

MGP INGREDIENTS INC
Form DEF 14A
April 21, 2014

DEFINITIVE PROXY STATEMENT
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 x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o 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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 - (3) Filing Party:

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NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

AND

PROXY STATEMENT

MGP INGREDIENTS, INC.
Cray Business Plaza
100 Commercial Street
Atchison, Kansas 66002

April 21, 2014

NOTICE OF ANNUAL MEETING

To the Stockholders:

The Annual Meeting of Stockholders of MGP Ingredients, Inc. (the Annual Meeting) will be held at Benedictine College s Ferrell Academic Center, 1020 N. 2nd Street, Atchison, Kansas, on May 22, 2014, beginning at 10:00 a.m., local time, for the following purposes:

1. To approve and adopt an amendment to our Articles of Incorporation to declassify our Board of Directors so that all directors will be elected annually commencing with the Annual Meeting;
2. If Proposal 1 to declassify the Board is approved by the stockholders, to elect eight (8) directors nominated by the Board and named in this proxy statement to serve until the Company s 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;
3. If Proposal 1 to declassify the Board is not approved by the stockholders, to elect four (4) directors nominated by the Board and named in this proxy statement;
4. To approve and adopt the MGP Ingredients, Inc. 2014 Equity Incentive Plan;
5. To approve and adopt the MGP Ingredients, Inc. 2014 Non-employee Director Equity Incentive Plan;
6. To approve and adopt the MGP Ingredients, Inc. Employee Stock Purchase Plan;
7. To ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2014;
8. To conduct an advisory vote on the compensation of our named executive officers;
9. To postpone or adjourn the Annual Meeting for the purpose of soliciting additional proxies in the event that, at the Annual Meeting, the affirmative vote in favor of Proposal 1 Amendment to the Company s Articles of Incorporation is less than a majority of our outstanding shares of common stock entitled to vote at the Annual Meeting; and
10. To transact such other business as may properly come before the meeting.

The Company s 2013 Annual Report is being delivered with this Proxy Statement. Holders of Common Stock and Preferred Stock of record on the books of the Company at the close of business on April 2, 2014, will be entitled to vote at the Annual Meeting and any adjournment or postponement thereof.

Your vote is important. Whether or not you plan to attend the Annual Meeting, PLEASE VOTE.

If you hold the shares in your own name: (1) use the toll-free telephone number shown on your proxy card; (2) visit the website shown on your proxy card to vote via the Internet; or (3) mark, sign and return the enclosed proxy/voting instruction card in the postage-paid envelope provided.

If your shares are held by a broker, bank or nominee, please follow the voting instructions it provides for your vote to count.

Important Notice regarding the availability of proxy materials for the stockholders meeting to be held on May 22, 2014: This Notice, the Company s Proxy Statement and its Annual Report to stockholders are available at www.viewproxymaterials.com/mgp. You will need to input the Control Number, located on the proxy card, when accessing these documents.

By Order of the Board of Directors

Cloud L. Cray, Jr.
Chairman of the Board

PROXY STATEMENT

This Proxy Statement and the enclosed form of proxy card and voting instructions for the Employee Stock Purchase Plan (proxy card) are furnished for the solicitation of proxies by the Board of Directors of MGP Ingredients, Inc. (the Company) for use at the Annual Meeting of its stockholders to be held on May 22, 2014, as set forth in the preceding Notice. We expect to provide this Proxy Statement and the enclosed proxy card to stockholders on or about April 21, 2014.

In 2011, we 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.

In 2012, we reorganized into a holding company structure. 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 a 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.

VOTING MATTERS

How You Can Vote

If your shares are registered in your own name, you may simplify voting and save the Company expense by voting by telephone or by Internet. Telephone and Internet voting information is provided on your proxy card. A Control Number on the proxy card is designed to verify your identity and allow you to vote your shares and confirm that your voting instructions have been properly recorded. If you vote by telephone or Internet, you need not mail back your proxy card.

If you choose to vote by mail, please return your proxy card, properly signed, in the postage-paid envelope provided.

If you hold your shares through a broker, bank or other financial institution, please follow its directions for how to vote. Your broker will not be permitted to vote on your behalf for any proposal other than the seventh proposal (related to the selection of KMPG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2014) unless you instruct your broker as to how to vote your shares. For your vote to be counted, you will need to communicate your voting decisions to your broker, bank or other financial institution. Voting your shares is important to ensure that we meet the minimum quorum requirements for the meeting. If you have any questions about the voting process, please contact the broker, bank, or other financial institution that holds your shares in its name.

Persons with shares held in the Company s Employee Stock Purchase Plan (ESPP) 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.

How You May Revoke or Change Your Vote

You may revoke your proxy at any time before it is voted at the meeting by:

sending timely written notice of revocation to the corporate secretary;

submitting another timely proxy by telephone, Internet or mail; or

attending the Annual Meeting and voting in person. If voting in person, please bring written evidence confirming your ownership of the shares you wish to vote.

Other Voting Matters

The holders of record of the Company's common stock, no par value (Common Stock) and preferred stock, \$10 par value (Preferred Stock) of the Company at the close of business on April 2, 2014 are entitled to notice of and to vote at the Annual Meeting. As of March 5, 2014, there were 17,672,814 shares of Common Stock outstanding and 437 shares of Preferred Stock outstanding. You are entitled to one vote for each share owned of record on that date.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting in accordance with your instructions. If you sign your proxy card but do not give voting instructions, the shares represented by the proxy will be voted by those named in the proxy card in accordance with the recommendations of the Board of Directors.

If any other matters are properly presented at the Annual Meeting for consideration, the persons named in the enclosed proxy card will have the discretion to vote on those matters for you. As of the printing of this Proxy Statement, we do not know of any other matter to be raised at the Annual Meeting.

How Votes are Counted and Voting Requirements

Holders of a majority of the shares of each class of stock entitled to vote at the Annual Meeting, present in person or represented by proxy, will constitute a quorum for the meeting. Abstentions and broker non-votes (defined below) are counted as present and entitled to vote for purposes of determining if a quorum for the Annual Meeting exists. A broker non-vote occurs when a broker submits a proxy card with respect to shares of common stock held in a representative capacity (typically referred to as being held in street name), but the broker cannot vote on a particular matter because the broker has not received voting instructions from the beneficial owner.

Generally, holders of Common Stock 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.

Proposal 1 - The Board of Directors has conditioned approval of Proposal 1 Amendment of the Articles of Incorporation upon receiving the affirmative vote of holders of a majority of outstanding shares of Common Stock and a majority of outstanding shares of Preferred Stock entitled to vote at the Annual Meeting as separate classes. Abstentions and broker non-votes will be counted against the proposal.

Proposals 2 and 3 - Election of directors is determined by a plurality vote, and the candidates for office who receive the highest number of votes of the class entitled to vote on such director position will be elected. Because it is a plurality vote, abstentions and withheld votes will have no effect on the election of directors.

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All other proposals - All other proposals require the affirmative vote of holders of a majority of shares of Common Stock and a majority of shares of Preferred Stock entitled to vote that are present in person or by proxy at the Annual Meeting. Abstentions will have the same effect as a vote against the proposal. In case of a broker non-vote, brokers may vote on routine matters but cannot vote on non-routine matters. Ratification of the independent registered public accounting firm is considered a routine matter. The other proposals are not considered routine matters, and without your instructions, your broker cannot vote your shares.

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-AMENDMENT OF OUR ARTICLES OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS

At our 2013 Annual Meeting of Stockholders, which was held on December 17, 2013, our stockholders voted in favor of an advisory vote to declassify the Board of Directors. Subsequently, on March 14, 2014, the Board unanimously approved an amendment to our Articles of Incorporation to immediately declassify the entire Board of Directors, subject to, and effective upon, the approval by our stockholders of the amendment to our Articles of Incorporation at the 2014 Annual Meeting of Stockholders.

If approved by our stockholders, our Articles of Incorporation will be amended to provide for the annual election of all directors commencing immediately at the 2014 Annual Meeting of Stockholders (see Proposal 2). Each of our directors whose term does not expire at the 2014 Annual Meeting of Stockholders has tendered his or her resignation, which is contingent and effective upon stockholder approval of this Proposal 1. If our stockholders do not approve this Proposal 1, the Board of Directors will remain classified, the contingent resignations will be ineffective, and our stockholders will instead be asked to elect four (4) directors at the 2014 Annual Meeting of Stockholders (see Proposal 3).

Settlement with the Cray Group

On December 3, 2013, the Company entered into a Settlement Agreement and Mutual Release (the Settlement Agreement) with Cloud Bud Cray, Jr., Karen Seaberg and Thomas M. Cray (collectively, the Cray Group) and Timothy Newkirk and all other members of the Board of Directors then serving. The Settlement Agreement resolved certain issues surrounding the proxy contest launched by the Cray Group in connection with the 2013 Annual Meeting of the Company's Stockholders (the 2013 Annual Meeting) and various lawsuits involving the Company, the Cray Group and Timothy Newkirk. In connection with the Settlement Agreement, Tim Newkirk was terminated without cause as the Company's CEO effective December 3, 2013. Effective December 3, 2013, Mr. Newkirk resigned from the Company's Board of Directors and subsidiary boards as contemplated by the Settlement Agreement.

As described in the Settlement Agreement, on December 3, 2013, the parties to the Settlement Agreement entered into a Voting Agreement with respect to shares of the Company's Preferred Stock beneficially owned by the Cray Group. Pursuant to the Voting Agreement and subject to the terms and conditions therein, the Board seat vacancy resulting from Mr. Newkirk's resignation will be filled by the new CEO to be hired in the CEO search presently being conducted by the Board. The Board of Directors agreed in the Voting Agreement to vote in favor of an amendment to the Company's Articles of Incorporation to declassify the Board and agreed to submit such amendment to stockholders for approval at the 2014 Annual Meeting of Stockholders of the Company. Pursuant to the Settlement Agreement, the Company will not sell any of its assets, will not make any acquisitions of other companies or assets and will not enter into any joint venture relationships of a material nature or outside of the ordinary course of business prior to December 3, 2014 without the approval of at least six members of the Board of Directors.

Current Classified Board Structure

Currently, the Board of Directors is divided into two groups, with the holders of Common Stock being entitled to vote for the persons nominated for the Group A position and the holders of Preferred Stock entitled to vote for the persons nominated for the Group B positions. The nine directors are also divided into three classes consisting of three directors each. One class of directors is elected to office at each Annual Meeting of the stockholders. The term of office of each director is three years and until such person's successor is elected and qualified, or until such person's earlier resignation or removal.

Rationale for Declassification

In determining whether to propose declassifying the Board of Directors to our stockholders, the Board of Directors considered the arguments in favor of and against continuation of the classified board structure currently in place, as well as the approval by our stockholders at the 2013 Annual Meeting of the advisory vote to declassify the Board of Directors. The Board of Directors also considered the terms of the Settlement Agreement entered into with the Cray Group. After careful consideration, the Board of Directors determined that it would be in the best interests of the Company and its stockholders to amend our Articles of Incorporation to declassify the Board of Directors.

The Board of Directors recognizes that a classified structure may offer several advantages, such as promoting board continuity and stability, encouraging directors to take a long-term perspective, and ensuring that a majority of the Board of Directors will always have prior experience with the Company. However, the Board of Directors also recognizes that a classified structure may appear to reduce directors accountability to stockholders, since such a structure does not provide stockholders with the opportunity to register their views on each director's performance by means of an annual vote. Moreover, many investors believe that electing directors on an annual basis is one of the best methods available to stockholders to ensure that a company will be managed in a manner that is in the best interests of the stockholders and that classified boards artificially insulate underperforming directors from the judgment of stockholders, the true owners of a company.

Proposed Declassification of the Board of Directors

Declassification of the Board of Directors requires an amendment to our Articles of Incorporation, which amendment was approved by the Board of Directors, subject to, and effective upon, the approval by our Common and Preferred stockholders of this Proposal 1. If approved by our stockholders, the amendment to our Articles of Incorporation will become effective upon the filing of the Certificate of Amendment of Articles of Incorporation (the Certificate of Amendment) setting forth the amendment and certifying that such amendment has been duly adopted with the Secretary of State of Kansas (which would occur during the 2014 Annual Meeting of Stockholders and prior to consideration of the proposal to elect directors). The Certificate of Amendment is attached as *Exhibit A* to this Proxy Statement. The Board of Directors will then be declassified immediately, so that every director will stand for election at the 2014 Annual Meeting of Stockholders (and thereafter) for a one-year term.

Stockholders are requested in this Proposal 1 to approve the proposed amendment to the Articles of Incorporation to declassify the Board of Directors effective at the 2014 Annual Meeting of Stockholders.

The Board of Directors unanimously recommends that you vote FOR this proposal. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, in favor of this proposal. The Board of Directors has determined that the approval of this proposal is conditioned upon its approval by the affirmative vote of the majority of the outstanding shares of our Common Stock entitled to vote as a class on this proposal and by the affirmative vote of the majority of the outstanding shares of our Preferred Stock entitled to vote as a class on this proposal.

PROPOSAL 2 IF PROPOSAL 1 TO DECLASSIFY THE BOARD IS APPROVED BY THE STOCKHOLDERS, TO ELECT EIGHT (8) DIRECTORS

General

On December 3, 2013, Tim Newkirk was terminated without cause as the Company's CEO. His termination was part of the settlement of the proxy contest in connection with the 2013 Annual Meeting of Stockholders. Simultaneously with his termination, Mr. Newkirk resigned from the Board of Directors. The vacancy on the Board created by Mr. Newkirk's resignation has not yet been filled. The vacancy is expected to be filled by the holders of the Company's Preferred Stock at a future meeting of stockholders. It is intended that the Board position previously filled by Mr. Newkirk will be filled by a new CEO found in the currently ongoing CEO search.

On February 28, 2014, Michael Braude and Linda Miller retired effective immediately as directors of the Company and Gary Gradinger notified the Board that he will retire from the Board effective at the Company's 2014 Annual Meeting of Stockholders. Mr. Braude and Ms. Miller's terms were to expire in 2015. Mr. Gradinger's term expires at the Annual Meeting. The Board has nominated each of Terrence Dunn, Anthony Foglio and George Page, Jr. for election as a director to fill the resulting three vacancies.

If our stockholders approve Proposal 1 at the 2014 Annual Meeting, our stockholders will be asked to consider eight nominees for election to the Board of Directors to serve for a one year term until the 2015 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified or until their earlier death, resignation or removal. The election of the individuals nominated in Proposal 2 is contingent on, and will only be effective upon, the effectiveness of the amendment to our Articles of Incorporation proposed in Proposal 1. If our stockholders do not approve Proposal 1, this Proposal 2 will not be submitted to a vote of our stockholders at the 2014 Annual Meeting, and instead Proposal 3 will be submitted in its place unless the Annual Meeting is adjourned to solicit additional votes for the approval of Proposal 1.

A plurality of votes cast is required for the election of directors. Abstentions and withheld votes will have no effect on the outcome. In case of a broker non-vote, your broker may not vote your shares.

Nominees

In the event Proposal 1 is approved by our stockholders, the Board of Directors has nominated each of John Bridendall, Cloud L. Cray, Jr., Terrence Dunn, Anthony Foglio, George Page, Jr., Daryl Schaller, Karen Seaberg, and Jeannine Strandjord for election as a director, to hold office until the Annual Meeting of stockholders to be held in 2015 and until their respective successors are duly elected and qualified or until their earlier death, resignation or removal. Information regarding the director nominees is set forth below under the heading "Information Regarding Directors and Director Nominees."

Mr. Bridendall, Mr. Cray, Mr. Schaller, Ms. Seaberg and Ms. Strandjord are current directors. Mr. Dunn, Mr. Foglio and Mr. Page were recommended to the Board of Directors by the Nominating and Governance Committee for election to the Board of Directors. Mr. Dunn was recommended to the Nominating and Governance Committee by Ms. Strandjord. Mr. Foglio was recommended to the Nominating and Governance Committee by Mr. Bridendall. Mr. Page was recommended to the Nominating and Governance Committee by Mr. Cray. Mr. Bridendall, Mr. Dunn, Mr. Foglio and Mr. Schaller are Group A nominees for the election by holders of the Company's Common Stock, each for a one-year term expiring at the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified or until their earlier death, resignation or removal. Mr. Cray, Mr. Page, Ms. Seaberg, and Ms. Strandjord are Group B nominees for the election by holders of the Company's Preferred Stock, each for a one-year term expiring at the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified or until their earlier death, resignation or removal.

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One Group B position to be elected by the holders of the Company's Preferred Stock will be left unfilled and is expected to be filled by the Company's new CEO upon completion of the CEO search currently underway.

The enclosed proxy will be voted in favor of John Bridendall, Cloud L. Cray, Jr., Terrence Dunn, Anthony Foglio, George Page, Jr., Daryl Schaller, Karen Seaberg and Jeannine Strandjord unless other instructions are given. Directors are elected by a plurality of votes and the nominees who receive the most votes will be elected. If any nominee declines to serve or becomes unavailable for any reason before the election (although management knows of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as the Board of Directors may designate.

If Proposal 1 is approved by stockholders, the Board of Directors unanimously recommends that you vote FOR the election of each of John Bridendall, Cloud L. Cray, Jr., Terrence Dunn, Anthony Foglio, George Page, Jr., Daryl Schaller, Karen Seaberg and Jeannine Strandjord as directors of the Company, each for a one-year term expiring at the Company's 2015 Annual Meeting of Stockholders. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, for each of the above-named nominees.

PROPOSAL 3 - IF PROPOSAL 1 TO DECLASSIFY THE BOARD IS NOT APPROVED BY THE STOCKHOLDERS, TO ELECT FOUR (4) DIRECTORS

PROPOSAL 3 WILL NOT BE VOTED UPON IF OUR STOCKHOLDERS APPROVE PROPOSAL 1

General

On December 3, 2013, Tim Newkirk was terminated without cause as the Company's CEO. His termination was part of the settlement of the proxy contest in connection with the 2013 Annual Meeting of Stockholders. Simultaneously with his termination, Mr. Newkirk resigned from the Board of Directors. The vacancy on the Board created by Mr. Newkirk's resignation has not been filled. The vacancy will be filled by the holders of the Company's Preferred Stock at a future meeting of stockholders. It is intended that the Board position previously filled by Mr. Newkirk will be filled by a new CEO found in the currently ongoing CEO search.

On February 28, 2014, Michael Braude and Linda Miller retired effective immediately as directors of the Company and Gary Gradinger notified the Board that he will retire from the Board effective at the Company's 2014 Annual Meeting of Stockholders. Mr. Braude and Ms. Miller's terms were set to expire in 2015. Mr. Gradinger's term expires in 2014. The Board has nominated each of Terrence Dunn, Anthony Foglio and George Page, Jr. for election as a director to fill the resulting three vacancies. Mr. Dunn was nominated to fill the remaining one year of the term of Ms. Miller. Mr. Foglio was nominated to fill the position currently held by Mr. Gradinger for a three-year term. Mr. Page was nominated to fill the remaining one year of the term of Mr. Braude.

If our stockholders do not approve Proposal 1 at the 2014 Annual Meeting, our stockholders will be asked to consider four nominees for election to the Board of Directors. If our stockholders approve Proposal 1, this Proposal 3 will not be submitted to a vote of our stockholders at the 2014 Annual Meeting, and instead Proposal 2 (Election of Eight Directors) will be submitted in its place.

A plurality of votes cast is required for the election of directors. Abstentions and withheld votes will have no effect on the outcome. In case of a broker non-vote, your broker may not vote your shares.

Nominees

If our stockholders do not approve Proposal 1 at the 2014 Annual Meeting, our stockholders will be asked to consider four nominees for election to the Board of Directors:

Ms. Seaberg to serve for a three year term until the 2017 Annual Meeting of Stockholders;

Mr. Dunn to serve for the remaining one year of Ms. Miller's term until the 2015 Annual Meeting of Stockholders;

Mr. Foglio to serve for a three year term until the 2017 Annual Meeting of Stockholders; and

Mr. Page to serve for the remaining one year of Mr. Braude's term until the 2015 Annual Meeting of Stockholders;

and each of the nominees until their respective successors have been duly elected and qualified or until their earlier death, resignation or removal. Information regarding the director nominees is set forth below under the heading "Information Regarding Directors and Director Nominees."

Ms. Seaberg is currently a director. Mr. Dunn, Mr. Foglio and Mr. Page were recommended to the Board of Directors by the Nominating Committee for election to the Board of Directors. Ms. Seaberg and Mr. Page are Group B nominees for election by the holders of the Company's Preferred Stock. Mr. Foglio and Mr. Dunn are Group A nominees for election by the holders of the Company's Common Stock.

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The enclosed Proxy will be voted in favor of Ms. Seaberg, Mr. Dunn, Mr. Foglio and Mr. Page unless other instructions are given. Directors are elected by a plurality of votes and the nominees who receive the most votes will be elected. If any nominee declines to serve or becomes unavailable for any reason before the election (although management knows of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as the Board of Directors may designate.

If Proposal 1 is not approved by stockholders, the Board of Directors unanimously recommends that you vote FOR the election of each of Ms. Seaberg, Mr. Dunn, Mr. Foglio and Mr. Page as directors of the Company. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, for each of the above-named nominees.

Information Regarding Directors and Director Nominees

GROUP A

JOHN P. BRIDENDALL

Mr. Bridendall, age 63, has been a director since December 2013. His current term as a director expires in 2016. He is a member of the Audit Committee, the Human Resources and Compensation Committee, and the Nominating and Governance Committee. Mr. Bridendall has since 2007 served as President of Bridendall & Co., a provider of advisory services to beverage alcohol industry participants. From 2001 to 2007, Mr. Bridendall served as Executive Vice President, Finance and Administration for Jackson Enterprises, Jackson Wine Estates International, and Kendall-Jackson Wine Estates, a family owned producer and marketer of many fine wines. Prior to joining Kendall-Jackson, Mr. Bridendall served as Senior Vice President, Director Corporate Development and Investor Relations for Brown-Forman Corporation, a multinational producer and marketer of well-known distilled spirits and fine wine. Prior to joining Brown-Forman in 1978, Mr. Bridendall was a certified public accountant with Peat, Marwick, Mitchell & Co., the predecessor to KPMG LLP. The Company believes that Mr. Bridendall's qualifications to serve on the Board include his extensive expertise and experience in the alcohol beverage industry, and in finance, accounting, corporate development and investor relations.

TERRENCE DUNN

Mr. Dunn, age 64, is a director nominee standing for election at the Company's 2014 Annual Meeting of Stockholders. Mr. Dunn served as President and Chief Executive Officer of J.E. Dunn Construction Group Inc. (formerly known as Dunn Industries) from 1989 until 2013. Since 1989, he has also served as a director of JE Dunn Construction Group, where he is a member of the Executive Committee and the Executive Compensation Committee. J.E. Dunn Construction Group Inc. is headquartered in Kansas City, Missouri, and is the holding company for commercial contractor and construction company affiliates across the nation, including J.E. Dunn Construction Company. Since 2003, he has served as a director of UMB Financial Corp., where he chairs the Governance Committee. He has also served as a director of Kansas City Southern since 2007, where he is a member of the Governance and Nominating Committee and chairs the Compensation Committee. Mr. Dunn served as a director of Commerce Bank of Kansas City from 1993 until 1997 and H&R Block Bank from 2007 until 2009. Mr. Dunn brings significant board and governance experience from his service as past director of the board of the Federal Reserve Bank of Kansas City from 1998 until 2003 and from serving on the boards of directors of businesses having operations within the Company's geographic footprint. He also has extensive management skills as the chief executive of a large construction company having offices throughout the United States, operations experience in project management with responsibilities for budgeting, and in the management of significant growth of his company in geographic scope and volume over the past 20 years. The Company believes that Mr. Dunn's qualifications to serve on the Board include his extensive executive experience in managing a capital intensive business, as well as his experiences and expertise in corporate finance and accounting, strategic planning, executive compensation matters and his board leadership skills.

ANTHONY FOGLIO

Mr. Foglio, age 68, is a director nominee standing for election at the Company's 2014 Annual Meeting of Stockholders. Mr. Foglio's career spans over 40 years in the alcohol beverage industry. Since 2010, he has served as the Chairman of Anchor Brewers and Distillers. From 2008 until 2010, he served as the Chairman of Preiss Imports, which merged into Anchor Brewers and Distillers. He served as the Chairman of Skyy Spirits, LLC from 2006 to 2008 and as the President and CEO of Skyy Spirits from 1998 to 2006. While at Skyy Spirits, Mr. Foglio helped Skyy Spirits become a multi brand portfolio, spanning a variety of categories including vodkas, tequilas, rums, gins, whiskies, cordials, liqueurs and distinctive Campari brands. During his career, Foglio has fostered profitable growth and development of world renowned brands including SKYY Vodka, 1800 Tequila, Smirnoff Vodka, Bailey's Irish Cream, Jose Cuervo Tequila, and J & B Scotch and now leading the focus within the craft beer and spirits world via Anchor Brewing and Anchor Distilling. The Company believes that Mr. Foglio's qualifications to serve on the Board include his extensive expertise and experience in the alcohol beverage industry and management of the growth and development of multi-brand portfolios.

DARYL R. SCHALLER, Ph.D

Dr. Schaller, age 70, has been a director since October, 1997. His current term as a director expires in 2015. 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

CLOUD L. CRAY, JR.

Mr. Cray, age 91, has been a director since 1957. His current term as a director expires in 2016. 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 a member of the Nominating and Governance Committee. He is the father of Karen Seaberg and the uncle of George Page, Jr.. 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.

GEORGE PAGE, JR.

Mr. Page, age 58, is a director nominee standing for election at the Company's 2014 Annual Meeting of Stockholders. Since 2013, Mr. Page has served as an independent consultant for valve marketing and engineering design at Page Solutions. He has extensive general management experience as well as experience leading product development, engineering, manufacturing, operations and sales. From 1998 until 2012, he served as the Engineering Director at Circor International Inc., a company that designs, manufactures and markets valves and other highly engineered products used in the energy, aerospace and industrial markets. He also held various management positions at Fisher Instruments / H.D. Baumann Assoc. Ltd., a global designer, manufacturer and supplier of control valves and regulators, from 1992 until 1998. Mr. Page served as the President and Chairman of the Board of Center for Graphic Communications, Inc., a commercial printing company, from 1988 until 1992. Mr. Page is the nephew of Cloud L. Cray, Jr. and the cousin of Karen Seaberg. The Company believes that Mr. Page's qualifications to serve on the Board include his business and educational experiences.

KAREN SEABERG

Ms. Seaberg, age 66, 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. Ms. 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. Ms. 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. and cousin of George Page, Jr. The Company believes that Ms. Seaberg's qualifications to serve on the Board include her business and civic experience and organizational skills, her knowledge of the Company and the industries in which it operates, her familiarity with the community in which the Company operates and her significant stock ownership.

M. JEANNINE STRANDJORD

Ms. Strandjord, age 68, has been a director since December 2013. Her current term as a director expires in 2016. She is Chair of the Audit Committee, a member of the Nominating and Governance Committee and a member of the Human Resource and Compensation Committee. Ms. Strandjord has over 40 years of financial management experience and was employed in three different and diverse industries after starting in public accounting on the audit staff of Ernst and Whinney in 1968. For 20 years, beginning in 1985, she held several senior financial and related senior management roles at Sprint Corporation. She managed the successful transformation and restructuring of Sprint as Chief Integration Officer from 2003 until 2005 when she retired. She was Senior Vice President and Chief Financial Officer of Global Solutions, a \$9 billion division, from 1998 until 2003 and was Controller and then Treasurer for Sprint Corporation from 1986 to 1998. Ms. Strandjord has been a director of American Century Mutual Funds (for six registered investment companies) since 1994, where she chairs the Performance Committee. From 1996 through May 2012, she was a director of DST Systems, Inc., where she chaired the Audit Committee. Ms. Strandjord has been a director of the Euronet Worldwide, Inc. (Euronet) since 2001. Ms. Strandjord has been Euronet's Lead Independent Director since 2010 and is currently the Chair of Euronet's Audit Committee. She is currently on the Heartland Board of the National Association for Corporate Directors, which she co-chairs. The Company believes that Ms. Strandjord's qualification to serve on the Board include her experience on the boards of various other public companies, as well as her background in finance, corporate governance, restructuring, talent management, and compensation and benefits.

PROPOSAL 4 MGP INGREDIENTS, INC. 2014 EQUITY INCENTIVE PLAN

We are asking stockholders to vote to approve the MGP Ingredients, Inc. 2014 Equity Incentive Plan (2014 Equity Incentive Plan). Our Board approved the 2014 Equity Incentive Plan subject to stockholder approval, at its meeting on April 1, 2014. The full text of the 2014 Equity Incentive Plan, is included as *Exhibit B* to this proxy statement. The following summary of the material features of the 2014 Equity Incentive Plan is qualified in its entirety by reference to the applicable provisions of the 2014 Equity Incentive Plan. The Company's current long-term equity incentive plan the MGP Ingredients, Inc. Stock Incentive Plan of 2004 expires on October 14, 2014.

The Company's management believes that in order to effectively execute our business strategy, it is essential for us to manage our talent in an industry where there is extreme competition for qualified individuals by (1) attracting highly qualified industry professionals; (2) rewarding and retaining our experienced professionals; and (3) properly developing our less experienced employees. The Company meets this talent challenge through a comprehensive human resource strategy that addresses it on multiple fronts one key component of which is the issuance of equity-based compensation. We believe equity-based compensation fosters and promotes the sustained progress, growth and profitability of the Company by:

attracting, motivating and retaining individuals of exceptional ability;

allowing employees, directors, consultants and other service providers to acquire a proprietary and vested interest in the growth and performance of the Company;

providing incentives and rewards to employees, directors and consultants who are in a position to contribute materially to the success and long-term objectives of the Company; and

aligning the interests of employees and directors with those of the Company's stockholders.

The 2014 Equity Incentive Plan is intended to accomplish the foregoing objectives by providing incentives to officers, employees, consultants, and other service providers of the Company and its affiliates to stimulate their efforts toward the continued success of the Company and to operate and manage the business in a manner that will provide for the long-term growth and profitability of the Company. It also encourages stock ownership by officers, employees, consultants, and other service providers by providing them with a means to acquire a proprietary interest in the Company, acquire shares of Company's Common Stock, or to receive compensation which is based upon appreciation in the value of Company's Common Stock.

The Board of Directors has reserved one million five hundred thousand (1,500,000) shares of the Company's Common Stock for issuance pursuant to awards that may be made under the 2014 Equity Incentive Plan. The 2004 Stock Incentive Plan will be terminated upon stockholder approval of the 2014 Equity Incentive Plan, which means that no further grants will be made under the 2004 Stock Incentive Plan following stockholder approval of the 2014 Equity Incentive Plan. No shares from the 2004 Stock Incentive Plan shall be available or become available under the 2014 Equity Incentive Plan.

Classes of Eligible Persons

Awards may be granted only to officers, employees, consultants, and other service providers of the Company or any affiliate of the Company (the Eligible Persons); provided, however, that incentive stock options may only be granted to an employee of the Company or any parent or subsidiary. In no event may awards be granted to non-employee members of the Board of Directors under this Plan. The Company estimates the number of Eligible Persons to be approximately 275.

No awards have been granted under the 2014 Equity Incentive Plan. If the 2014 Equity Incentive Plan is approved, awards will be granted at the discretion of the Human Resources and Compensation Committee. Accordingly, benefits and amounts that will be received in the future by Eligible Persons under the 2014 Equity Incentive Plan are not determinable.

Administration

Awards under the 2014 Equity Incentive Plan will be determined by the Human Resources and Compensation Committee of the Board or a subcommittee thereof (the Committee) formed by the Human Resources and Compensation Committee to act thereunder, consisting solely of two or more directors who qualify as outside directors within the meaning of Section 162(m) of the Internal Revenue Code (the Code) as non-employee directors as defined in Rule 16b-3(b)(3) as promulgated under the Securities Exchange Act of 1934, as amended, and if applicable, who satisfy the requirements of the securities exchange on which the Company's stock is then traded. The Committee has full discretion to determine the officer, employees, consultants, and other service providers of the company or its affiliates to whom awards will be granted pursuant to the 2014 Equity Incentive Plan. All questions of interpretation of the 2014 Equity Incentive Plan will be determined by the Committee, and its decisions are final and binding upon all participants. The Committee has full and conclusive authority to prescribe, amend and rescind rules and regulations relating to the 2014 Equity Incentive Plan; to determine the terms and provisions of the respective award agreements and to make all other determinations necessary or advisable for the proper administration of the 2014 Equity Incentive Plan.

Awards

The 2014 Equity Incentive Plan permits the Committee to grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and cash performance awards (together, the Awards).

The number of shares of Stock as to which an Award may be granted or the amount of an Award will be determined by the Committee in its sole discretion, subject to the provisions of the 2014 Equity Incentive Plan. Each award will either be evidenced by an Award Agreement in such form and containing such terms, conditions and restrictions as the Committee may determine to be appropriate.

Section 162(m) of the Code limits publicly held companies to an annual deduction for U.S. federal income tax purposes of \$1,000,000 for compensation paid to each of their chief executive officer and their three highest compensated executive officers (other than the chief executive officer or the chief financial officer) determined at the end of each year, referred to as covered employees. However, qualified performance-based compensation is exempted from this limitation. To the extent an Award is subject to Performance Goals (as defined below) with the intent that the Award constitute performance-based compensation under Code Section 162(m), the Committee shall comply with all applicable requirements under Code Section 162(m) and the rules and regulations promulgated thereunder in granting, modifying, and settling such Award. The Committee may, but is not required to, structure any Award so as to qualify as performance-based compensation under Code Section 162(m). Performance Goals include any one or more of the following:

- earnings per share or cash earnings per share;
- book value per share;
- operating cash flow;
- free cash flow;
- cash flow return on investments;
- cash available;
- net income (before or after taxes);
- revenue or revenue growth;
- total shareholder return;
- return on invested capital;
- return on shareholder equity;

return on assets;
return on common book equity;
market share;
economic value added;
operating margin;
profit margin;
stock price;
operating income or operating profit;
EBIT or EBITDA;
expenses or operating expenses;
productivity of employees as measured by revenues, costs, or earnings per employee;
working capital;
improvements in capital structure;
cost reduction goals; or
any combination of the foregoing.

The Committee may appropriately adjust any evaluation of performance under a Performance Goal to remove the effect of equity compensation expense under FASB ASC Topic 718; amortization of acquired technology and intangibles; asset write-downs; litigation or claim judgments or settlements; changes in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; discontinued operations; and any items that are extraordinary, unusual in nature, non-recurring or infrequent in occurrence, except where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code, if applicable.

The maximum number of shares of Common Stock with respect to which options, stock appreciation rights, or other awards (other than other stock-based awards that are payable in cash or cash performance awards), to the extent they are granted with the intent that they qualify as qualified performance-based compensation under Section 162(m) of the Code, may be granted during any calendar year to any employee is two hundred thousand (200,000), and the maximum aggregate dollar amount that may be paid in any calendar year to any employee with respect to other stock-based awards that are payable in cash and cash performance awards is One Million Dollars (\$1,000,000).

Approval of the 2014 Equity Incentive Plan by stockholders at the 2014 Annual Meeting of Stockholders will be deemed to constitute approval of the material terms of the Performance Goals under the 2014 Equity Incentive Plan for purposes of Section 162(m).

Awards generally shall not be transferable or assignable during a holder's lifetime except to the extent that the Committee may provide otherwise as to any Awards other than incentive stock options.

Dividends will not be paid on options and stock appreciation rights.

Options

At the time any option is granted under the 2014 Equity Incentive Plan, the Committee will determine whether the option is to be an incentive stock option described in Code Section 422 or a nonqualified stock option, and the option must be clearly identified as to its status as an incentive stock option or a nonqualified stock option. Incentive stock options may only be granted to employees of the Company or any subsidiary or parent. An incentive stock option may only be granted within ten (10) years from the earlier of the date the Plan is adopted or approved by the Company's stockholders.

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The exercise price for each granted option must be as set forth in the applicable Award Agreement, but in no event may it be less than the fair market value on the date the option is granted. The exercise price of an outstanding option granted may not be reduced and such an option may not be exchanged for an option with a lower exercise price, in either case, without the approval of stockholders, except in the event of a recapitalization, reorganization, or similar event as described below.

In the case of incentive stock options, the aggregate fair market value (determined as of the date an incentive stock option is granted) of Common Stock with respect to which stock options intended to meet the requirements of Code Section 422 become exercisable for the first time by an individual during any calendar year under all plans of the Company and its subsidiaries may not exceed \$100,000.

The Committee may permit an option exercise price to be paid in cash, by the delivery of previously-owned shares of Common Stock, through a cashless exercise executed through a broker, or by having a number of shares of Common Stock otherwise issuable at the time of exercise withheld.

The 2014 Equity Incentive Plan prohibits so-called reload grants. Reload grants are grants of stock options that are made in consideration for or as a condition of the delivery of shares of stock to the issuer in payment of the exercise price or tax withholding obligation of any other option held by the recipient.

Stock Appreciation Rights

A stock appreciation right entitles the participant to receive the excess of (1) the fair market value of a specified or determinable number of shares of the Common Stock at the time of payment or exercise over (2) a specified or determinable price, which may not be less than the fair market value on the date of grant. The exercise or strike price of a stock appreciation right may not be reduced and a stock appreciation right may not be exchanged for a stock appreciation right with a lower defined price, in either case, without stockholder approval, except in the event of a recapitalization, reorganization, or similar event as described below. Upon settlement of a stock appreciation right, the Company must pay to the participant, at the discretion of the Committee, the appreciation in cash or shares of Common Stock (valued at the aggregate fair market value on the date of payment or exercise) as provided in the Award Agreement or, in the absence of such provision, as the Committee may determine. Each stock appreciation right granted under the 2014 Equity Incentive Plan is generally exercisable or payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specifies in the Award Agreement. However, subsequent to the grant of a stock appreciation right, the Committee, at any time before complete termination of such stock appreciation right, may accelerate the time or times at which such stock appreciation right may be exercised or paid in whole or in part.

Restricted Stock and Restricted Stock Units

A participant's right to retain restricted stock granted under the 2014 Equity Incentive Plan shall be subject to such restrictions, including but not limited to his or her continuous service for the Company or an affiliate for a restriction period specified by the Committee or the attainment of specified performance goals and objectives, as may be established by the Committee with respect to such Award. Except to the extent otherwise provided in the Award Agreement entered into with respect to a grant of restricted stock, a Participant shall have all voting, dividend, liquidation and other rights with respect to the shares represented by such restricted stock upon his or her becoming the holder of record of such Restricted Stock.

An Award of restricted stock units is a grant by the Company of a specified number of units, which shall each represent one share credited to a notional account maintained by the Company, with no shares actually awarded or transferred to the participant in respect of such units until settlement of such restricted stock unit as provided in the relevant Award Agreement. Settlement of a restricted stock unit may be contingent upon satisfaction of such conditions as are set forth in the relevant award agreement, including continuous service for the Company or an affiliate for a restriction period specified by the Committee or the attainment of specified performance goals and objectives, as may be established by the Committee with respect to such restricted stock unit. Except to the extent otherwise provided in the Award Agreement entered into with respect to a grant of restricted stock units, a participant shall have no voting, dividend, liquidation and other rights with respect to the shares represented by such restricted stock units until settlement of his or her restricted stock units. Except to the extent otherwise provided in the Award Agreement entered into with respect to a grant of restricted stock units, all restricted stock units will settle no later than March 15 of the calendar year following the calendar year in which any settlement conditions with respect to such restricted stock units lapse.

Other Stock-Based Awards

Other stock-based awards shall entitle the participant to receive, at a specified date, payment of an amount equal to all or a portion of either (i) a specified or determinable number of shares of Common Stock granted by the Committee, (ii) the value of a specified or determinable number of shares of Common Stock granted by the Committee, or (iii) a percentage or multiple of the value of a specified number of shares of Common Stock determined by the Committee. Payment in respect of other stock-based awards may be made by the Company in cash or shares of Common Stock as provided in the applicable Award Agreement or, in the absence of such provision, as the Committee may determine.

Cash Performance Awards

The Committee may grant cash performance awards that entitle the participant to receive, at a specified future date, payment of an amount equal to all or a portion of either (i) the value of a specified or determinable number of units granted by the Committee, or (ii) a percentage or multiple of a specified amount determined by the Committee. Payment in respect of cash performance awards shall be made by the Company in cash.

General Rules

Restricted stock, restricted stock units, options, and stock appreciation rights will generally vest over a period of not less than three (3) years from the date of grant of such Award, provided that such Award may vest earlier on a pro-rata basis over any vesting period or upon the occurrence of a change in control (as defined in the 2014 Equity Incentive Plan) or upon the participant's death, disability, termination of employment or separation from service without cause, or upon the occurrence of such other event to the extent specified in the applicable Award Agreement. The Committee may, in its sole discretion, waive such vesting requirement, or provide for continued vesting consistent with the vesting period in an Award; provided that it shall not waive such requirement or continue such vesting to the extent such action would create adverse tax consequences for a Participant under Code Section 409A or result in any Awards that are intended to constitute performance-based compensation for purposes of Code Section 162(m) to cease to so constitute performance-based compensation. Generally, any Award under the 2014 Equity Incentive Plan to a participant who has experienced a termination of employment, separation from service, or termination of some other service relationship with the Company and its affiliates may be cancelled, accelerated, paid or continued, as provided in the applicable Award Agreement, or, as the Committee may otherwise determine to the extent not prohibited by the 2014 Equity Incentive Plan.

Recapitalizations and Reorganizations

The number of shares of Common Stock reserved for issuance in connection with the grant or settlement of an Award and the exercise price of each option are subject to adjustment in the event of any recapitalization of the Company or similar event effected without receipt of consideration by the Company.

In the event of certain corporate reorganizations, Awards may be substituted, cancelled, accelerated, cashed-out or otherwise adjusted by the Committee, provided such adjustment is not inconsistent with the express terms of the 2014 Equity Incentive Plan or the applicable Award agreement.

Amendment or Termination

The Board of Directors at any time may amend or terminate the 2014 Equity Incentive Plan but will generally need stockholder approval to (1) increase the number of shares of Common Stock available under the 2014 Equity Incentive Plan, (2) materially expand the classes of individuals eligible to receive Awards, (3) materially expand the type of awards available for issuance under the 2014 Equity Incentive Plan, or would otherwise require stockholder approval under the rules of the applicable exchange on which the Company's Common Stock trades.

Federal Income Tax Consequences

The following discussion outlines generally the federal income tax consequences of participation in the 2014 Equity Incentive Plan. Individual circumstances may vary and each recipient should rely on his or her own tax counsel for advice regarding federal income tax treatment under the 2014 Equity Incentive Plan. Furthermore, any tax advice contained in this discussion is not intended to be used, and cannot be used, to avoid penalties imposed under the Code.

Non-Qualified Options. A recipient will not recognize income upon the grant of a non-qualified option or at any time prior to the exercise of the option or a portion thereof. At the time the recipient exercises a non-qualified option or portion thereof, he or she will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of Common Stock on the date the option is exercised over the exercise price paid for Common Stock, and the Company will then be entitled to a corresponding deduction.

Depending upon the period shares of Common Stock are held after exercise, the sale or other taxable disposition of shares acquired through the exercise of a non-qualified option generally will result in a short- or long-term capital gain or loss equal to the difference between the amount realized on such disposition and the fair market value of such shares when the non-qualified option was exercised.

Incentive Stock Options. A recipient who exercises an incentive stock option will not be taxed at the time he or she exercises the option or a portion thereof. Instead, he or she will be taxed at the time he or she sells Common Stock purchased pursuant to the option. The recipient will be taxed on the difference between the exercise price he or she paid for the stock and the amount for which he or she sells the stock. If the recipient does not sell the stock prior to two years from the date of grant of the option and one year from the date the stock is transferred to him or her, the recipient will be entitled to capital gain or loss treatment based upon the difference between the amount realized on the disposition and the aggregate exercise price and the Company will not get a corresponding deduction. If the recipient sells the stock at a gain prior to that time, the excess of the lesser of the fair market value on the date of exercise or the amount for which the stock is sold over the exercise price the recipient paid for the stock will be taxed as ordinary income and the Company will be entitled to a corresponding deduction; if the stock is sold for an amount in excess of the fair market value on the date of exercise, the excess amount is taxed as capital gain. If the recipient sells the stock for less than the exercise price he or she paid for the stock prior to the one or two year periods indicated, no amount will be taxed as ordinary income and the loss will be taxed as a capital loss.

Exercise of an incentive option may subject a recipient to, or increase a recipient's liability for, the alternative minimum tax.

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Stock Awards. A recipient will not be taxed upon the grant of a stock award if such award is not transferable by the recipient and is subject to a substantial risk of forfeiture, as defined in the Code. However, when the shares of Common Stock that are subject to the stock award are transferable by the recipient or are no longer subject to a substantial risk of forfeiture, the recipient will recognize compensation taxable as ordinary income in an amount equal to the fair market value of the stock subject to the stock award, less any amount paid for such stock, and the Company will then be entitled to a corresponding deduction. However, if a recipient so elects at the time of receipt of a stock award, he or she may include the fair market value of the stock subject to the stock award, less any amount paid for such stock, in income at that time and the Company also will be entitled to a corresponding deduction at that time.

Restricted Stock, Restricted Stock Units and Other Awards. A recipient will not recognize income upon the grant of a stock appreciation right, dividend equivalent right, performance unit award, restricted stock or restricted stock unit (the Equity Incentives) or cash performance award. Generally, at the time a recipient receives payment under any Equity Incentive or cash performance award, he or she will recognize compensation taxable as ordinary income in an amount equal to the cash or the fair market value of Common Stock received, and the Company will then be entitled to a corresponding deduction.

THE FOREGOING IS ONLY A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES TO THE PARTICIPANTS AND THE COMPANY WITH RESPECT TO THE GRANT AND EXERCISE OF AWARDS UNDER THE 2014 EQUITY INCENTIVE PLAN. IT DOES NOT PURPORT TO BE COMPLETE, AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH THE PARTICIPANT MAY RESIDE.

Current Capital Structure

Our current capital structure consists of 17,688,434 shares of outstanding Common Stock and 437 shares of outstanding Preferred Stock as of our record date. The table below represents our potential overhang levels based on our fully-diluted Common Stock outstanding.

Equity awards outstanding as of December 31, 2013	950,798
Outstanding awards under the 2004 Stock Incentive Plan	885,650**
Outstanding awards under the Director Plan	65,148*
Shares available for grant under the 2004 Stock Incentive Plan	1,062,088
Shares available for grant under the Director Plan	24,183
Shares requested under the 2014 Equity Incentive Plan	1,500,000
Shares requested under the 2014 Non-employee Director Equity Incentive Plan	300,000
Total Potential Dilution	10.33%
Potential Dilution as a Percentage of Fully-Diluted Common Stock Outstanding	10.32%

*There are 10,000 options outstanding under the Director Plan. The weighted average remaining term of the options is 1.35 years. There are no outstanding options under the 2004 Stock Incentive Plan.

** The RSU grant made on January 23, 2014 based on fiscal 2013 operating results is not included in this total.

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The Company's current annual burn rate (the Burn Rate), which is the rate of which the Company uses shares available for grant under the 2004 Stock Incentive Plan, is calculated as the weighted average burn rate over the last three calendar years and is equal to 1.31%. At the current Burn Rate, the Company expects that, if the Plan is not approved, the common shares that are currently available under the 2004 Stock Incentive Plan will be exhausted by 2017. The 2004 Stock Incentive Plan, however, will expire on October 14, 2014, before the currently available shares are exhausted. If the 2014 Equity Incentive Plan is not approved, the Company will no longer be able to make equity awards after October 14, 2014. This would have a detrimental effect on the Company's ability to attract, retain and motivate officers, employees and consultants. Our Board of Directors believes that the new 2014 Equity Incentive Plan will allow us to continue awarding equity incentives, an important component of our overall compensation program. At the current Burn Rate, the Company expects that the shares of Common Stock authorized under the 2014 Equity Incentive Plan will enable it to make grants to participants for approximately 6.8 years.

The following table shows the calculation of our Burn Rate for awards to employees over the most recent three calendar years:

	2011	2012	2013
Time-Based Awards Granted			
Options	0	0	0
Full-value (restricted stock and RSUs)	263,500	401,000	0*
Total	263,500	401,000	0
Weighted Average Common Shares Outstanding	16,875,924	16,951,168	17,069,455
Burn Rate	1.56%	2.37%	0%
<i>Weighted Average Burn Rate 1.31%</i>			

*The RSU grant was made on January 23, 2014 based on fiscal 2013 operating results and is not included in the calculation of the Burn Rates.

Voting Required for Approval

The affirmative vote of a majority of shares of Common Stock entitled to vote, as a class, and a majority of shares of Preferred Stock entitled to vote, as a class, that are present in person or by proxy at the Annual Meeting is required for adoption of the 2014 Equity Incentive Plan.

THE BOARD OF DIRECTORS HAS ADOPTED THE 2014 EQUITY INCENTIVE PLAN SUBJECT TO STOCKHOLDER APPROVAL AND BELIEVES IT IS ADVISABLE AND IN THE BEST INTEREST OF THE COMPANY AND THE STOCKHOLDERS TO APPROVE SUCH PLAN. ACCORDINGLY, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE 2014 EQUITY INCENTIVE PLAN.

PROPOSAL 5 MGP INGREDIENTS, INC. 2014 NON-EMPLOYEE DIRECTOR EQUITY INCENTIVE PLAN

We are asking stockholders to vote to approve MGP Ingredients, Inc. 2014 Non-Employee Director Equity Incentive Plan (Director Equity Incentive Plan or “2014 Director Equity Incentive Plan”). Our Board approved the Director Equity Incentive Plan subject to stockholder approval, at its meeting on April 1, 2014. The full text of the Director Equity Incentive Plan, is included as *Exhibit C* to this proxy statement. The following summary of the material features of the Director Equity Incentive Plan is qualified in its entirety by reference to the applicable provisions of the Director Equity Incentive Plan. No new awards will be issued under the MGP Ingredients Non-Employee Directors Restricted Stock and Restricted Stock Units Plan upon approval of the new Director Equity Incentive Plan.

The Director Equity Incentive Plan is intended to provide incentives to non-employee directors of the Company to stimulate their efforts toward the continued success of the Company and to manage the business in a manner that will provide for the long-term growth and profitability of the Company. It also encourages stock ownership by non-employee directors by providing them with a means to acquire a proprietary interest in the Company, acquire shares of Company’s Common Stock, or to receive compensation which is based upon appreciation in the value of Company’s Common Stock. Furthermore, the 2014 Director Equity Incentive Plan provides a means of attracting, motivating and retaining non-employee directors.

The Board of Directors has reserved three hundred thousand (300,000) shares of the Company’s Common Stock for issuance pursuant to awards that may be made under the 2014 Director Equity Incentive Plan. The Company anticipates that in the future directors may elect to receive compensation in the form of Common Stock in lieu of cash fees for services as a director, in part, in order to comply with the Company’s recently adopted Stock Ownership Guidelines. MGP Ingredients, Inc. Non-Employee Directors Restricted Stock and Restricted Stock Units Plan will be terminated upon stockholder approval of the 2014 Director Equity Incentive Plan, which means that no further grants will be made under MGP Ingredients, Inc. Non-Employee Directors Restricted Stock and Restricted Stock Units Plan following stockholder approval of the 2014 Director Equity Incentive Plan. No shares from the MGP Ingredients, Inc. Non-Employee Directors Restricted Stock and Restricted Stock Unit Plan shall be available or become available under this Plan.

Classes of Eligible Persons

Awards may be granted only to directors who are not employees of the Company. No awards have been granted under the 2014 Director Equity Incentive Plan. If the 2014 Director Equity Incentive Plan is approved, awards will be granted at the discretion of the Human Resources and Compensation Committee. Accordingly, future benefits under the 2014 Director Equity Incentive Plan are not determinable.

Administration

Awards under the 2014 Director Equity Incentive Plan will be determined by the Human Resources and Compensation Committee of the Board or a subcommittee (the Committee) thereof formed by the Human Resources and Compensation Committee to act thereunder, consisting solely of two or more directors who qualify as outside directors within the meaning of Section 162(m) of the Internal Revenue Code (the Code), as non-employee directors as defined in Rule 16b-3(b)(3) as promulgated under the Securities Exchange Act of 1934, as amended, and, if applicable, who satisfy the requirements of the securities exchange on which they Company’s stock is then traded. All questions of interpretation of the 2014 Director Equity Incentive Plan will be determined by the Committee, and its decisions are final and binding upon all participants. The Committee has full and conclusive authority to prescribe, amend and rescind rules and regulations relating to the 2014 Director Equity Incentive Plan; to determine the terms and provisions of the respective award agreements and to make all other determinations necessary or advisable for the proper administration of the 2014 Director Equity Incentive Plan.

Awards

The 2014 Director Equity Incentive Plan permits the Committee to grant options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards (together, the Awards).

The number of shares of Common Stock as to which an Award may be granted or the amount of an Award will be determined by the Committee in its sole discretion, subject to the provisions of the 2014 Director Equity Incentive Plan. Each award will either be evidenced by an Award Agreement in such form and containing such terms, conditions and restrictions as the Committee may determine to be appropriate.

Awards generally shall not be transferable or assignable during a holder's lifetime except to the extent that the Committee may otherwise provide.

Dividends will not be paid on options and stock appreciation rights.

Options

Each option granted under the 2014 Director Equity Incentive Plan must be evidenced by an Award Agreement. The exercise price for each option must be as set forth in the applicable Award Agreement, but in no event may it be less than the fair market value on the date the option is granted. The exercise price of an option may not be reduced nor may an option be exchanged for an option with a lower exercise price, in either case, without the approval of stockholders, except in the event of a recapitalization, reorganization, or similar event as described below.

The Committee may permit an option exercise price to be paid in cash, by the delivery of previously-owned shares of Common Stock, through a cashless exercise executed through a broker, or by having a number of shares of Common Stock otherwise issuable at the time of exercise withheld.

The 2014 Director Equity Incentive Plan prohibits so-called reload grants. Reload grants are grants of stock options that are made in consideration for or as a condition of the delivery of shares of stock to the issuer in payment of the exercise price or tax withholding obligation of any other option held by the recipient.

Stock Appreciation Rights

A stock appreciation right entitles the participant to receive the excess of (1) the fair market value of a specified or determinable number of shares of the Common Stock at the time of payment or exercise over (2) a specified or determinable price, which may not be less than the fair market value on the date of grant. The exercise or strike price of a stock appreciation right may not be reduced and a stock appreciation right may not be exchanged for a stock appreciation right with a lower defined price, in either case, without stockholder approval, except in the event of a recapitalization, reorganization, or similar event as described below. Upon settlement of a stock appreciation right, the Company must pay to the participant, at the discretion of the Committee, the appreciation in cash or shares of Common Stock (valued at the aggregate fair market value on the date of payment or exercise) as provided in the Award Agreement or, in the absence of such provision, as the Committee may determine. Each stock appreciation right granted under the 2014 Director Equity Incentive Plan is generally exercisable or payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specifies in the Award Agreement. However, subsequent to the grant of a stock appreciation right, the Committee, at any time before complete termination of such stock appreciation right, may accelerate the time or times at which such stock appreciation right may be exercised or paid in whole or in part.

Restricted Stock and Restricted Stock Units

A participant's right to retain restricted stock granted under the 2014 Director Equity Incentive Plan shall be subject to such restrictions, including but not limited to his or her continuous service for the Company or an affiliate for a restriction period specified by the Committee or the attainment of specified performance goals and objectives, as may be established by the Committee with respect to such Award. Except to the extent otherwise provided in the Award Agreement entered into with respect to a grant of restricted stock, a participant shall have all voting, dividend, liquidation and other rights with respect to the shares represented by such restricted stock upon his or her becoming the holder of record of such restricted stock.

An Award of restricted stock units is a grant by the Company of a specified number of units, which shall each represent one share credited to a notional account maintained by the Company, with no shares actually awarded or transferred to the participant in respect of such units until settlement of such restricted stock unit as provided in the relevant Award Agreement. Settlement of a restricted stock unit may be contingent upon satisfaction of such conditions as are set forth in the applicable award agreement, including continuous service for the Company or an affiliate for a restriction period specified by the Committee or the attainment of specified performance goals and objectives, as may be established by the Committee with respect to such restricted stock unit. Except to the extent otherwise provided in the Award Agreement entered into with respect to a grant of restricted stock units, a participant shall have no voting, dividend, liquidation and other rights with respect to the shares represented by such restricted stock units until settlement of his or her restricted stock units. Except to the extent otherwise provided in the Award Agreement entered into with respect to a grant of restricted stock units, all restricted stock units will settle no later than March 15 of the calendar year following the calendar year in which any settlement conditions with respect to such restricted stock units lapse.

Other Stock-Based Awards

Other stock-based awards shall entitle the participant to receive, at a specified date, payment of an amount equal to all or a portion of either (i) a specified or determinable number of shares of Common Stock granted by the Committee, (ii) the value of a specified or determinable number of shares of Common Stock granted by the Committee, or (iii) a percentage or multiple of the value of a specified number of shares of Common Stock determined by the Committee. Payment in respect of other stock-based awards may be made by the Company in cash or shares of Common Stock as provided in the applicable Award Agreement or, in the absence of such provision, as the Committee may determine.

General Rules

Restricted stock, restricted stock units, options, and stock appreciation rights will generally vest over a period of not less than three (3) years from the date of grant of such Award. However, such Awards may vest earlier on a pro-rata basis over any vesting period or upon the occurrence of a change in control (as defined in the 2014 Director Equity Incentive Plan) or the participant's death, disability, separation from service without cause, or other event to the extent specified in the appropriate Award Agreement. The Committee may, in its sole discretion, waive and such vesting requirement, provided that it shall not waive such requirement to the extent such waiver would create adverse tax consequences for a Participant under Code Section. Generally, any Award under the 2014 Director Equity Incentive Plan to a participant who has experienced separation from service from the Company and its affiliates may be cancelled, accelerated, paid or continued, as provided in the applicable Award Agreement, or, as the Committee may otherwise determine to the extent not prohibited by the 2014 Director Equity Incentive Plan.

Recapitalizations and Reorganizations

The number of shares of Common Stock reserved for issuance in connection with the grant or settlement of an Award and the exercise price of each option are subject to adjustment in the event of any recapitalization of the Company or similar event effected without receipt of consideration by the Company.

In the event of certain corporate reorganizations, Awards may be substituted, cancelled, accelerated, cashed-out or otherwise adjusted by the Committee, provided such adjustment is not inconsistent with the express terms of the 2014 Directors Equity Incentive Plan or the applicable Award Agreement.

Amendment or Termination

The Board of Directors at any time may amend or terminate the 2014 Director Equity Incentive Plan but will generally need stockholder approval to (1) increase the number of shares of Common Stock available under the 2014 Director Equity Incentive Plan, (2) materially expand the classes of individuals eligible to receive Awards, (3) materially expand the type of awards available for issuance under the 2014 Director Equity Incentive Plan, or would otherwise require stockholder approval under the rules of the applicable exchange.

Federal Income Tax Consequences

The following discussion outlines generally the federal income tax consequences of participation in the 2014 Director Equity Incentive Plan. Individual circumstances may vary and each recipient should rely on his or her own tax counsel for advice regarding federal income tax treatment under the 2014 Director Equity Incentive Plan. Furthermore, any tax advice contained in this discussion is not intended to be used, and cannot be used, to avoid penalties imposed under the Code.

Options. A recipient will not recognize income upon the grant of an option or at any time prior to the exercise of the option or a portion thereof. At the time the recipient exercises an option or portion thereof, he or she will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of Common Stock on the date the option is exercised over the price paid for Common Stock, and the Company will then be entitled to a corresponding deduction.

Depending upon the period shares of Common Stock are held after exercise, the sale or other taxable disposition of shares acquired through the exercise of an option generally will result in a short- or long-term capital gain or loss equal to the difference between the amount realized on such disposition and the fair market value of such shares when the option was exercised.

Stock Awards. A recipient will not be taxed upon the grant of a stock award if such award is not transferable by the recipient and is subject to a substantial risk of forfeiture, as defined in the Code. However, when the shares of Common Stock that are subject to the stock award are transferable by the recipient or are no longer subject to a substantial risk of forfeiture, the recipient will recognize compensation taxable as ordinary income in an amount equal to the fair market value of the stock subject to the stock award, less any amount paid for such stock, and the Company will then be entitled to a corresponding deduction. However, if a recipient so elects at the time of receipt of a stock award, he or she may include the fair market value of the stock subject to the stock award, less any amount paid for such stock, in income at that time and the Company also will be entitled to a corresponding deduction at that time.

Restricted Stock, Restricted Stock Units and Other Stock-based Awards. A recipient will not recognize income upon the grant of a stock appreciation right, dividend equivalent right, performance unit award, restricted stock or restricted stock unit (the Equity Incentives) or cash performance award. Generally, at the time a recipient receives payment under any Equity Incentive or cash performance award, he or she will recognize compensation taxable as ordinary income in an amount equal to the cash or the fair market value of Common Stock received, and the Company will then be entitled to a corresponding deduction.

THE FOREGOING IS ONLY A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES TO THE PARTICIPANTS AND THE COMPANY WITH RESPECT TO THE GRANT AND EXERCISE OF AWARDS UNDER THE NON-EMPLOYEE DIRECTOR EQUITY INCENTIVE PLAN. IT DOES NOT PURPORT TO BE COMPLETE, AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH THE PARTICIPANT MAY RESIDE.

Current Capital Structure

Our current capital structure consists of 17,688,434 shares of outstanding Common Stock as of our record date. The table below represents our potential overhang levels based on our fully-diluted Common Stock outstanding.

Equity awards outstanding as of December 31, 2013	950,798
Outstanding awards under the 2004 Stock Incentive Plan	885,650**
Outstanding awards under the Director Plan	65,148*
Shares available for grant under the 2004 Stock Incentive Plan	1,062,088
Shares available for grant under the Director Plan	24,183
Shares requested under the 2014 Equity Incentive Plan	1,500,000
Shares requested under the 2014 Non-employee Director Equity Incentive Plan	300,000
Total Potential Dilution	10.33%
Potential Dilution as a Percentage of Fully-Diluted Common Stock Outstanding	10.32%

*There are 10,000 options outstanding under the Director Plan. The weighted average remaining term of the options is 1.35 years. There are no outstanding options under the 2004 Stock Incentive Plan.

** The RSU grant made on January 23, 2014 based on fiscal 2013 operating results is not included in this total.

The Company's 2013 current annual burn rate for the Director Plan, which is the rate of which the Company uses shares available for grant under the Director Plan, is calculated as the weighted average burn rate over the last three calendar years and is equal to 0.13%. At the current burn rate, the Company expects that, if the Director Equity Incentive Plan is not approved, the common shares that are currently available under the MGP Ingredients Non-Employee Directors Restricted Stock and Restricted Stock Units Plan will be exhausted by 2015. If the Director Equity Incentive Plan is not approved, the Company will no longer be able to make equity awards after fiscal 2014. This would have a detrimental effect on the Company's ability to attract, motivate and retain directors. Our Board of Directors believes that the new Director Equity Incentive Plan will allow us to continue awarding equity incentives, which will help us attract, motivate and retain directors. At the current burn rate, the Company expects that the shares of Common Stock authorized under the Director Equity Incentive Plan will enable it to make grants to participants for approximately 13.5 years. The Company anticipates that in the future directors may elect to receive compensation in the form of Common Stock in lieu of cash fees for services as a director, in part, in order to comply with the Company's recently adopted Stock Ownership Guidelines.

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The following table shows the calculation of the burn rate for our existing Director plan:

	2011	2012	2013
Time-Based Awards Granted			
Options	0	0	0
Full-value (restricted stock and RSUs)	16,528	31,264	19,304
Total	16,528	31,264	19,304
Weighted Average Common Shares Outstanding	16,875,924	16,951,168	17,069,455
Burn Rate	0.10%	0.18%	0.11%
<i>Weighted Average Burn Rate 0.13%</i>			

Voting Required for Approval

The affirmative vote of a majority of shares of Common Stock entitled to vote as a class and a majority of shares of Preferred Stock as a class entitled to vote that are present in person or by proxy at the Annual Meeting is required for adoption of the Director Equity Incentive Plan.

THE BOARD OF DIRECTORS HAS ADOPTED THE DIRECTOR EQUITY INCENTIVE PLAN SUBJECT TO STOCKHOLDER APPROVAL AND BELIEVES IT IS ADVISABLE AND IN THE BEST INTEREST OF THE COMPANY AND THE STOCKHOLDERS TO APPROVE SUCH PLAN. ACCORDINGLY, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE DIRECTOR EQUITY INCENTIVE PLAN.

PROPOSAL 6 MGP INGREDIENTS, INC. EMPLOYEE STOCK PURCHASE PLAN

We are asking stockholders to vote to approve MGP Ingredients, Inc. Employee Stock Purchase Plan (the ESPP). Our Board approved the ESPP subject to stockholder approval, at its meeting on April 1, 2014. The full text of the ESPP is included as *Exhibit D* to this proxy statement and is summarized below. The summary of certain features of the ESPP is qualified in its entirety by reference to the actual text of the ESPP. The Company's current employee stock purchase plan (the Old ESPP) was originally implemented in 1992. It does not permit the Company to issue stock at a discount to employees. The new ESPP does not permit director participation and so it may, subject to Board determination, issue shares to employees/participants at up to a 5% discount to the market price of the Company's Common Stock. In order to permit non-employee directors to continue to elect to receive Company Common Stock in lieu of directors fees, the proposed Non-employee Director Equity Incentive Plan will permit issuances of Common Stock to directors. No new offering periods will occur under the Old ESPP following stockholder approval of the ESPP.

The purpose of this plan is to provide employees of the Company and its designated subsidiaries with an opportunity to purchase our Common Stock through accumulated payroll deductions. It is the intention of the Company to establish the Plan such that it will qualify as an Employee Stock Purchase Plan under Section 423 of the Internal Revenue Code (which we refer to as the Code).

Eligibility

Any person who is employed by the Company on a given enrollment date and has been employed for at least one year is eligible to participate in the plan. No employee shall be granted an option under the plan (i) to the extent that, immediately after the grant, he or she (or any other person whose stock would be attributed to such person pursuant to Section 424(d) of the Code) would own stock of the Company and/or hold outstanding options to purchase such stock possessing 5% or more of the total combined voting power or value of all classes of the stock of the Company or of any subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries accrues at a rate which exceeds \$25,000 worth of stock for each calendar year in which such option is outstanding at any time.

Stock Subject to Plan and Adjustments upon Changes in Stock

Upon approval by the stockholders, an aggregate of 300,000 shares of our Common Stock will be authorized and reserved for issuance under the ESPP. Should any change be made to our Common Stock by reason of any stock split, reverse stock split, stock dividend, combination, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration, appropriate adjustments will be made to the per share price and number of shares issuable under the ESPP. If an option is cancelled, the shares subject to the option return to the plan and are available for future grants.

Administration

The plan shall be administered by the Board of Directors or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the plan, to determine eligibility and to adjudicate all disputed claims filed under the plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties. The Board may delegate authority for administration of the plan to one or more of our officers or employees or may retain third parties to perform administrative functions for the plan.

Offering Periods

The ESPP shall be implemented by consecutive, 3-month offering periods with a new offering period commencing on the first trading day of each calendar quarter. The Board (or a committee of the Board) shall have the power to change the duration of offering periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first offering period to be affected thereafter.

Grant of Option

On the enrollment date of each offering period, each participant participating in such offering period shall be granted an option to purchase on the exercise date for such offering period up to a number of shares of the Company's Common Stock determined by dividing such participant's payroll deductions accumulated prior to such exercise date and retained in the participant's account as of the exercise date by the applicable purchase price; provided, however, that in no event shall a participant be permitted to purchase during any calendar year more than a number of shares determined by dividing \$25,000 by the fair market value of a share of the Company's Common Stock on the exercise date or dates. The Board or a committee, as applicable, may, for future offering periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock a participant may purchase during each purchase period of such offering period.

Payroll Deductions

At the time a participant files a subscription agreement with the Company to participate in the ESPP, he or she shall elect to have payroll deductions made on each pay day during the offering period in an amount not exceeding 10% (or any higher amounts established by the Board or committee, as applicable) of the compensation such participant receives on each pay day during the offering period. All payroll deductions made for a participant shall be credited to his or her account under the plan and shall be withheld in whole percentages only. A participant may not make any additional payments into such account. A participant may discontinue his or her participation in the plan effective with the first full payroll period following 5 business days after the Company's receipt of the withdrawal notice. However, a participant may not otherwise change the rate of payroll deductions during an offering period. No interest accrues on payroll deductions held in a participant's account under the plan.

Tax Withholding

At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the participant.

Purchase Price

The purchase price per share at which shares of Common Stock are sold in an offering period under the ESPP cannot be less than 95% of the fair market value per share on the purchase date (i.e., the last trading day of the offering period). A trading day is a day on which national stock exchanges and The Nasdaq Stock Market are open for trading. While the shares are traded on an established stock exchange, fair market value means, as of any given date, the closing sales price for such stock on that date (or, if that date is not a trading day, the last market trading day prior to the date of determination).

Purchase of Stock

Unless a participant withdraws from the plan, his or her option for the purchase of shares shall be exercised automatically on the appropriate exercise date and the maximum number of full shares subject to option shall be purchased for such participant at the applicable purchase price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the Participant's account for the subsequent offering period. Any other monies left over in a participant's account after the exercise date shall be returned to the participant. During a participant's lifetime, a participant's options are exercisable only by him or her.

Withdrawal

A participant in the plan may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the plan at any time by giving written notice to the Company. All of the participant's payroll deductions credited to his or her account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the offering period shall be automatically terminated and no further payroll deductions for the purchase of shares shall be made for such offering period. If a participant withdraws from an offering period, payroll deductions shall not resume at the beginning of the succeeding offering period unless the participant delivers to the Company a new subscription agreement for the plan. Upon a participant's ceasing to be an employee of the Company or one of its designated subsidiaries, for any reason, he or she shall be deemed to have elected to withdraw from the plan and the payroll deductions credited to such participant's account during the offering period but not yet used to exercise the option shall be returned to such participant.

Transferability

Rights granted under the ESPP are not transferable by a participant other than by will, by the laws of descent and distribution or pursuant to the plan's beneficiary designation provisions.

Change of Control

In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, any purchase periods then in progress shall be shortened by setting a new exercise date and any offering periods then in progress shall end on the new exercise date. The new exercise date shall be before the date of the Company's proposed sale or merger.

Amendment and Termination of Plan

The Board of Directors (or a committee of the Board) may at any time and for any reason terminate or amend the plan. Except as otherwise provided in the plan, no such termination can affect options previously granted, provided that an offering period may be terminated by the Board (or a committee of the Board) on any exercise date if the Board (or a committee of the Board) determines that the termination of the offering period or the plan is in the best interests of the Company and its stockholders. Unless otherwise terminated, the plan has a term of ten years.

Federal Income Tax Consequences

The following paragraphs are a summary of the general federal income tax consequences to U.S. taxpayers and the Company of awards granted under the ESPP. Tax consequences for any particular individual may be different.

Rights to purchase shares granted under the plan are intended to qualify for favorable federal income tax treatment associated with rights granted under an employee stock purchase plan which qualifies under the provisions of Section 423(b) of the Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the ESPP are sold or otherwise disposed of. If the shares are disposed of within two years from the stock purchase right grant date (i.e., the beginning of the offering period or, if later, the date the participant entered the offering period) or within one year from the purchase date of the shares, a transaction referred to as a disqualifying disposition, the participant will realize ordinary income in the year of such disposition equal to the difference between the fair market value of the stock on the purchase date and the purchase price. The amount of such ordinary income will be added to the participant's basis in the shares and any additional gain or resulting loss recognized on the disposition of the shares after such basis adjustment will be a capital gain or loss. A capital gain or loss will be long-term if the participant holds the shares for more than one year after the purchase date.

If the stock purchased under the ESPP is sold (or otherwise disposed of) more than two years after the stock purchase right grant date and more than one year after the stock is transferred to the participant, then the lesser of (i) the excess of the sale price of the stock at the time of disposition over the purchase price and (ii) the excess of the fair market value of the stock as of the date the participant entered the offering period over the purchase price (determined as of the date the participant entered the offering period) will be treated as ordinary income. If the sale price is less than the purchase price, no ordinary income will be reported. The amount of such ordinary income will be added to the participant's basis in the shares and any additional gain or resulting loss recognized on the disposition of the shares after such basis adjustment will be long-term capital gain or loss.

The Company will generally be entitled to a deduction in the year of a disqualifying disposition equal to the amount of ordinary income realized by the participant as a result of such disposition, subject to the satisfaction of any tax-reporting obligations. In all other cases, no deduction is allowed.

THE FOREGOING IS ONLY A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES TO THE PARTICIPANTS AND THE COMPANY WITH RESPECT TO THE GRANT AND EXERCISE OF AWARDS UNDER THE EMPLOYEE STOCK PURCHASE PLAN. IT DOES NOT PURPORT TO BE COMPLETE, AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH THE PARTICIPANT MAY RESIDE.

Voting Required for Approval

The affirmative vote of a majority of shares of Common Stock entitled to vote as a class and a majority of shares of Preferred Stock entitled to vote as a class that are present in person or by proxy at the Annual Meeting is required for adoption of the ESPP.

THE BOARD OF DIRECTORS HAS ADOPTED THE ESPP AND BELIEVES IT IS ADVISABLE AND IN THE BEST INTEREST OF THE COMPANY AND THE STOCKHOLDERS TO APPROVE SUCH PLAN. ACCORDINGLY, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE ESPP.

PROPOSAL 7 RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTANT

The Board of Directors, upon recommendation of its Audit Committee, recommends that you ratify the appointment of KPMG LLP as our independent registered public accounting firm to audit the books, records and accounts of the Company and its subsidiaries for the fiscal year ending December 31, 2014. A representative of KPMG LLP will be present at the Annual Meeting, will have an opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

Information regarding the aggregate fees billed by KPMG LLP for the fiscal years ended December 31, 2013, December 31, 2012 and the 2011 transition period which ended December 31, 2011 for (i) professional services rendered for the audit of the Company s annual financial statements and the reviews of the financial statements included in the Company s reports on Form 10-Q during such fiscal year (Audit Fees), (ii) assurance and related services that are reasonably related to the performance of the audit or review of the Company financial statements but are not included in Audit Fees, (iii) professional services rendered for tax compliance, tax advice or tax planning and (iv) other products and services is reported below under the heading Audit and Certain Other Fees Paid Accountants.

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, 2014, 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 and entitled to vote at the meeting, is required. Abstentions with respect to the advisory vote 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. In case of a broker non-vote, your broker may vote your shares.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTANT.

**PROPOSAL 8 APPROVAL OF
COMPENSATION OF THE NAMED EXECUTIVE OFFICERS**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (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 of 1934, as amended, 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 is advisory in nature and will not be binding on the Company and is advisory in nature.

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.

In addition to the say-on-pay vote, the Dodd-Frank Act requires that stockholders have the opportunity to vote on how often they believe the advisory vote on executive compensation should be held in the future (the frequency vote). The Company held the frequency vote at the 2011 Annual Meeting of Stockholders, where the stockholders voted for holding a say-on-pay vote every year.

At the 2013 Annual Meeting of Stockholders, the majority of the shares of Common Stock and all of the shares of Preferred Stock, present in person or by proxy and entitled to vote at the meeting, voted against the approval of compensation of the Company's named executive officers. The Board of Directors spent considerable time evaluating how best to respond to the vote result. The Human Resources and Compensation Committee held extensive discussions with the single largest holder of the Company's Common Stock and Preferred Stock, Ms. Karen Seaberg. The Board carefully considered all of the options and took steps to strengthen the Company's compensation framework resulting, among other things, in the new equity incentive plans presented to our stockholders at the 2014 Annual Meeting. The key changes include:

The Short-Term Incentive Plan is now linked to the achievement of key performance objectives that are aligned with our strategy. The Human Resources and Compensation Committee has structured these incentives around three metrics: operating profit, EBITDA and cash earnings per share. Performance targets, weightings, thresholds and maximums will be determined in the first quarter of each fiscal year. No payouts will be made prior to reaching the threshold targets. The cash bonus opportunity for the Named Executive Officers under the Short-Term Incentive Plan has been significantly reduced for 2014.

The mix of long-term incentives for employee compensation for 2014 is expected to be 50% in three-year vesting options and 50% in three-year vesting restricted stock unit awards as opposed to the historical composition of 100% restricted stock unit awards. The Committee believes that by using a mix of stock options and restricted stock units employees will be further incentivized to drive increases in the Company's stock price.

The compensation mix between long-term equity awards and short-term cash incentives has shifted away from short-term cash incentives.

The Company has implemented Stock Ownership Guidelines for both executives and directors as discussed below under the heading of “Stock Ownership Guidelines.” These guidelines will further align their interests with the long term interests of the stockholders and further promote the Company’s commitment to sound corporate governance.

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, voting as separate classes, present in person or by proxy and entitled to vote at the meeting, is required. Abstentions with respect to the advisory vote on executive compensation will have the same effect as a vote against the proposal. In case of a broker non-vote, your broker may not vote your shares.

THE BOARD OF DIRECTORS RECOMMENDS AN ADVISORY VOTE FOR THE FOLLOWING RESOLUTION: 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 OVERVIEW, COMPENSATION TABLES AND NARRATIVE DISCUSSION.

PROPOSAL 9 TO POSTPONE OR ADJOURN THE ANNUAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE ANNUAL MEETING TO APPROVE PROPOSAL 1 TO AMEND THE ARTICLES OF INCORPORATION

If approved, this proposal would permit us to adjourn or postpone the Annual Meeting for the purpose of soliciting additional proxies in the event that, at the Annual Meeting, the affirmative vote in favor of Proposal 1 to amend the Articles of Incorporation is less than a majority of our outstanding shares of Common Stock or Preferred Stock entitled to vote, as separate classes, at the Annual Meeting. If this proposal is approved and Proposal 1 to amend the Articles of Incorporation is not approved at the Annual Meeting, we will be able to adjourn or postpone the Annual Meeting for the purpose of soliciting additional proxies to approve Proposal 1 to amend the Articles of Incorporation. If you have previously submitted a proxy on the proposals discussed in this proxy statement and wish to revoke it upon adjournment or postponement of the Annual Meeting, you may do so.

Vote Required

If a quorum is present at the Annual Meeting, the Proposal to adjourn or postpone the Annual Meeting will be approved if the number of shares of Common Stock and Preferred Stock voted in favor of that proposal, as separate classes, are greater than those voted against that proposal. Failure to attend the Annual Meeting in person or by proxy, abstentions and broker non-votes will have no effect on the outcome of the vote on the Proposal to adjourn or postpone the Annual Meeting if it is submitted for stockholder approval when a quorum is present at the meeting. If a quorum is not present at the Annual Meeting, the Proposal to adjourn or postpone the Annual Meeting will be approved by the affirmative vote of the holders of a majority of the voting power of our Common Stock and a majority of the voting power of our Preferred Stock present in person or by proxy at the Annual Meeting. Abstentions would have the same effect as a vote AGAINST this proposal and broker non-votes would have no effect on the outcome of the vote on this proposal if it is submitted for approval when no quorum is present at the Annual Meeting.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR PROPOSAL 9, THE PROPOSAL TO ADJOURN OR POSTPONE THE ANNUAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE ANNUAL MEETING TO APPROVE PROPOSAL 1 TO AMEND THE ARTICLES OF INCORPORATION.

CORPORATE GOVERNANCE AND COMMITTEE REPORTS

The Board; Standing Committees; Meetings; Independence

The Board of Directors believes that a majority of the directors should be independent and has determined that the following members are independent: Gary Gradinger, Daryl Schaller, John Bridendall and Jeannine Strandjord. The Board of Directors has determined that Terrence Dunn, Anthony Foglio and George Page, Jr. are each independent. In determining the independence of directors and nominees, the Board found that none of the independent directors or nominees has any material relationship with the Company other than as a director. In making these determinations, the Board considers all facts and circumstances as well as the standards defined in Rule 4200(a)(15) of the NASDAQ Stock Market.

The Board has three standing committees: Audit Committee, Nominating and Governance Committee and Human Resources and Compensation Committee. The composition of the Committees is as follows: Audit Committee M. Jeannine Strandjord (Chair), John P. Bridendall, Daryl R. Schaller, J. Gary Gradinger; Human Resources and Compensation Committee Daryl R. Schaller (Chair), M. Jeannine Strandjord, John P. Bridendall, and J. Gary Gradinger.; Nominating and Governance Committee Gary Gradinger, Daryl R. Schaller, Cloud L. Cray, Jr., John P. Bridendall, and M. Jeannine Strandjord. Ms. Miller served as a Chair of the Company's Nominating and Governance Committee until she resigned in February 2014. Currently, the Nominating and Governance Committee does not have a Chair.

All of the members of the Nominating and Governance Committee, except Mr. Cray, are determined independent under the NASDAQ listing rules. The Board has determined that Mr. Cray cannot currently be considered independent under the NASDAQ listing rules. Nevertheless, the Board has relied on an exception to the requirement of independence of governance committee members and appointed Mr. Cray to serve on the Company's Nominating and Governance Committee. The Board has determined that Mr. Cray's membership on the Nominating and Governance Committee is required by the best interest of the Company and its stockholders because of Mr. Cray's long history with the Company and extensive knowledge of the industry in which the Company operates.

The members of the Audit Committee are independent under the NASDAQ listing rules and meet the applicable independence requirements of Section 10A (m) (3) of the Securities Exchange Act of 1934, as amended. The members of the Human Resources and Compensation Committee are also determined independent under the NASDAQ listing rules and applicable rules of the Securities and Exchange Commission. Each director on the Committees is a non-employee director as defined in Rule 16b-3(b)(3) promulgated under the Securities Exchange Act of 1934 and an outside director as defined under Section 162(m) of the Internal Revenue Code.

The Board meets immediately after each Annual Meeting of the stockholders and may hold other regular and special meetings. The meetings are led by the Chairman of the Board. During 2013, the Board met 6 times, the Audit Committee met 12 times, the Human Resources Committee met 8 times and the Nominating and Governance Committee met 3 times. Each non-employee director attended more than 75% of the meetings of the Board and the Committees of which the director was a member.

Corporate Governance Documents

Our key governance documents include:

Code of Conduct;

Charters of each of the Audit Committee, Human Resources and Compensation Committee and the Nominating and Governance Committee;

Stock Ownership Guidelines.

All of these documents are available on our website at www.mgpingredients.com in the For Investors /Corporate Governance section and a copy of any of these documents will be sent to any stockholder upon request.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling the Board's oversight responsibilities with respect to the quality and integrity of the financial statements, financial reporting process, and systems of internal controls. The Audit Committee also assists the Board in monitoring the independence and performance of the independent registered public accountant and the internal audit department. 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 has determined that M. Jeannine Strandjord, John P. Bridendall, J. Gary Gradinger and Daryl R. Schaller are independent, as independence for audit committees is defined in the applicable listing standards of the NASDAQ Stock Market. The Board of Directors has determined that M. Jeannine Strandjord is an audit committee financial expert, as defined in Item 407(d)(5) of SEC Regulation S-K. 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.

Audit Committee Report

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors and oversees the entire audit function including the selection of independent registered public accounting firm. Management has the primary responsibility for the consolidated financial statements and the financial reporting process including internal control over financial reporting and the Company's legal and regulatory compliance. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements for the year ended December 31, 2013. The Audit Committee also discussed with the Co-Chief Executive Officers and Chief Financial Officer their respective certifications with respect to the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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The Audit Committee has reviewed and discussed the matters as are required to be discussed with the independent registered public accounting firm in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) including those matters required to be discussed by Auditing Standard Nos. 16, Communication with Audit Committees; has received the written disclosures and letter from the independent registered public accounting firm 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 fiscal 2013 be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

Audit Committee Members:

M. Jeannine Strandjord (Chairwoman)
John P. Bridendall
J. Gary Gradinger
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, experience, knowledge or skills that complement those of existing members and that 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 Securities Exchange Act of 1934, as amended, 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 providing information required to be disclosed in the Company's proxy statement.

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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 the information set forth below 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 January 22, 2015. 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 typically considers any proposed amendments to benefit plans that are to take effect in the following fiscal year at 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 November meeting. It generally considers long term incentive awards and performance goals for annual cash incentives 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. During fiscal 2011, at the direction of the Committee, management retained Greg Wolf of Greg Wolf Consulting to review the Company's compensation program for directors and to make recommendations that would increase the overall competitiveness of Board compensation. In 2012 the Committee retained Compdata Consulting, a compensation consultant, in order to obtain information concerning base salary trends for executive and non-executive employees. No changes were made to executive compensation in 2013. In October 2013, the Board reviewed director compensation after having again engaged Compdata Consulting following a determination of Compdata's independence. The Board has decided not to make any changes to director compensation at this time.

See EXECUTIVE COMPENSATION AND OTHER MATTERS - Compensation Overview How We Determine Compensation for further information on the processes we follow in setting compensation.

Board Leadership Structure

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 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 does not combine the positions of Chief Executive Officer and Chairman of the Board of Directors, the latter also acting in the capacity of lead director. Don Tracy and Randy Schrick are currently our Interim Co-Chief Executive Officers and are responsible for day-to-day leadership of the Company. Cloud L. Cray, Jr. 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 Co-Chief Executive Officers to focus their attention on managing our day-to-day business and enhances the ability of the Board of Directors to provide strong oversight of the Company's management and affairs.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Overview

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 the 2011 transition period, fiscal 2012 and fiscal 2013 to our named executive officers, including:

Timothy W. Newkirk - Mr. Newkirk served as President and Chief Executive Officer from March 5, 2008 to December 3, 2013. Mr. Newkirk left the Company on December 3, 2013.

Donald P. 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; he has also served as Interim Co-Chief Executive Officer since December 17, 2013.

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; he has also served as Interim Co-Chief Executive Officer since December 17, 2013.

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

Donald G. Coffey, PhD. - served as Vice President of Research, Development and Innovation from August 2010 until January 3, 2014. Mr. Coffey left the Company on January 3, 2014.

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 have been in the form of restricted stock or restricted stock units, 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 relate. The grant date fair values of awards, computed in accordance with FASB ASC Topic 718, made during fiscal 2013, fiscal 2012, and the 2011 transition period to named executive officers are shown in the Stock Awards column of the Summary Compensation Table. Awards made with respect to fiscal 2013 were made on January 23, 2014 and are not included in the Summary Compensation Table. Awards made with respect to fiscal 2012 were made on November 29, 2012 and are included in the Summary Compensation Table. Awards made with respect to the 2011 transition period were made on March 1, 2012, and are included in the Summary Compensation Table for fiscal 2012. 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. 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.

Retirement Compensation

Non-Equity Based Retirement Compensation, provided through our 401(k) plan, permits employees to reduce their current income taxes by making limited 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.

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. On April 23, 2012, the Company received approval from the Internal Revenue Service to terminate the ESOP and the plan was terminated retroactively to be effective as of June 30, 2010. During fiscal 2012 the shares of stock held by the ESOP were distributed out to participants under the ESOP.

Consideration of Say-On-Pay Results

At the 2013 Annual Meeting of Stockholders, the majority of the shares of Common Stock and all of the shares of Preferred Stock, present in person or by proxy and entitled to vote at the meeting, voted against the approval of compensation of the Company's named executive officers. The Board of Directors spent considerable time evaluating how best to respond to the vote result. The Human Resources and Compensation Committee Board held extensive discussions with the single largest holder of the Company's Common Stock and Preferred Stock, Ms. Karen Seaberg. The Board carefully considered all of the options and took steps to strengthen the Company's compensation framework resulting, among other things, in the new compensation plans approved by the Board and presented to our stockholders at the 2014 Annual Meeting. The key changes include:

The Short-Term Incentive Plan is now linked to the achievement of key performance objectives that are aligned with our strategy. The Human Resources and Compensation Committee has structured these incentives around three metrics: operating profit, EBITDA and cash earnings per share. Performance targets, weightings, thresholds and maximums will be determined in the first quarter of each fiscal year. No payouts will be made prior to reaching the threshold targets. The cash bonus opportunity for the Named Executive Officers under the Short-Term Incentive Plan has been significantly reduced for 2014.

The mix of long-term incentives for employee compensation for 2014 is expected to be 50% in three-year vesting options and 50% in three-year vesting restricted stock unit awards as opposed to the historical composition of 100% restricted stock unit awards. The Committee believes that by using a mix of stock options and restricted stock units employees will be further incentivized to drive increases in the Company's stock price.

The compensation mix between long-term equity awards and short-term cash incentives has shifted away from short-term cash incentives.

The Company has implemented Stock Ownership Guidelines for both executives and directors as discussed below under the heading of "Stock Ownership Guidelines." These guidelines will further align their interests with the long term interests of the stockholders and further promote the Company's commitment to sound corporate governance.

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 (currently being filled by Interim Co-CEOs) 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 CEO provides the Committee with performance reviews and salary recommendations for other officers.

The Committee has unrestricted access to management. It may also request the participation of management or the Committee's independent consultant at any meeting or executive session. Committee meetings are regularly attended by the Chief Executive Officer, except for executive sessions and discussions of his own compensation and the Committee's independent consultant. The Committee regularly reports to the Board on compensation matters and annually reviews the Chief Executive Officer's compensation with the Board in executive session of non-management directors only.

The Committee has sole discretion, at Company expense, to retain and terminate independent advisors, including sole authority to approve the fees and retention terms for such advisors, if it shall determine the services of such advisors to be necessary or appropriate.

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 2014 following the say-on-pay vote at the 2013 Annual Meeting as discussed above, in section Consideration of Say-on-Pay Results. 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 retained compensation consultant, which maintains survey data for similar sized manufacturing firms located in the Midwest. The retained compensation consultant 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 retained compensation consultant updated information regarding average pay increases at the companies for which the retained compensation consultant 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.

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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. In June 2011, Mr. Newkirk's base salary was increased to \$390,000 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 or in fiscal 2012; however, the Human Resources and Compensation Committee considered and increased base pay for Mr. Newkirk by 3%, which was effective January 1, 2013. The Company entered an employment agreement with Mr. Newkirk in 2013 as discussed in section Employment Agreements below. However, Mr. Newkirk's salary was not adjusted in fiscal 2013. Adjustments are sometimes made as a result of a promotion or other change in duties. For example, Mr. Tracy and Mr. Schrick received a monthly increase in base pay of \$15,000 and \$16,000, respectively upon promotion to the position of Interim Co-Chief Executive Officer in December 2013.

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.

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

In December 2009 the Human Resources and Compensation Committee recommended, and the Board adopted a program based on what MGP called modified economic profit (MEP), which considered the dollar amount of wealth that was created or lost in a reporting period (the 2011 MEP Program). This program applied to fiscal 2011 and was the basis for the 2011 transition period short term incentive.

Under the 2011 MEP Program, annual awards were a percentage of base pay set by the Human Resources and Compensation Committee and were based on improvements in MEP, whose definition was 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 used for determining MEP under the 2011 MEP Program was: $MEP = \text{Adjusted NOPAT} - (C \times TC)$. The Committee was permitted to determine whether any non-recurring or unusual item would be included in income from operations, and in this regard make 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 2011 MEP Program depended on the percentage of base pay set by the Committee and the extent to which improvement in MEP over the base period met or exceeded targeted growth. No incentive compensation was payable if growth was less than 80% of target. If growth in MEP was between 80% and 90% of the growth target, 75% of targeted incentive compensation was payable. If growth in MEP was between 90% and 98% of the growth target, 85% of targeted compensation was payable. If growth in MEP was between 98% and 102% of the growth target, 100% of targeted incentive compensation was payable. If growth in MEP was between 102% and 110% of growth target, 115% of targeted incentive compensation was payable. If growth in MEP exceeded 110% of the growth target, 125% of target incentive compensation was payable.

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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 as a percentage of Base Pay for fiscal 2011 and the 2011 transition period are 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 Meyer & Partners.

Participant	Incentive Target % of Base Pay	Fiscal 2011 Cash Incentive	2011 Transition Period Cash Incentive
Mr. Newkirk	100	\$0	\$0
Mr. Tracy	70	\$0	\$0
Mr. Schrick	70	\$0	\$0
Mr. Rindom	70	\$0	\$0
Mr. Coffey	70	\$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 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 resulting from the purchase of the beverage alcohol distillery assets of Lawrenceburg Distillers Indiana, LLC.

2012 MEP Program (Fiscal 2012).

On December 14, 2012, the Board approved the adoption of the First Amended and Restated MGP Ingredients, Inc. Short-Term Incentive Plan (the 2012 Plan) related to annual cash incentives provided to employees that applied to fiscal 2012 and fiscal 2013. The 2012 MEP Plan gave the Human Resources and Compensation Committee discretion (i) to make partial bonus payments during the last month of the plan year to which they relate, based on estimated bonus achievement, (ii) to limit the payout amount to 100% of achievement where achievement is over 100% of target, and (iii) to limit or eliminate next-year carryover of excess and unpaid bonus achievement.

Under the 2012 MEP Plan, annual awards were a percentage of base pay set by the Committee and were based on either, (i) improvements in modified economic profit, or MEP, (ii) 50% on improvements in MEP and 50% on individual performance, or (iii) 100% on individual performance. Awards to named executive officers and officers elected by the Board (but not the corporate secretary) were based 100% on improvement in MEP. MEP equals adjusted net income from operations (net income from operations, plus depreciation less capital expenditures), net of taxes paid during the specified plan year (Adjusted NOPAT), minus a charge representing the weighted economic cost of capital (C) to the Company multiplied by the sum of average monthly total funded indebtedness plus average monthly total equity (TC). The formula used for determining MEP was: $MEP = \text{Adjusted NOPAT} - (C \times TC)$. The Committee was permitted to (i) estimate the MEP for the Company's fiscal year in order to calculate estimated MEP incentive compensation prior to the end of fiscal year and (ii) 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 was also permitted to determine whether individual performance goals should be adjusted to take into account factors not reasonably foreseeable at the beginning of a plan year.

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The actual amount of awards that was permitted to be paid for a fiscal year depends on the extent that improvement in MEP during such fiscal year over the base period meets or exceeds targeted growth. No incentive based on MEP was paid to participants if growth is less than 50% of target. If growth in MEP ranged between 50% and 100% of target, an equivalent percentage of targeted bonus that was based on MEP was paid. If growth in MEP was over 100% of target, then an equivalent percentage of targeted MEP bonus was paid, provided that no bonus in excess of 125% was paid and the Committee had discretion to limit the payout to 100% where growth in MEP over target ranges from 100% to 125%. Any MEP improvement in excess of 100% that was not paid was carried over to the next plan year and added to the growth in MEP for the following year to determine the amount of incentive compensation payable with respect to that year, unless the Committee decided to carry over a lesser, or no, amount.

In the final month of each plan year, the Committee had discretion to use projections of MEP and MEP growth performance to determine estimated annual incentive compensation payments to participants where the Committee wished to make a 90% payment in such final month (a December Payment). After the financial results for the plan year were available, the annual incentive compensation payment of those participants who received a December Payment was calculated and a payment for any remainder was paid. In the event that a December Payment is in excess of the finally determined amount of actual incentive compensation, the participant was required to pay to the Company the amount of such excess payment within 15 days of the Company's demand and the Company was permitted to elect to set-off any amount it otherwise owed to the participant by the amount of such excess.

For 2012, growth in MEP was measured from calendar year 2011. Participation levels of named executive officers for 2012 at the target level, as a percentage of base pay, were as follows: Timothy Newkirk (CEO) (100%); Don Tracy (CFO) (70%); Randy Schrick (70%), Dave Rindom (70%); and Don Coffey (70%).

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Subject to Committee discretion in the case of terminations without cause, an employee whose employment was terminated during a plan year was not be entitled to incentive compensation under the plan. The plan would terminate upon a change in control and pro-rated payments made, based on year-to-date performance through the most recently completed fiscal quarter.

Awards made under the plan were subject to any clawback policy adopted by the Human Resources and Compensation Committee from time to time. Under the policy adopted by the Committee and approved by the Board of Directors, awards based on achievement of financial results that are subsequently determined to be erroneous are subject to forfeiture in whole or in part in the discretion of the independent directors on the Board.

For 2012, the Committee estimated that the MEP improvement was substantially more than 100% of target. The December Payment equal to 90% of the incentive compensation payable of the MEP improvement at 100% was paid under the plan. After the financial results for fiscal 2012 became available, the remainder was paid in March, 2013. The additional payment is reflected in the table below in a separate column. The Committee has determined not to carry over the excess MEP growth to the 2013 plan year. The cash incentive for the year ended December 31, 2013 was paid in the first quarter of 2014.

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Participant	Incentive Target % of Base Pay Fiscal 2012 and Fiscal 2013	Fiscal 2012 Cash Incentive	Payment of Fiscal 2012 Cash Incentive Paid in 2013	Fiscal 2013 Cash Incentive	Cash Incentive Paid in 2014 for Fiscal 2013
Mr. Newkirk	100	\$351,000	\$39,000	\$0	\$434,830
Mr. Tracy	70	\$140,517	\$15,613	\$0	\$120,619
Mr. Schrick					