He began his career with the Company in 1991, serving initially as a distillery shift manager and later as a process engineer, project engineer and quality control manager at the Company's Atchison plant. He was promoted to manager of the Company's Pekin, Illinois plant in 1997, and served in that capacity until the spring of 2000, when he accepted the position of Vice President of Operations for the former High Plains Corporation, an ethanol production company located in Wichita, Kansas, which in fiscal 2001 had approximately 150 employees. Mr. Newkirk was in charge of manufacturing operations at High Plains Corporation's three facilities. In January 2002, Mr. Newkirk became Vice President of Global Operations for Abengoa Bioenergy S.L. following that company's acquisition of High Plains Corporation. As Vice President of Global Operations, he managed Abengoa Bioenergy's five ethanol facilities in the United States and Europe. In August 2003 he was appointed Chief Operating Officer of Abengoa Bioenergy Corporation, which was the successor to the former High Plains Corporation. He held that position until his return to the Company as Director of Operations in the spring of 2005, in which position he was responsible for the operations of the Company's Atchison and Pekin facilities. The Company believes that Mr. Newkirk's qualifications to serve on the Board include his position as CEO of the Company and his extensive experience in distillery operations.

KAREN SEABERG

Mrs. Seaberg, age 64, has been a director since August 2009. Her current term as a director expires in 2014. She has been an executive travel agent with the Atchison Travel Center for the past 20 years and is co-owner of a local Long John Silver's franchise in Atchison,

Kansas. Mrs. Seaberg is active in civic affairs at the local and national levels, including the 2004-06 Lewis & Clark National Bicentennial Commemoration, the Atchison Chamber of Commerce and the Atchison River Front/Downtown Development. She served on the Lewis & Clark Trail Heritage Foundation board from 2003 to 2007 and as its national president from 2007-2008. Mrs. Seaberg served on the Atchison Hospital Board from 1990 to 2004, and presently serves on the Board of the Cray Medical Research Foundation at the University of Kansas Medical Center, Kansas City, Kansas, a position she has held since 1995. She is the daughter of Cloud L. Cray, Jr. The Company believes that Mrs. Seaberg's qualifications to serve on the Board include her business and civic experience and organizational skills and her familiarity with the community in which the Company operates.

**PROPOSAL 2 — RATIFICATION OF THE AUDIT COMMITTEE'S
SELECTION OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING
FIRM**

The Audit Committee has selected KPMG LLP as our independent registered public accounting firm to audit the Company's consolidated financial statements for the year ending December 31, 2012 and to provide an attestation report on the effectiveness of its internal control over financial reporting as of December 31, 2012. KPMG LLP served as the Company's independent registered public accounting firm in the 2011 transition period. We are seeking our stockholders' ratification of the Audit Committee's selection of our independent registered public accounting firm even though we are not legally required to do so. If our stockholders ratify the Audit Committee's selection, the Audit Committee nonetheless may, in its discretion, retain another independent registered public accounting firm at any time if the Audit Committee feels that such change would be in the best interest of the Company and its stockholders. Alternatively, if this proposal is not approved by stockholders, the Audit Committee may re-evaluate its decision. One or more representatives of KPMG LLP are expected to be present at the Annual Meeting and will have the opportunity, if desired, to make a statement and are expected to be available to respond to appropriate questions from stockholders. As explained above in GENERAL INFORMATION, ratification of this proposal requires the affirmative vote of the holders of a majority of shares of Preferred Stock and of the holders of a majority of the shares of Common Stock present in person or by proxy at the meeting that are entitled to vote on the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR"
RATIFICATION OF THE AUDIT COMMITTEE'S SELECTION OF KPMG LLP
AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

**PROPOSAL 3 - APPROVAL, ON AN ADVISORY BASIS, OF
COMPENSATION OF THE NAMED EXECUTIVE OFFICERS**

The Dodd-Frank Act provides that the Company's stockholders have the opportunity to vote to approve, on an advisory (nonbinding) basis, the compensation of the Company's named executive officers as disclosed in this proxy statement in accordance with the Securities and Exchange Commission's ("SEC") rules. Pursuant to Section 14A of the Securities Exchange Act, the Company is presenting the following "say on pay" proposal, which gives stockholders the opportunity to approve or not approve the Company's compensation program for named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, by voting for or against the resolution set out below. While our Board intends to carefully consider the stockholder vote resulting from this proposal, the final vote will not be binding

on the Company and is advisory in nature.

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The Company submits the following proposal:

“RESOLVED, that the stockholders of MGP Ingredients, Inc. approve, on an advisory basis, compensation paid to the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S–K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.”

This say–on–pay vote is advisory, and therefore, is not binding on the Company, the Human Resources and Compensation Committee or the Board. The Board and the Company’s Human Resources and Compensation Committee value the opinions of our stockholders, and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, the Company, the Board and the Human Resources and Compensation Committee will consider the results of the vote in future compensation deliberations. As explained above in GENERAL INFORMATION, approval of this proposal requires the affirmative vote of the holders of a majority of the shares of Preferred Stock and of the holders of a majority of the shares of Common Stock present in person or by proxy at the meeting that are entitled to vote on the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR"
APPROVAL OF THE COMPENSATION AWARDED TO THE COMPANY’S
NAMED EXECUTIVE OFFICERS FOR THE 2011 TRANSITION PERIOD ENDED DECEMBER 31, 2011.

CERTAIN INFORMATION CONCERNING THE BOARD AND ITS COMMITTEES

Standing Committees; Meetings; Independence.

The Board has three standing committees: Audit Committee, Nominating and Governance Committee and Human Resources and Compensation Committee. The members of the Audit Committee, the Human Resources and Compensation Committee and the Nominating and Governance Committee throughout the 2011 transition period were as follows: Audit Committee – John E. Byom (Chairman), Michael Braude, Gary Gradinger, Linda E. Miller and Daryl R. Schaller; Human Resources and Compensation Committee – Daryl R. Schaller (Chairman), Michael Braude, John E. Byom, Gary Gradinger and Linda E. Miller; Nominating and Governance Committee – Michael Braude (Chairman), John Byom, Gary Gradinger, Linda E. Miller and Daryl R. Schaller.

During the 2011 transition period, the Board met 3 times, the Audit Committee met 3 times, the Human Resources Committee met 3 times and the Nominating and Governance Committee met 2 times. Each director attended more than 75% of the meetings of the Board and the Committees of which the director was a member.

The Board has determined that Michael Braude, John E. Byom, Gary Gradinger, Linda E. Miller, Daryl R. Schaller and John R. Speirs are each independent, as defined in Rule 4200 (a) (15) of the NASDAQ Stock Market.

Audit Committee.

The Audit Committee reviews the process involved in the preparation of the Company’s annual audited financial statements and appoints a firm of independent public accountants to serve as independent auditor and to conduct that audit and review the Company’s quarterly financial statements. It also reviews and makes recommendations with regard to the process involved in the Company’s implementation of its conflict of interest and business conduct policy, is responsible for establishing and monitoring compliance under the code of conduct applicable to the chief executive and financial officers and oversees the Board’s risk management process. In connection with this work, the Committee engages in regular discussions of the Company’s risks with senior management, internal auditors and external auditors and annually reviews: (a) the adequacy of the

Audit Committee's written charter that has been adopted by the Board of Directors; (b) the independence and financial literacy of each member of the Audit Committee; (c) the plan for and scope of the annual audit; (d) the services and fees of the independent auditor; (e) certain matters relating to the independence of the independent auditor; (f) certain matters required to be discussed with the independent auditor relative to the quality of the Company's accounting principles; (g) the audited financial statements and results of the annual audit; (h) recommendations of the independent auditor with respect to internal controls and other financial matters; (i) significant changes in accounting principles that are brought to the attention of the Committee; and (j) various other matters that are brought to the attention of the Committee.

The Board of Directors has determined that John E. Byom is an "audit committee financial expert", as defined in Item 407(d) (5) of SEC Regulation S-K. The Board has determined that Mr. Byom is independent, as independence for audit committees is defined in the applicable listing standards of the NASDAQ Stock Market. Under SEC regulations, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for purposes of section 11 of the Securities Act of 1933. Further, the designation or identification of a person as an audit committee financial expert does not impose any duties, obligations or liability on such person that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification and does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

The Board of Directors has adopted a written charter for the Audit Committee, which may be found on the Company's website at www.mgpingredients.com.

The information in or referred to in the foregoing paragraph shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Audit Committee Report

The Audit Committee has reviewed and discussed with management the audited financial statements for the 2011 transition period; has discussed with the independent auditor the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU ss. 380), as modified or supplemented; has received the written disclosures and letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee; and has discussed with the independent auditor the auditor's independence. Based on such review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements for the 2011 transition period be included in the Company's Transition Report on Form 10-K for filing with the Securities and Exchange Commission.

This report is made over the name of each continuing member of the Audit Committee at the time of such recommendation, namely John E. Byom (Chairman), Michael Braude, Gary Gradinger, Linda E. Miller and Daryl R. Schaller.

The Audit Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Nominating and Governance Committee.

The purposes of the Nominating and Governance Committee are to recommend to the Board the qualifications for new director nominees, candidates for nomination and policies concerning compensation and

length of service. The Nominating and Governance Committee has a charter, a copy of which is available to stockholders on the Company's website at www.mgpingredients.com.

In identifying nominees for the Board of Directors, the Nominating and Governance Committee relies on personal contacts of the committee members and other members of the Board of Directors and management. The Nominating and Governance Committee will also consider candidates recommended by stockholders in accordance with its policies and procedures. However, the Nominating and Governance Committee may choose not to consider an unsolicited candidate recommendation if no vacancy exists on the Board. The Nominating and Governance Committee may, in its discretion, use an independent search firm to identify nominees.

The Nominating and Governance Committee believes that each candidate for the Board should be a person known for his or her integrity and honesty. Although the Committee does not have a formal policy with regard to diversity in identifying candidates, it looks for education or experience, knowledge or skills that complement those of existing members and which may be helpful to the Board in exercising its oversight responsibilities. A sufficient number of Board members must meet the tests for independence set forth in the applicable listing standards of the NASDAQ Stock Market and Section 10A of the Exchange Act to permit the Company to satisfy applicable NASDAQ and legal requirements. The Committee also believes it is desirable for at least one Board member to be an "audit committee financial expert", as defined in Rule 407(d) (5) of Regulation S-K. In considering candidates, the Committee may take into account other factors as it deems relevant.

In evaluating potential nominees, the Nominating and Governance Committee determines whether the nominee is eligible and qualified for service on the Board of Directors by evaluating the candidate under the selection criteria set forth above. The Nominating and Governance Committee generally will conduct a check of the individual's background and conduct personal interviews before recommending any candidate to the Board. The Nominating and Governance Committee in its sole discretion may require candidates (including a stockholder's recommended candidate) to complete a form of questionnaire to elicit information required to be disclosed in the Company's proxy statement.

Stockholders who wish to recommend candidates for consideration by the Nominating and Governance Committee in connection with next year's annual meeting should submit the candidate's name and related information in writing to the chairperson of the Nominating and Governance Committee in care of the Company's Secretary, at Cray Business Plaza, 100 Commercial Street, P.O. Box 130, Atchison, Kansas, 66002, on or before December 21, 2012. In addition to the name of the candidate, a stockholder should submit:

- his or her own name and address as they appear on the Company's records;
- if not the record owner, a written statement from the record owner of the shares that verifies the recommending stockholder's beneficial ownership and period of ownership and that provides the record holder's name and address as they appear on the Company's records;
- a statement disclosing whether such recommending stockholder is acting with or on behalf of any other person, entity or group and, if so, the identity of such person, entity or group;
- the written consent of the person being recommended to being named in the proxy statement as a nominee if nominated and to serving as a director if elected; and
- pertinent information concerning the candidate's background and experience, including information regarding such person required to be disclosed in solicitations of proxies for election of directors under Regulation 14A of the Securities Exchange Act of 1934, as amended.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee recommends to the Board of Directors the salary and incentive compensation of the Chief Executive Officer and other executive officers of the Company. The Committee reviews the scope and type of compensation plans for other management personnel and makes recommendations to the Board with respect to equity based-plans that are subject to Board approval. The Committee administers the Company's stock option and restricted stock plans, and also serves as an executive search committee. Each Committee member qualifies as a non-employee director under SEC Rule 16b-3 and as an outside director for purposes of Internal Revenue Code Section 162(m). The Committee has a charter, which may be found on the Company's website at www.mgpingredients.com.

The Committee typically meets four or five times a year and generally considers and recommends various components of the Company's compensation programs at regularly scheduled times throughout the year. Such programs typically originate as recommendations of management. The Committee has typically considered any proposed amendments to benefit plans that are to take effect in the following fiscal year at its March meeting, but in light of the change in fiscal year expects to do so at or before its November meeting. It has typically conducted performance and salary reviews of the CEO and receives the CEO's performance reviews and salary recommendations for other officers at its June meeting, but now expects to do so at its November meeting. Historically, it generally has considered long term incentive awards and performance goals for annual cash incentives in June or August but now anticipates doing so in March.

When considering compensation matters, the Committee relies upon the experience of its members, the recommendations of management and outside consultants retained by the Committee. In prior years, the Committee has used The Hay Group for competitive market information on salaries and Pearl Meyer & Partners for similar information on annual cash and stock incentive awards. In developing these programs, the consultants were retained by the Committee, although they worked directly with management for the purposes of gathering information and conducting interviews with management team members on key compensation issues. During fiscal 2011, at the direction of the Committee, management retained Greg Wolf, of Greg Wolf Consulting and who was formerly associated with The Hay Group, to review the Company's compensation program for directors and to make recommendations that would increase the overall competitiveness of Board compensation.

See "EXECUTIVE COMPENSATION AND OTHER MATTERS - Compensation Discussion and Analysis – How We Determine Compensation" for further information on the processes we follow in setting compensation.

Board Leadership Structure and Role in Risk Management.

Our Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board. The Board believes it is in the best interest of the Company to make that determination in a manner that it believes best provides appropriate leadership for the Company at the time, based on the circumstances and direction of the Company and the membership of the Board. Our current structure has a separate Chief Executive Officer and Chairman of the Board of Directors who also acts in the capacity of lead director. Timothy W. Newkirk is our Chief Executive Officer and President and is responsible for day-to-day leadership of the Company. John Speirs serves as the Chairman of the Board and as lead director. The Board of Directors believes this is the most appropriate structure for the Company at this time, as it permits the President and Chief Executive Officer to focus his attention on managing our day-to-day business and enhances the ability of the Board of Directors to provide strong, independent oversight of the Company's management and affairs.

Our Board of Directors has risk oversight responsibility for the Company and administers this through its Audit Committee. The audit committee oversees our risk management process through regular discussions of the Company's risks with senior management, internal auditors and external auditors.

Compensation Committee Interlocks and Insider Participation

No member of the Human Resources and Compensation Committee is now or was at any time during the past year an officer or employee of the Company or any of its subsidiaries, was formerly an officer of the Company or any of its subsidiaries, or had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K.

Human Resources and Compensation Committee Report

The Human Resources and Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth below in this Proxy Statement and based on such review and discussion recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee Members:

Daryl Schaller, Chairman
Michael Braude
Gary Gradinger
Linda E. Miller
John E. Byom

The Human Resources and Compensation Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Discussion and Analysis

This discussion provides an overview and analysis of our compensation programs and policies, the compensation decisions we made under those programs and policies and the factors we considered in making those decisions. We also provide a series of tables that present information about the compensation earned or paid in each of fiscal 2009, fiscal 2010, fiscal 2011 and the 2011 transition period to our named executive officers, including:

§ Timothy W. Newkirk - Mr. Newkirk has served as President and Chief Executive Officer since March 5, 2008.

§ Don Tracy – Mr. Tracy joined the Company in October 2009 and has served as Vice President of Finance and Chief Financial Officer since November 6, 2009.

§ Scott Phillips – Mr. Phillips has served as Vice President, Supply Chain Operations since June 2009.

§ David E. Rindom – Mr. Rindom has served as Vice President, Human Resources since June 2000.

§ Randall M. Schrick - Mr. Schrick has served as Vice President of Engineering since June 2009. From November 11, 2009 to December 31, 2011, he also served as President of Illinois Corn Processing, LLC ("ICP"), which was a 50% owned joint venture company until February 1, 2012 (now 30%) and which operates our former facility in Pekin, Illinois.

The discussion below is intended to help you understand the information provided in the tables and put that information into context within our overall compensation program.

Objectives of our Compensation Program

Our compensation program objectives are to align compensation programs with our business objectives and stockholders' interests, to reward performance, to be externally competitive and internally equitable and to retain talent on a long-term basis. In particular, our philosophy is to balance salary and benefits with incentive and equity compensation in order that the interests of the executive officers will be aligned with those of stockholders.

Components of Our Compensation Program

The principal components of our compensation program have been base salary, annual cash incentive awards, long term equity incentives and equity and non-equity based retirement compensation.

- Base salary is designed to attract and retain executives over time. In setting base salaries, our objectives are to assure internal fairness of pay in terms of job size, external competitiveness so that we can attract and retain needed talent, and a consistent, motivating system for administering compensation. Base salaries of named executive officers are reported in the Salary column of the Summary Compensation Table.
 - Annual cash incentive awards are intended to focus executives on factors deemed critical to our profitability. By rewarding named executive officers for good performance, we believe we help align their interests with those of our stockholders. Such awards, when paid to named executive officers, are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
 - Long-Term Incentives, which for the past several years have been in the form of restricted stock, are intended to motivate the achievement of key long-term financial performance goals and thereby generate stockholder value, provide management an opportunity to increase ownership of our stock, help attract and retain key employees and be cost efficient. The Human Resources and Compensation Committee's typical practice is to grant awards made with respect to a fiscal year following the close of that fiscal year. In accordance with the rules of the Securities and Exchange Commission relating to the reporting of stock awards, such awards are included in the Summary Compensation Table for the year in which they were made, rather than in the year with respect to which they were made. The grant date fair values of awards, computed in accordance with FASB ASC Topic 718, made during the 2011 transition period, fiscal 2011 and fiscal 2009 to named executive officers are shown in the Stock Awards and Option Awards columns of the Summary Compensation Table. Awards made with respect to fiscal 2011 were made in August 2011 and are included in the Summary Compensation Table for the 2011 transition period. Awards made with respect to fiscal 2010 were made in August 2010 and are included in the Summary Compensation Table for fiscal 2011. No awards are included in the Summary Compensation Table for fiscal 2010 because awards made with respect to that fiscal year were made in June 2009, prior to the close of fiscal 2009. As a result of the timing of the June 2009 awards, their fair value, together with the fair value of awards made with respect to fiscal 2008, which were made in August 2008, are both reflected in the Summary Compensation Table for fiscal 2009. Any dividends paid on restricted shares during a period are included in the All Other Compensation column of the Summary Compensation Table for the period in which they are paid. Awards made with respect to the 2011 transition period were made on March 1, 2012 and are not included in the Summary Compensation Table, but are discussed herein.
- Retirement Compensation
 - o Non-Equity Based Retirement Compensation, provided through our IRC Section 401(k) plan, permits employees to reduce their current income taxes by making pre-tax contributions to increase, enhance and diversify their retirement savings. Named

executive officers participate in the 401(k) plan on the same basis as other eligible employees. Amounts, if any, contributed by the Company under the 401(k) plan are included in the All Other Compensation column of the Summary Compensation Table.

- o Equity Based Retirement Compensation in prior years was also provided through our employee stock ownership plan ("ESOP"). We made no contributions to the ESOP in any of the periods covered in the Summary Compensation Table. We have determined to terminate our ESOP and will no longer be making contributions thereunder.

Consideration of Say-On-Pay Results

At our 2011 Annual Meeting, we held a stockholder advisory vote on the compensation paid to our named executive officers, or a "say-on-pay" vote, and on the frequency with which they believed we should hold a say-on-pay vote. A substantial majority, nearly 93%, of the votes cast approved our compensation program for named executive officers described in our proxy statement for the 2011 Annual Meeting. The Human Resources and Compensation Committee did not change its approach to compensation during the 2011 transition period. In evaluating our compensation practices during the 2011 transition period, the Committee was mindful of the support our stockholders expressed for the philosophy and objectives of our compensation program. It determined to retrain our general approach to executive compensation for our most senior executive officers by continuing to base their annual incentives on improvements in modified economic profit, or "MEP", as discussed herein. However, after considering our experience with the annual program and our overall program objectives, it determined to recommend adjusting the award thresholds to provide for more direct correlation between improvement in MEP and the availability and amount of incentives. See "Annual Cash Incentive – 2012 MEP Program", below. The Committee believes that this will be a more appropriate mechanism to retain and incentivize our executive officers and align their compensation with the interests of our stockholders.

How we Determine Compensation.

As noted elsewhere in this Proxy Statement, our Human Resources and Compensation Committee recommends to the Board of Directors the salary and incentive compensation of the Chief Executive Officer and other executive officers of the Company. The Committee reviews the scope and type of compensation plans for other management personnel and makes recommendations to the Board with respect to equity based plans that are subject to Board approval.

When considering compensation matters, the Human Resources and Compensation Committee relies upon the experience of its members and upon the recommendations of management. It also often uses and relies upon the recommendations of outside consultants retained by the Company. In prior years, the Committee has used The Hay Group in connection with its recommendations for salary and Pearl Meyer & Partners in connection with aspects of certain programs for annual cash incentive awards and stock incentive awards.

Base Salary We generally determine salaries of named executive officers through the following process, which we usually undertake every three years. We most recently undertook this process in 2010. Our Vice President – Human Resources develops a summary of the titles and job descriptions of senior officers and other employees and submits them to The Hay Group, which maintains survey data for similar sized manufacturing firms located in the Midwest. The Hay Group prepares a report identifying the ranges of compensation at these companies for persons with similar responsibilities to those employees described in the company-prepared summary. In addition, annually we obtain from The Hay Group updated information regarding average pay increases at the companies for which The Hay Group maintains survey data. This survey information or summaries thereof is provided to the Human Resources and Compensation Committee. The Committee reviews this information, considers any recommendation made by the CEO with respect to other named executive officers and tries to assure that each officer's base compensation falls within a range that is within 80% to 120% of a specified percentile of salaries paid to executives holding comparable positions at the

surveyed companies. Although the ultimate goal is to compensate executive officers at the midpoint of this targeted range for comparable positions at companies within the survey, a particular individual's salary may fall above or below the targeted level because of his or her tenure, experience level or performance. The Human Resources and Compensation Committee has approved the 50th percentile of the market as the target for base salaries.

When made, annual adjustments are usually made prior to the start of the next fiscal year. When making annual adjustments, the Human Resources and Compensation Committee generally uses a matrix format that takes into account each executive's performance review and the extent to which his or her salary is above or below the midpoint for comparable positions. However, no adjustments were made at the start of fiscal 2009 because of the effect rising commodity prices were having on our performance and none were made at the start of fiscal 2010 because of our financial condition. Mr. Newkirk's base salary was increased from \$320,000 to \$360,000, effective April 19, 2010, based on information provided by The Hay Group, to bring his base salary more into alignment with base salaries for executives with similar positions with surveyed companies. In June of 2011, Mr. Newkirk's base salary was increased to \$390,000 based on his performance and to bring his salary closer to the target level. Salary increases for fiscal 2011 for other executive officers generally ranged from 0% to 5%, depending primarily on performance and the relationship of existing pay levels to targeted pay levels. No executive salary adjustments were made during the 2011 transition period.

Adjustments are sometimes made as a result of a promotion or other change in duties. Mr. Schrick's salary was adjusted in November 2009 when he was appointed President of ICP.

Annual Cash Incentive. We believe a significant portion of the compensation of senior managers should be incentive based, and that by rewarding good performance, such arrangements help align the interests of our named executive officers with those of stockholders. The goal of our annual program is to align more closely how we compensate employees with our business strategy. Specifically, we want to encourage employees to think about how they can contribute to driving Company profitability, reduce costs for goods and equipment and create efficiencies to improve our ongoing operations. We reward them for success by basing annual cash bonuses primarily on amounts earned in excess of what the Human Resources and Compensation Committee deems a fair return on our assets.

Prior MEP Program (Fiscal 2009). During the spring of 2007, members of the Human Resources and Compensation Committee and management discussed and developed a program based on what we called modified economic profit ("MEP"), which considered the dollar amount of wealth that was created or lost in a reporting period. In June 2007, the Committee recommended and the Board approved in concept a five year, annual cash incentive program under which annual awards were to be based on improvements in MEP. A definitive plan (the "Prior MEP Program") was discussed and approved at meetings held in August of 2007. Under this program, MEP was defined as income from operations, net of taxes, less the product of total capital employed in our business times estimated cost of capital. Total capital represented current assets (excluding cash) less current liabilities plus the book value of plant, property and equipment, plus goodwill and other long term assets.

Under the Prior MEP Program, the Board established a targeted annual growth rate for MEP ("Target") of \$3.15 million, which was equivalent to an average earnings per share increase of \$0.186 based on shares outstanding at August 30, 2007 and which the Committee felt would generate a reasonable rate of return to stockholders for their investment in the Company. It also established a starting hypothetical bonus pool amount ("available pool amount") of \$10.5 million, which initial amount represented the amount that the Committee estimated would have been paid in fiscal 2008 through 2010 if the Company met target under the incentive program that was in effect in fiscal 2007. The available pool amount would amortize in equal increments (each increment, the "amortized amount") over 5 years. Increases in MEP up to the Target amount were subject to payout; increases in excess of Target were to be added to the available pool amount.

The Target and available pool amount were established to remove some of the volatility from our annual

incentive plan that had been experienced in previous years. In a year in which the change in MEP from the prior year was positive, but less than the Target amount, participants would receive an incentive payment equal to the change in MEP plus 1/3 of the available pool amount, less the amortized amount. In a year in which the change in MEP from the prior year was positive and also greater than the Target amount, the amount of MEP in excess of the Target amount would be added to the available pool amount and the incentive payment would equal the Target amount plus 1/3 of the available pool amount, less the amortized amount. In a year in

which the change in MEP from the prior year was negative, the available pool amount would be reduced by the amount of the negative change in MEP, not to exceed the Target amount, and the incentive payment, if any, would equal 1/3 of the remaining available pool amount, less the amortized amount. Had the targeted annual growth rate for MEP been achieved, the total amount that might have been paid as bonuses for fiscal 2009 was approximately \$2.7 million. However, the change in MEP from the prior year was negative, and the amount available for bonuses under the program for fiscal 2009 was \$0.

Had there been amounts available for bonuses in fiscal 2009, participation levels of participants under the cash incentive program would have been determined as follows. Each participant was assigned an incentive target based on a percentage of base pay so that a participant's targeted bonus opportunity equaled his or her incentive target multiplied by his or her base pay. These targets were recommended to the Committee by Pearl Meyers & Partners. The aggregate amount required to fund all bonuses at the targeted level would then have been determined. The bonus paid for each participant would then have been determined by multiplying the amount available for bonuses by a fraction, the numerator of which was his or her individual bonus opportunity and the denominator of which was the sum of all participants' bonus opportunities. Had the total payout exceeded the targeted level, each participant's bonus as a percentage of base pay would have been increased. Had it been less, each participant's bonus as a percentage of base salary would have decreased. As noted, no amount was available for bonuses and none were paid in fiscal 2009. The incentive targets for fiscal 2009 for persons who were named executive officers in both the 2011 transition period and fiscal 2009 are as set forth below.

| Participant | Incentive Target as a % of Base Pay |
|-------------|--|
| Mr. Newkirk | 80 |
| Mr. Schrick | 70 |

Current MEP Program (2011 Transition Period and Fiscal 2010 and 2011).

Over the course of fiscal 2008 and 2009, it became apparent to members of management and the Human Resources and Compensation Committee that the Prior MEP Program was not clearly understood by participants. Further, in fiscal 2009 we executed a strategic transformation in which we temporarily shut down one facility, sold another and substantially reduced production of fuel alcohol and commodity starch and protein products. As a result, our operations changed significantly and management and the Committee felt that such changes dictated some form of adjustment to the Prior MEP Program. To address these matters, members of management and the Committee developed a revised program based on MEP which the Committee recommended and the Board adopted in December 2009 (the "Current MEP Program"). This program applied to fiscal 2010 and fiscal 2011 and was the basis for the 2011 transition period short term incentive.

Under the Current MEP Program, annual awards are a percentage of base pay set by the Human Resources and Compensation Committee and are based on improvements in MEP, whose definition has been changed to mean adjusted net income from operations (net income from operations, plus depreciation less capital expenditures), net of taxes paid during the specified fiscal year ("Adjusted NOPAT"), minus a charge representing our weighted estimated economic cost of capital ("C") multiplied by the sum of average monthly total funded indebtedness plus average monthly total equity ("TC"). The formula we use for determining MEP is: $MEP = \text{Adjusted NOPAT} - (C \times TC)$. The Committee may determine whether any non-recurring or unusual item will be included in income from operations, and in this regard makes an adjustment for the margin sharing arrangement with the Company's joint venture, ICP.

The actual amount of awards that may be paid under the Current MEP Program depends on the percentage of base pay set by the Committee and the extent to which improvement in MEP over the base period

meets or exceeds targeted growth. No incentive compensation is payable if growth is less than 80% of target. If growth in MEP is between 80% and 90% of the growth target, 75% of targeted incentive compensation is payable. If growth in MEP is between 90% and 98% of the growth target, 85% of targeted compensation is payable. If growth in MEP is between 98% and 102% of the growth target, 100% of targeted incentive compensation is payable. If growth in MEP is between 102% and 110% of growth target, 115% of targeted incentive compensation is payable. If growth in MEP exceeds 110% of the growth target, 125% of target incentive compensation is payable.

For fiscal 2010, growth in MEP was measured from the fourth quarter of fiscal 2009, annualized, adjusted to eliminate assets then held for sale. The fourth quarter of fiscal 2009 was selected as the base because the Company's restructuring was substantially complete at the beginning of that quarter. For fiscal 2011, growth in MEP was measured from fiscal 2010. For the 2011 transition period, the Company used 50% of MEP for fiscal 2011 as a base from which growth in MEP was measured. The target for growth in MEP in the 2011 transition period was 50% of the increase amount that was targeted for fiscal 2011. The incentive targets for each year in the table below and the awards for fiscal 2010 for persons who were deemed by us to be named executive officers in both fiscal 2010 and the 2011 transition period, based on our having surpassed 110% of our targeted growth in MEP of \$2.25 million over the base period, are as set forth below. We did not exceed our targeted growth in MEP of \$1.5 million in the 2011 transition period or \$3 million in fiscal 2011, and no annual incentive was paid for either period. Participation levels were based on recommendations from Pearl Myers.

| Participant | Incentive Target as a % of Base Pay | Fiscal 2010 Cash Incentive (\$) | Fiscal 2011 Cash Incentive (\$) | 2011 Transition Period Cash Incentive (\$) |
|--------------|-------------------------------------|---------------------------------|---------------------------------|--|
| Mr. Newkirk | 100 | 408,654 | 0 | 0 |
| Mr. Tracy | 70 | 111,731 | 0 | 0 |
| Mr. Phillips | 60 | N/A | 0 | 0 |
| Mr. Rindom | 70 | N/A | 0 | 0 |
| Mr. Schrick | 70 | 200,052 | 0 | 0 |

As noted above, the Human Resources and Compensation Committee has discretion under the annual incentive plan to adjust factors used in determining incentive compensation and to include or exclude unusual items. In measuring our fiscal 2010 growth in MEP over the base period, the Committee determined to make several adjustments for matters of a one time nature which generally related to prior operations and the Company's restructuring, the net effect of which increased Adjusted NOPAT by \$86,000. The Committee determined to exclude from the calculation of Adjusted NOPAT a tax refund resulting from a change in tax law and the following items that increased income from operations: gain on sale of assets and out of period adjustments. The Committee also determined to exclude from the calculation of Adjusted NOPAT the following items that reduced income from operations: other operating costs, which relate to ongoing fixed costs of the Company's closed flour mill in Atchison and its plant in Pekin prior to its contribution to the Company's joint venture, ICP, and losses incurred on the formation of ICP, and to include in the calculation the impact of higher prices paid for products purchased from ICP. These higher prices primarily resulted from lower than expected output during start-up of operations at ICP. In measuring 2011 transition period growth in MEP, the Human Resources and Compensation Committee determined to exclude from the calculation of MEP a non-cash bargain purchase gain and related tax benefit related to the purchase of the beverage alcohol distillery assets of Lawrenceburg Distillers Indiana, LLC ("LDI").

2012 MEP Program

On December 8, 2011, the Human Resources and Compensation Committee recommended and the Board of Directors approved the adoption of a new annual cash incentive plan that will apply to the 2012 and subsequent years. Under the new plan, annual awards will be a percentage of base pay set by the Committee and will be based on either (i) improvements in what we call modified economic profit, or "MEP", as discussed

under "Current MEP Program" above, or (ii) 50% on improvements in MEP and 50% on the attainment of individual performance goals. Awards to named executive officers and officers elected by the Board will be based solely on improvement in MEP. The Human Resources and Compensation Committee may determine whether the calculation of MEP should include or exclude, in whole or in part, any unusual or non-recurring item or adjusted to reflect any unusual or non-recurring item, and may also determine whether individual performance goals should be adjusted to take into account factors not reasonably foreseeable at the beginning of a plan year. In this regard, the Committee intends to make an adjustment for the margin sharing arrangement with the Company's joint venture, ICP. Also, because the purchase price of the LDI assets was based solely on current assets less current liabilities and did not include a component for the value of the fixed assets, the Human Resources and Compensation Committee has determined not to include depreciation of fixed assets acquired from LDI in the calculation of MEP.

For 2012, growth in MEP will be measured from calendar year 2011. The actual amount of awards that may be paid with respect to 2012 will depend on the extent to which improvement in MEP during 2012 over the base period meets or exceeds targeted growth. No incentive will be paid to participants if growth is less than 50% of target. If growth in MEP ranges between 50% and 125% of target, an equivalent percentage of targeted bonus that is based on MEP will be paid. No amount will be paid in any Plan Year for growth in MEP in excess of 125%; however, any such excess will be carried over to the next plan year and be added to the growth in MEP for the following year to determine the amount of incentive compensation payable with respect to that year. Participation levels of named executive officers for 2012 at the target level, as a percentage of base pay, are as follows: Timothy W. Newkirk (CEO) (100%); Don Tracy (CFO) (70%); Randy M. Schrick (70%); David E. Rindom (70%); Scott Phillips (60%).

Long-Term Incentives. At the 2004 Annual Meeting, stockholders approved the MGP Ingredients, Inc. Stock Incentive Plan of 2004 (the "2004 Plan"), which authorized restricted stock as well as other forms of equity based awards, such as restricted stock units, or "RSUs", and stock options. The 2004 Plan was amended at the 2009 Annual Meeting to, among other matters, increase the number of shares issuable under the 2004 Plan from 980,000 to 2,680,000. At March 9, 2012, after giving effect to prior awards and forfeitures, awards for 1,266,444 shares may be made under the 2004 Plan in addition to those heretofore made. We developed the 2004 Plan with the assistance of Pearl Meyer & Partners. In 2003 we asked them to recommend a program which motivated the generation of stockholder value, increased management ownership of stock and provided (i) a long term financial performance counterbalance to the short term orientation of salary and annual cash incentives, (ii) long term incentives in a cost efficient manner and (iii) a tool to help increase retention of and attract executives to the Company.

When it adopted the Prior MEP Program, the Board also approved a restricted stock program to be administered under the Company's 2004 Stock Incentive Plan and under which amounts awarded were based in part on improvements to MEP. Following the holding company reorganization effected on January 3, 2012, this program was converted to a restricted stock unit program under which shares are not issued under awards before the awards vest. Both restricted stock and restricted stock unit awards generally are based on a percentage (approximately 85.7%) of the increase in MEP. However, subject to the discretion of the Human Resources and Compensation Committee, the maximum grant date market value of the awards made for any year to all participants is \$4.5 million and the minimum grant date market value made in any year to all participants, including years in which the change in MEP is negative, is \$1.5 million. For the 2011 transition period the Human Resources and Compensation Committee determined that awards would be made at approximately 50% of the applicable annual level. The actual number of shares or restricted stock units issued to participants is determined on the date the Human Resources and Compensation Committee makes the awards. Shares or restricted stock units awarded vest in 5 years and are eligible for dividends or dividend equivalents payable in cash during the vesting period. Provisions for forfeiture and accelerated and pro rata vesting are generally described herein in Potential Payments upon Termination or Change-in-Control.

Because the change in MEP under the Prior MEP Program for fiscal 2009 was negative, shares awarded with respect to fiscal 2009 were awarded at the minimum level. However, the value of shares awarded was only \$1.14 million instead of \$1.5 million due to insufficient available shares under the 2004 Stock Incentive Plan. Stockholders subsequently approved an amendment to the Plan increasing the number of available shares. The fiscal 2010 increase in MEP could have resulted in maximum grant level, but following

discussions with management, the Committee determined to grant shares valued at \$2 million with respect to fiscal 2010 performance. The fiscal 2011 increase in MEP was below target, and shares awarded with respect to fiscal 2011 were awarded at the minimal level. The 2011 transition period increase in MEP was also below target, and the Committee determined to award 129,000 restricted stock units with respect to the 2011 transition period, which was approximately the minimum level. The Committee also determined to award an additional 45,000 units as a special bonus relating to the acquisition of the assets of Lawrenceburg Distillers Indiana, LLC, including 10,000 units to each of Messrs. Newkirk, Phillips, Rindom and Tracy. The award date with respect to fiscal 2008 was August 28, 2008, the award date with respect to fiscal 2009 was June 11, 2009, the Award date with respect to fiscal 2010 was August 26, 2010, the award date with respect to fiscal 2011 was August 25, 2011, and the award date with respect to the 2011 transition period and special bonus was March 1, 2012.

Each named executive officer's participation level is subject to Human Resources and Compensation Committee discretion. Awards made to a participant with respect to fiscal 2008, 2009 and 2010 generally were based on the ratio of his or her adjusted gross pay to the adjusted gross pay of all participants. This methodology was recommended to the Committee by Pearl Meyer & Partners. Individual participation levels for the August 25, 2011 and the March 1, 2012 transition period grants were based on the recommendation of Mr. Newkirk. The special bonus of restricted stock units awarded on March 1 was based on the recommendation of the Chairman of the Board, John Speirs. Participation levels for restricted stock or restricted stock unit awards made with respect to fiscal 2008, 2009, 2010 and 2011 and the 2011 transition period (including the March 1, 2012 special bonus) of persons who were deemed by us to be named executive officers in both the 2011 transition period and each such year are as set forth below, based on a grant date fair value per share of \$5.06 on August 28, 2008, \$3.00 on June 11, 2009, \$6.75 on August 26, 2010, \$5.85 on August 25, 2011 and \$5.92 on March 1, 2012. The awards made on March 1, 2012 are not reflected in the Summary Compensation Table on page 21 because the grant date of the awards was in calendar 2012. The awards made with respect to both fiscal 2008 and fiscal 2009 are reported under fiscal 2009 in the Summary Compensation Table on page 21 because the grant dates of both awards were in fiscal 2009.

| Participant | 8/28/2008 | | 6/11/2009 | | 8/26/2010 | |
|--------------|-------------|---------------------------|-------------|---------------------------|-------------|---------------------------|
| | # of shares | Grant date fair value(\$) | # of shares | Grant date fair value(\$) | # of shares | Grant date fair value(\$) |
| Mr. Newkirk | 17,695 | 89,536 | 36,000 | 108,000 | 22,700 | 153,225 |
| Mr. Tracy | N/A | N/A | N/A | N/A | 14,300 | 96,525 |
| Mr. Phillips | N/A | N/A | N/A | N/A | 14,300 | 96,525 |
| Mr. Rindom | N/A | N/A | N/A | N/A | N/A | N/A |
| Mr. Schrick | 13,530 | 68,461 | 24,500 | 73,500 | 14,300 | 96,525 |

| Participant | 8/25/2011 | | 3 /1/2012 | |
|--------------|-------------|---------------------------|-----------|---------------------------|
| | # of shares | Grant date fair value(\$) | # of RSUs | Grant date fair value(\$) |
| Mr. Newkirk | 16,500 | 96,525 | 18,250 | 108,040 |
| Mr. Tracy | 16,500 | 96,525 | 18,250 | 108,240 |
| Mr. Phillips | 16,500 | 96,525 | 18,250 | 108,240 |
| Mr. Rindom | 16,500 | 96,525 | 18,250 | 108,240 |
| Mr. Schrick | 16,500 | 96,525 | 8,250 | 48,840 |

Retirement Compensation. Historically we have provided equity based retirement compensation through participation in our ESOP and non-equity based compensation through our 401(k) plan. Both are tax qualified defined contribution plans. The amounts of our contributions to the ESOP and the 401(k) Plan have been determined by the Board each year based on the Human Resources and Compensation Committee's recommendation. The Committee bases its recommendation primarily upon the recommendations of management as well as Company performance for the year.

While the ESOP is invested primarily in Company stock, the 401(k) plan allows employees to direct and diversify their retirement accounts into various mutual funds. Due to our financial performance and cash needs in fiscal 2009, the Committee determined to make no contribution to either plan. In fiscal 2010, we determined to take steps to terminate our ESOP and have made no further contributions to the ESOP. In each of fiscal 2010, fiscal 2011 and the 2011 transition period, the Committee recommended contributing 8% of eligible compensation to the 401(k) Plan.

Named executive officers participate in both plans on the same basis as other employees. Shares purchased under the ESOP and amounts contributed under the 401(k) plan have been allocated to participant accounts in proportion to each participant's eligible compensation, as defined, in the respective plan. Because the ESOP is being terminated, ESOP accounts are distributed to participants upon termination, death, permanent disability or retirement.

Three years service is required for full vesting in the amount of the Company contribution to the 401(k) Plan.

Other Compensation Programs. We do not provide executive perquisites of any significance. We also do not have significant executive benefits, such as supplemental executive retirement plans or deferred compensation arrangements.

Except for provisions in long-term incentive plans applicable to all participants, we generally do not have formal arrangements for paying severance to our executive officers upon their termination of employment or a change in control, but may negotiate severance arrangements on a case-by-case basis.

Tax and Accounting Considerations and Other Matters.

Tax Considerations. Under IRC Section 162(m), publicly held companies may not deduct compensation paid to named executive officers to the extent that an executive's compensation exceeds \$1,000,000 in any one year, unless such compensation is "performance based." Because our incentive programs have a retention purpose as well as an incentive purpose, our Human Resources and Compensation Committee generally has not viewed it as practicable or in our best interests to qualify compensation programs under 162(m).

Accounting Considerations. We do not expect accounting treatment of differing forms of equity awards to vary significantly and, therefore, accounting treatment is not expected to have a material effect on the selection of forms of compensation. Compensation expense related to our performance accelerated restricted stock awards granted in prior years is based on the market price of the stock on the date the Board approved the program and is amortized over the vesting period of the awards, either three years or seven years. Compensation expense related to the restricted stock awards that we made on August 28, 2008, June 11, 2009, August 26, 2010 and August 25, 2011 and restricted stock unit awards that we made on March 1, 2012 is based on market price of stock on those dates and is being amortized in each case over five years.

Other Matters. Although we seek to increase management's opportunity to own our stock through our long term incentive program, we have not adopted share ownership guidelines; a number of our senior executives already have significant holdings, individually and/or through their participation in our ESOP.

We do not have a hedging policy, but our code of conduct prohibits short sales and trading in our stock on a short term basis.

Under a claw-back policy that we adopted in December, 2011, a participant under any of our annual incentive or other performance-based compensation plans is required to repay or forfeit, to the fullest extent permitted by law and as directed by the Board, any annual incentive or other performance-based compensation received by him or her if:

- the payment, grant or vesting of such compensation was based on the achievement of financial results that were subsequently determined to be erroneous,
- the amount of the compensation that would have been received by the participant had the financial results been properly reported would have been lower than the amount actually received, and
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the Board determines in its sole discretion that it is in the best interests of the Company and its stockholders for the participant to repay or forfeit all or any portion of the

compensation. In this regard, compensation includes proceeds, gains or other economic benefit actually or constructively received by the participant upon receipt or exercise of award or upon receipt of resale of any shares of stock underlying an award.

All determinations and decisions made by the Board pursuant to the provisions of this policy shall be final, conclusive and binding on all persons.

Our policy applies to any annual incentive or other performance-based award granted to an officer with respect to fiscal periods beginning on or after July 1, 2009 and to other participants with respect to any annual incentive or other performance-based award granted with respect to fiscal periods beginning on or after July 1, 2011. The remedy specified in this policy is not intended to be exclusive but in addition to every other right or remedy at law or in equity that may be available to us.

Our policy will be amended if and as required to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act. Any such amendment will be applicable to any annual incentive or other performance-based award made to any executive officer with respect to fiscal periods beginning prior to July 1, 2009 to the extent required by law.

SUMMARY COMPENSATION TABLE
2011 TRANSITION PERIOD

AND

FISCAL YEARS ENDED JUNE 30, 2011, 2010 AND 2009

The following table shows the compensation that we paid for services rendered to us in all capacities to the persons who served as our principal executive officer ("PEO") and principal financial officer ("PFO") in the 2011 transition period and to each of our three other most highly compensated executive officers serving as such at the end of the 2011 transition period. The table also includes information for each such person during any of the three fiscal years ended June 30, 2009, 2010 or 2011 that he also was deemed a named executive officer.

| Name and Principal Position | Year (1) | Salary (\$)(2) | Stock Awards (\$)(3) | Non-Equity Incentive Plan Compensation (\$) | All Other Compensation (\$)(4)(5) | Total (\$) |
|-----------------------------------|----------|-------------------|----------------------------|--|---|------------|
| Timothy W. | 2011T | 195,000 | | | | |
| Newkirk (a) | 2011 | 366,923 | | | | |
| (PEO) | 2010 | 326,923 | | | | |
| | 2009 | 320,000 | | | | |