

TORONTO DOMINION BANK  
Form 424B2  
May 02, 2018  
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**Registration Statement No. 333-211718**

**The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement is not an offer to sell nor does it seek an offer to buy these Notes in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion, Dated May 2, 2018**

Pricing Supplement dated May , 2018 to the  
Prospectus Supplement dated June 30, 2016 and  
Prospectus Dated June 30, 2016

The Toronto-Dominion Bank

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Callable Step Up Notes

Due May 31, 2021

The Toronto-Dominion Bank (“TD” or “we”) is offering the Callable Step Up Notes due May 31, 2021 (the “Notes”) described below.

CUSIP / ISIN: 89114QMZ8 / US89114QMZ80

The Notes will accrue interest at the following fixed rates:

§	May 31, 2018 to but excluding May 31, 2019: 2.75%
§	May 31, 2019 to but excluding May 31, 2020: 3.00%
§	May 31, 2020 to but excluding May 31, 2021: 4.25%

TD will pay interest on the Notes quarterly on the last calendar day of February, May, August and November of each year (each an “Interest Payment Date”), commencing on August 31, 2018.

TD may, at its option, elect to redeem the Notes in whole, but not in part, on any Optional Call Date, upon five Business Days’ prior written notice, commencing on August 31, 2018.

Any payments on the Notes are subject to the credit risk of TD. The Notes are unsecured and are not savings accounts or insured deposits of a bank. The Notes are not insured or guaranteed by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other governmental agency or instrumentality of Canada or the United States.

The Notes will not be listed or displayed on any securities exchange or any electronic communications network.

**Investment in the Notes involves a number of risks. See “Additional Risk Factors” on page P-5 of this pricing supplement, “Risk Factors” beginning on page S-4 of the prospectus supplement dated June 30, 2016 (the “prospectus supplement”) and “Risk Factors” beginning on page 1 of the prospectus dated June 30, 2016 (the “prospectus”).**

**Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of these Notes or determined that this pricing supplement, the prospectus supplement or the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

We will deliver the Notes in book-entry only form through the facilities of The Depository Trust Company on or about May 31, 2018, against payment in immediately available funds.

	Public Offering Price <sup>1</sup>	Underwriting Discount <sup>2</sup>	Proceeds to TD
Per Security	\$1,000.00	\$	\$
Total	\$	\$	\$

<sup>1</sup> Certain dealers who purchase the Notes for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The public offering price for investors purchasing the Notes in these accounts may be as low as \$980.00 (98.00%) per \$1,000 principal amount of the Notes.

<sup>2</sup> TD Securities (USA) LLC may receive a commission of up to \$20.50 (2.05%) per \$1,000 principal amount of the Notes and may use a portion of that commission to allow selling concessions to other dealers in connection with the distribution of the Notes. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. The total “Underwriting Discount” and “Proceeds to TD” to be specified above will reflect the aggregate of the underwriting discount per Note at the time TD established any hedge positions on or prior to the Pricing Date, which may be variable and fluctuate depending on market conditions at such times. See “Supplemental Plan of Distribution (Conflicts of Interest)” on page P-8 of this pricing supplement.

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Callable Step Up Notes

Due May 31, 2021

Summary

The information in this “Summary” section is qualified by the more detailed information set forth in this pricing supplement, the prospectus supplement and the prospectus.

**Issuer:** The Toronto-Dominion Bank  
**Issue:** Senior Debt Securities  
**Type of Note:** Callable Step Up Notes  
**CUSIP / ISIN:** 89114QMZ8 / US89114QMZ80  
**Underwriter:** TD Securities (USA) LLC  
**Currency:** U.S. Dollars  
**Minimum Investment:** \$1,000 and minimum denominations of \$1,000 in excess thereof.  
**Principal Amount:** \$1,000 per Note  
**Issue Price:** 100% of the Principal Amount per Note  
**Pricing Date:** May 25, 2018  
**Issue Date:** May 31, 2018  
**Maturity Date:** May 31, 2021, subject to redemption by TD prior to the maturity date as set forth below under “Redemption.”  
**Payment at Maturity:** If the Notes have not been redeemed by us, as described elsewhere in this pricing supplement, TD will pay you the Principal Amount of your Notes plus any accrued and unpaid interest.  
**Rates per annum, payable quarterly in arrears (equal payments):**  
 May 31, 2018 to but excluding May 31, 2019: 2.75%  
 May 31, 2019 to but excluding May 31, 2020: 3.00%  
 May 31, 2020 to but excluding May 31, 2021: 4.25%  
**Day Count Fraction:** 30/360  
**Interest Payment Dates:** Quarterly, on the last calendar day of February, May, August and November of each year, commencing on August 31, 2018. If an Interest Payment Date is not a Business Day, interest shall be paid on the next Business Day, without adjustment for period end dates and no interest shall be paid in respect of the delay.  
**Redemption:** The Notes are redeemable by TD, in whole, but not in part, on any Optional Call Date at 100% of their Principal Amount together with accrued and unpaid interest, if any, to, but excluding the applicable Optional Call Date. TD will provide written notice to DTC at least five (5) Business Days prior to the applicable Optional Call Date.  
**Optional Call Dates:** The last calendar day of February, May, August and November of each year, commencing on August 31, 2018, and ending on the Interest Payment Date immediately preceding the Maturity Date. If an Optional Call Date is not a Business Day, then the Notes shall be redeemable on the next Business

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Day and no interest shall be paid in respect of the delay.

Any day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor

Business Day: a day on which banking institutions are authorized or required by law to close in New York City or Toronto.

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U.S. Tax Treatment:	The Notes should be treated for U.S. federal income tax purposes as fixed rate debt instruments that are issued without original issue discount, as discussed further herein under “Supplemental Discussion of U.S. Federal Income Tax Consequences”, which apply to your Notes.
Canadian Tax Treatment:	Please see the discussion under the caption “Tax Consequences—Canadian Taxation” in the prospectus, which applies to your Notes.
Calculation Agent:	TD
Listing:	The Notes will not be listed or displayed on any securities exchange or any electronic communications network.
Clearance and Settlement:	DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg as described under “Forms of the Debt Securities” and “Book-Entry Procedures and Settlement” in the prospectus).
Terms Incorporated in the Master Note:	All of the terms appearing above the item captioned “Listing” above and the terms appearing under the caption “Description of the Notes We May Offer” in the prospectus supplement, as modified by this pricing supplement.

*The Pricing Date, the Issue Date and all other dates listed above are subject to change. These dates will be set forth in the final pricing supplement that will be made available in connection with sales of the Notes.*

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Additional Terms of Your Notes

You should read this pricing supplement together with the prospectus, as supplemented by the prospectus supplement, relating to our Senior Debt Securities, of which these Notes are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the prospectus supplement. In the event of any conflict, this pricing supplement will control. ***The Notes vary from the terms described in the prospectus supplement in several important ways. You should read this pricing supplement carefully.***

This pricing supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Additional Risk Factors” on page P-5 of this pricing supplement, “Risk Factors” beginning on page S-4 of the prospectus supplement and “Risk Factors” on page 1 of the prospectus, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the SEC website at [www.sec.gov](http://www.sec.gov) as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

§ Prospectus dated June 30, 2016:

<https://www.sec.gov/Archives/edgar/data/947263/000119312516638441/d162493d424b3.htm>

§ Prospectus Supplement dated June 30, 2016:

<https://www.sec.gov/Archives/edgar/data/947263/000119312516638460/d191617d424b3.htm>

Our Central Index Key, or CIK, on the SEC website is 0000947263. As used in this pricing supplement, the “Bank,” “we,” “us,” or “our” refers to The Toronto-Dominion Bank and its subsidiaries. Alternatively, The Toronto-Dominion Bank, any agent or any dealer participating in this offering will arrange to send you the prospectus supplement and the prospectus if you so request by calling 1-855-303-3234.

We reserve the right to change the terms of, or reject any offer to purchase, the Notes prior to their issuance. In the event of any changes to the terms of the Notes, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes, in which case we may reject your offer to purchase.

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### Additional Risk Factors

The Notes involve risks not associated with an investment in ordinary fixed rate notes. This section describes the most significant risks relating to the terms of the Notes. For additional information as to these risks, please see the prospectus supplement and the prospectus.

You should carefully consider whether the Notes are suited to your particular circumstances before you decide to purchase them. Accordingly, prospective investors should consult their investment, legal, tax, accounting and other advisors as to the risks entailed by an investment in the Notes and the suitability of the Notes in light of their particular circumstances.

### **Investors Are Subject to Our Credit Risk, and Our Credit Ratings and Credit Spreads May Adversely Affect the Market Value of the Notes.**

Investors are dependent on TD's ability to pay all amounts due on the Notes on the Interest Payment Dates and the Maturity Date, and, therefore, investors are subject to the credit risk of TD and to changes in the market's view of TD's creditworthiness. Any decrease in TD's credit ratings or increase in the credit spreads charged by the market for taking TD's credit risk is likely to adversely affect the market value of the Notes. If TD becomes unable to meet its financial obligations as they become due, investors may not receive any amounts due under the terms of the Notes.

### **The Notes Are Subject to Early Redemption at TD's Option.**

TD has the option to redeem the Notes on any Optional Call Dates as set forth above. It is more likely that we will redeem the Notes prior to the Maturity Date to the extent that the interest payable on the Notes is greater than the interest that would be payable on our other instruments of a comparable maturity, terms and credit rating trading in the market. If the Notes are redeemed prior to their stated Maturity Date, you may have to re-invest the proceeds in a lower rate environment.

### **The Step Up Feature Presents Different Investment Considerations Than Fixed Rate Notes.**

The interest rate payable on the Notes during their term will increase from the initial Interest Rate, subject to TD's right to redeem the Notes on any Optional Call Date. You should not expect to earn the higher stated Interest Rates which are applicable only after the first Optional Call Date because the Notes may be redeemed prior to the stated Maturity Date. Should general market interest rates increase beyond the rates provided by the Notes during the term of the Notes, we will likely not redeem the Notes, and investors will be holding Notes that bear interest at below-market rates.

### **The Agent Discount, Offering Expenses and Certain Hedging Costs Are Likely to Adversely Affect Secondary Market Prices.**

Assuming no changes in market conditions or any other relevant factors, the price, if any, at which you may be able to sell the Notes will likely be lower than the public offering price. The public offering price includes, and any price quoted to you is likely to exclude, the underwriting discount paid in connection with the initial distribution, offering expenses as well as the cost of hedging our obligations under the Notes. In addition, any such price is also likely to reflect dealer discounts, mark-ups and other transaction costs, such as a discount to account for costs associated with establishing or unwinding any related hedge transaction.

### **There May Not Be an Active Trading Market for the Notes — Sales in the Secondary Market May Result in Significant Losses.**

There may be little or no secondary market for the Notes. The Notes will not be listed or displayed on any securities exchange or any electronic communications network. TD Securities (USA) LLC and other affiliates of TD may make a market for the Notes; however, they are not required to do so. TD Securities (USA) LLC or any other affiliate of TD may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and ask prices for your Notes in any secondary market could be substantial.

If you sell your Notes before the Maturity Date, you may have to do so at a substantial discount from the Issue Price, and as a result, you may suffer substantial losses.

**The Temporary Price at Which the Underwriter May Initially Buy The Notes in the Secondary Market May Exceed Other Secondary Market Values and, Depending on Your Broker, the Valuation Provided on Your Customer Account Statements May Not Be Indicative of Future Prices of Your Notes.**

Assuming that all relevant factors remain constant after the Pricing Date, the price at which the Underwriter may initially buy or sell the Notes in the secondary market (if the Underwriter makes a market in the Notes, which it is not obligated to do) may, for a temporary period after the Pricing Date of the Notes, exceed the secondary market value of the Notes, as discussed further under “Supplemental Plan of Distribution (Conflicts of Interest).” During this temporary period such prices may, depending on your broker, be greater than the valuation provided on your customer account statements; you should inquire with your broker as to the valuation provided on your customer account statement. The price at which the Underwriter may initially buy or sell the Notes in the secondary market may not be indicative of future prices of your Notes.

**Significant Aspects of the Tax Treatment of the Notes May Be Uncertain.**

The U.S. tax treatment of the Notes may be uncertain. Please read carefully the section entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” below. You should consult your tax advisor about your tax situation.

For a more complete discussion of the Canadian federal income tax consequences of investing in the Notes, please see “Tax Consequences—Canadian Taxation” in the prospectus. If you are not a Non-resident Holder (as that term is defined in “Canadian Taxation” in the prospectus) for Canadian federal income tax purposes or if you acquire the Notes in the secondary market, you should consult your tax advisors as to the consequences of acquiring, holding and disposing of the Notes and receiving the payments that might be due under the Notes.

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Supplemental Discussion of U.S. Federal Income Tax Consequences

*General* The following discussion summarizes certain U.S. federal income tax consequences to U.S. Holders of the purchase, beneficial ownership and disposition of the Notes. This discussion replaces the federal income tax discussions in the prospectus supplement and prospectus. The discussion herein does not address the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Internal Revenue Code of 1986, as amended (the “Code”).

For purposes of this summary, a “U.S. Holder” is a beneficial owner of a Note that is:

- an individual who is a citizen or a resident of the U.S., for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the U.S. or any State thereof (including the District of Columbia);
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the U.S. is able to exercise primary supervision over its administration, and one or more U.S. persons, for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

For purposes of this summary, a “Non-U.S. Holder” is a beneficial owner of a Note that is:

- a nonresident alien individual for federal income tax purposes;
- a foreign corporation for federal income tax purposes; or
- an estate or trust whose income is not subject to federal income tax on a net income basis.

An individual may, subject to certain exceptions, be deemed to be a resident of the U.S. for U.S. federal income tax purposes by reason of being present in the U.S. for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one third of the days present in the immediately preceding year, and one sixth of the days present in the second preceding year).

This summary is based on interpretations of the Code, regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. In addition, this summary addresses only holders that purchase Notes at initial issuance, and own Notes as capital assets and not as part of a “straddle,” “hedge,” “synthetic security,” or a “conversion transaction” for U.S. federal income tax purposes or as part of some other integrated investment. This summary does not discuss all of the tax consequences (such as any alternative minimum tax consequences) that may be relevant to particular investors or to investors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; regulated investment companies or real estate investment trusts; small business investment companies; S corporations; partnerships; or investors that hold their Notes through a partnership or other entity treated as a partnership for U.S. federal income tax purposes; holders whose functional currency is not the U.S. dollar; certain former citizens or residents of the U.S.; retirement plans or other tax-exempt entities, or persons holding the Notes in tax-deferred or tax-advantaged accounts; persons that purchase or sell the Notes as part of a wash sale for tax purposes; or “controlled foreign corporations” or “passive foreign investment companies” for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder, or any state, local or non-U.S. tax consequences of the purchase, ownership or disposition of the Notes. Persons considering the purchase of Notes should consult their tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, beneficial ownership and disposition of Notes arising under the laws of any other taxing jurisdiction.

**U.S. Federal Income Tax Treatment of the Notes as Indebtedness for U.S. Federal Income Tax Purposes and Payments of Interest**

The Notes should be treated as indebtedness for U.S. federal income tax purposes, and the balance of this summary assumes that the Notes are treated as indebtedness for U.S. federal income tax purposes.

We intend to take the position that, solely for purposes of determining whether the Notes are issued with original issue discount, we are deemed to exercise our option to redeem the Notes prior to each interest rate step-up and, as a result, interest payments on the Notes will be taxable to a U.S. Holder as non-U.S.-source ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's normal method of accounting for tax purposes. Pursuant to the terms of the Notes, you agree to treat the Notes consistent with our treatment for all U.S. federal income tax purposes.

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**In the opinion of our special U.S. tax counsel, Cadwalader, Wickersham & Taft LLP, your Notes should be treated as described above. However, the U.S. federal income tax treatment of the Notes is uncertain. We do not plan to request a ruling from the U.S. Internal Revenue Service (the “IRS”) regarding the tax treatment of the Notes, and the IRS or a court may not agree with the tax treatment described in this pricing supplement. We urge you to consult your tax advisor as to the tax consequences of your investment in the Notes.**

### **Sale, Exchange, Early Redemption or Maturity of the Notes**

Upon the disposition of a Note by sale, exchange, early redemption, maturity or other taxable disposition, a U.S. Holder should generally recognize taxable gain or loss equal to the difference between (1) the amount realized on such taxable disposition (other than amounts attributable to accrued but untaxed interest) and (2) the U.S. Holder’s adjusted tax basis in the Note. A U.S. Holder’s adjusted tax basis in a Note generally will equal the U.S. Holder’s cost of the Note. Because the Note is held as a capital asset, such gain or loss will generally constitute capital gain or loss. Capital gain of a noncorporate U.S. Holder is generally taxed at preferential rates where the holder has a holding period of greater than one year. The deductibility of a capital loss realized on the taxable disposition of a Note is subject to limitations.

### **Medicare Tax on Net Investment Income**

U.S. Holders that are individuals, estates or certain trusts are subject to an additional 3.8% tax on all or a portion of their “net investment income,” or “undistributed net investment income” in the case of an estate or trust, which may include any income or gain with respect to the Notes, to the extent of their net investment income or undistributed net investment income (as the case may be) that, when added to their other modified adjusted gross income, exceeds \$200,000 for an unmarried individual, \$250,000 for a married taxpayer filing a joint return (or a surviving spouse), or \$125,000 for a married individual filing a separate return, or the dollar amount at which the highest tax bracket begins for an estate or trust. The 3.8% Medicare tax is determined in a different manner than the income tax. U.S. holders should consult their tax advisors as to the consequences of the 3.8% Medicare tax with respect to their investment in the Notes.

### **Specified Foreign Financial Assets**

Certain U.S. Holders that own “specified foreign financial assets” in excess of an applicable threshold may be subject to reporting obligations with respect to such assets with their tax returns, especially if such assets are held outside the custody of a U.S. financial institution. You are urged to consult your tax advisor as to the application of this reporting obligation to your ownership of the Notes.

### **Tax Treatment of Non-U.S. Holders**

In general and subject to the discussion below, payments on the Notes to a Non-U.S. Holder and gain realized on the sale, exchange, early redemption, maturity or other taxable disposition of the Notes by a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, unless (1) such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the U.S., (2) in the case of gain, such Non-U.S. Holder is a nonresident alien individual who holds the Notes as a capital asset and is present in the U.S. for more than 182 days in the taxable year of the sale and certain other conditions are satisfied, (3) such Non-U.S. Holder fails to provide the relevant correct, complete and executed IRS Form W-8 or (4) such Non-U.S. Holder has certain other present or former connections with the U.S.

### **Backup Withholding and Information Reporting**

Interest paid on, and the proceeds received from a sale, exchange, early redemption, maturity or other taxable disposition of Notes held by a U.S. Holder will be subject to information reporting unless the U.S. Holder is an “exempt recipient” and may also be subject to backup withholding if the holder fails to provide certain identifying information (such as an accurate taxpayer number) or meet certain other conditions.

Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is furnished to the IRS.

Payments of principal and interest on, and proceeds from the taxable disposition of, Notes held by a Non-U.S. Holder to or through certain brokers may be subject to a backup withholding tax on “reportable payments” unless, in general, such Non-U.S. Holder complies with certain procedures or is an exempt recipient. Any such amounts so withheld from distributions on the Notes generally will be refunded by the IRS or allowed as a credit against such Non-U.S. Holder’s federal income tax, provided the holder makes a timely filing of an appropriate tax return or refund claim. Reports will be made to the IRS and to holders that are not excepted from the reporting requirements.

**Both U.S. and Non-U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction (including that of TD).**

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Supplemental Plan of Distribution (Conflicts of Interest)

We have appointed TD Securities (USA) LLC, an affiliate of TD, as the agent for the sale of the Notes. Pursuant to the terms of a distribution agreement, TD Securities (USA) LLC will purchase the Notes from TD at the public offering price less the underwriting discount set forth on the cover page of this pricing supplement for distribution to other registered broker-dealers, or will offer the securities directly to investors. TD Securities (USA) LLC or other registered broker-dealers will offer the Notes at the public offering price set forth on the cover page of this pricing supplement. Certain dealers who purchase the Notes for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The public offering price for investors purchasing the Notes in these accounts may be as low as \$980.00 (98.00%) per \$1,000 principal amount of the Notes. TD Securities (USA) LLC may receive a commission of up to \$20.50 (2.05%) per \$1,000 principal amount of the Notes and may use a portion of that commission to allow selling concessions to other dealers in connection with the distribution of the Notes. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. The total “Underwriting Discount” and “Proceeds to TD” to be specified on the cover hereof will reflect the aggregate of the underwriting discounts per Note at the time TD established any hedge positions prior to the Pricing Date, which may be variable and fluctuate depending on market conditions at such times.

We expect that delivery of the Notes will be made against payment for the Notes on or about May 31, 2018, which is the third Business Day following the Pricing Date (this settlement cycle being referred to as “T+3”). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two Business Days (T+2), unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes in the secondary market on any date prior to two Business Days before delivery of the Notes will be required, by virtue of the fact that each Note initially will settle in three Business Days (T+3), to specify alternative settlement arrangements to prevent a failed settlement of the secondary market trade. See “Plan of Distribution” in the prospectus.

Assuming that all relevant factors remain constant after the Pricing Date, the price at which the Underwriter may initially buy or sell the Notes in the secondary market, if any, may, for a temporary period expected to be approximately 18 months after the Issue Date, exceed the secondary market value of the Notes because, in our discretion, we may elect to effectively reimburse to investors a portion of the estimated cost of hedging our obligations under the Notes and other costs in connection with the Notes which we will no longer expect to incur over the term of the Notes. This discretionary election and the temporary reimbursement period are determined on the basis of a number of factors, including the tenor of the Notes and any agreement we may have with the distributors of the Notes. The amount of our estimated costs which we effectively reimburse to investors in this way may not be allocated ratably throughout the reimbursement period, and we may discontinue such reimbursement at any time or revise the duration of the reimbursement period after the Issue Date of the Notes based on changes in market conditions and other factors that cannot be predicted.

*Conflicts of Interest.* TD Securities (USA) LLC is an affiliate of TD and, as such, has a “conflict of interest” in this offering within the meaning of Financial Industry Regulatory Authority, Inc. (“FINRA”) Rule 5121. In addition, TD will receive the net proceeds from the initial public offering of the Notes, thus creating an additional conflict of interest within the meaning of FINRA Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of FINRA Rule 5121. TD Securities (USA) LLC is not permitted to sell Notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

We may use this pricing supplement in the initial sale of the Notes. In addition, TD Securities (USA) LLC or another of our affiliates may use this pricing supplement in a market-making transaction in the Notes after their initial sale. ***Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this pricing supplement is being used in a market-making transaction.***

**Prohibition of Sales to EEA Retail Investors**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”), for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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d include his position as CEO of the Company and his extensive experience in distillery operations.

**KAREN SEABERG**

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

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

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

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

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

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

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

on the Company and is advisory in nature.

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The Company submits the following proposal:

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

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

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

#### CERTAIN INFORMATION CONCERNING THE BOARD AND ITS COMMITTEES

Standing Committees; Meetings; Independence.

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

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

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

Audit Committee.

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



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

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

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

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

#### Audit Committee Report

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

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

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

#### Nominating and Governance Committee.

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



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

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

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

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

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

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



## Human Resources and Compensation Committee

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

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

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

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

## Board Leadership Structure and Role in Risk Management.

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

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





## Compensation Committee Interlocks and Insider Participation

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

## Human Resources and Compensation Committee Report

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

### Compensation Committee Members:

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

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

## EXECUTIVE COMPENSATION AND OTHER INFORMATION

### Compensation Discussion and Analysis

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

- § Timothy W. Newkirk - Mr. Newkirk has served as President and Chief Executive Officer since March 5, 2008.
- § Don Tracy – Mr. Tracy joined the Company in October 2009 and has served as Vice President of Finance and Chief Financial Officer since November 6, 2009.
  - § Scott Phillips – Mr. Phillips has served as Vice President, Supply Chain Operations since June 2009.
  - § David E. Rindom – Mr. Rindom has served as Vice President, Human Resources since June 2000.
- § Randall M. Schrick - Mr. Schrick has served as Vice President of Engineering since June 2009. From November 11, 2009 to December 31, 2011, he also served as President of Illinois Corn Processing, LLC ("ICP"), which was a 50% owned joint venture company until February 1, 2012 (now 30%) and which operates our former facility in Pekin, Illinois.

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



## Objectives of our Compensation Program

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

## Components of Our Compensation Program

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

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



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

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

#### Consideration of Say-On-Pay Results

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

#### How we Determine Compensation.

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

#### 2012 MEP Program

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



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

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

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

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

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



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

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

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

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

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

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



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

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

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

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

**Tax and Accounting Considerations and Other Matters.**

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

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

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

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

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

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

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

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

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

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

SUMMARY COMPENSATION TABLE  
2011 TRANSITION PERIOD

AND

FISCAL YEARS ENDED JUNE 30, 2011, 2010 AND 2009

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

Name and Principal Position	Year (1)	Salary (\$)(2)	Stock Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)(4)(5)	Total (\$)
Timothy W.	2011T	195,000	96,525	-	21,210	279,735
Newkirk (a) (PEO)	2011	366,923	153,225	-	26,806	546,954
	2010	326,923	-	408,654	19,115	754,692
	2009	320,000	197,537	-	183	517,720
Don Tracy (b) (PFO)	2011T	111,521	96,525	-	10,562	218,608
	2011	215,067	96,525	-	18,803	330,395
	2010	142,692	-	111,731	183	254,606
Scott Phillips (c)	2011T	102,258	96,525	-	11,102	209,885
	2011	204,400	96,525	-	18,274	319,199
David E. Rindom (d)	2011T	103,062	96,525	-	12,034	211,621
Randy M. Schrick (e)	2011T	122,854	96,525	-	14,510	233,889
	2011	250,434	96,525	-	23,789	370,748

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2010	228,630	-	200,052	22,444	451,126
2009	213,400	141,962	-	183	355,545

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- (a) Mr. Newkirk has served as President and Chief Executive Officer since March 5, 2008.
- (b) Mr. Tracy joined the Company in October 2009 and has served as Vice President of Finance and Chief Financial Officer since November 6, 2009.
- (c) Mr. Phillips has served as Vice President of Supply Chain since June 2009 and was first a named executive officer in fiscal 2011.
- (d) Mr. Rindom has served as Vice President, Human Resources since June 2000 and was first a named executive officer in the 2011 transition period.
- (e) Mr. Schrick served as Vice President-Engineering & Corporate Director of Distillery Products Manufacturing in fiscal 2009 until June 2009, when he was named Vice President of Engineering. From November 11, 2009 to December 31, 2011, he also served as President of ICP, a joint venture company which operates our former facility in Pekin, Illinois. In connection with this appointment, we agreed to retain Mr. Schrick through June 30, 2012, to reinstate him to his former salary and position if the joint venture replaced him prior to such date and to pay his moving expenses to the Pekin area.
- (1) "2011T" refers to the six month 2011 transition period ended December 31, 2011. "2011" refers to fiscal 2011, "2010" refers to fiscal 2010 and "2009" refers to fiscal 2009.
- (2) Includes the following amounts paid as director's fees: 2009 - \$875 to Mr. Schrick and \$1,313 to Mr. Newkirk; fiscal 2010 - \$2,188 to Mr. Newkirk; fiscal 2011 \$2,188 to Mr. Newkirk; 2011T - \$1,313 to Mr. Newkirk.
- (3) The amount shown is the grant date fair value of awards made during the period computed in accordance with FASB ASC Topic 718. Accelerated full or pro rata vesting may be permitted upon a change of control or if employment is terminated as a result of death, disability, retirement or termination without cause. We pay dividends on these shares during the vesting period, which are not taken into account in determining their grant date fair value.
- (4) Excludes perquisites and other benefits, unless the aggregate amount of such compensation equals or exceeds \$10,000 for the named executive officer.
- (5) Includes \$2,700 in relocation expenses paid for the benefit of Mr. Schrick in fiscal 2010. Includes dividends paid on unvested restricted stock awards in the 2011 transition period and fiscal 2011 in the following amounts: 2011T - Mr. Newkirk - \$10,445; Mr. Tracy - \$2,255; Mr. Phillips - \$4,816; Mr. Rindom - \$3,688; Mr. Schrick - \$8,688; fiscal 2011 Mr. Newkirk - \$4,935; Mr. Tracy - \$715; Mr. Phillips - \$1,995; Mr. Schrick - \$4,106. Includes the Company's contributions to the Company's 401(k) plan allocated to the accounts of each named executive officer for the 2011 transition period, fiscal 2011 and fiscal 2010 in the following amounts: 2011T - Mr. Newkirk - \$15,600; Mr. Tracy - \$8,922; Mr. Phillips - \$8,181; Mr. Rindom - \$8,245; Mr. Schrick - \$9,828; fiscal 2011 - Mr. Newkirk - \$19,600; Mr. Tracy - \$17,205; Mr. Phillips - \$16,112; Mr. Schrick - \$19,600; fiscal 2010 - Mr. Newkirk - \$19,600; Mr. Tracy - \$0; Mr. Schrick - \$19,600. Also includes amount paid by the Company towards the purchase of life insurance. No contribution was made to the Employee Stock Ownership Plan for the account of named executive officers in any of the years shown and none was made to the 401(k) Plan in fiscal 2009. No dividends were paid in fiscal 2009 or fiscal 2010.



## GRANTS OF PLAN-BASED AWARDS

The following table shows grants of plan-based awards made to the named executive officers during the 2011 transition period.

Name	Grant Date(1)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	Grant Date Fair Value of Stock and Option Awards (\$)(1)
		Threshold (\$)	Target (\$)	Maximum (\$)		
Timothy W. Newkirk	8/25/2011	146,250	195,000	243,750	16,500	96,525
Don Tracy	8/25/2011	58,549	78,065	97,581	16,500	96,525
Scott Phillips	8/25/2011	46,016	61,355	76,694	16,500	96,525
David E. Rindom	8/25/2011	54,107	72,143	90,179	16,500	96,525
Randy M. Schrick	8/25/2011	64,499	85,998	107,498	16,500	96,525

(1) The Company's program for restricted stock/restricted unit awards under its Stock Incentive Plan of 2004 is described in Compensation Discussion and Analysis - Long Term Incentives. Individual awards are based in part on improvements to MEP. Total awards generally are based on a percentage (approximately 85.7%) of the increase in MEP. However, subject to the discretion of the Human Resources and Compensation Committee, the maximum grant date market value of the awards made for any year to all participants is \$4.5 million and the minimum grant date market value made in any year to all participants, including years in which the change in MEP is negative, is \$1.5 million. Awards shown in the table were made during the 2011 transition period but were based on fiscal 2011 performance. The fiscal 2011 increase in MEP was below target, and shares awarded with respect to fiscal 2011 were awarded at the minimal level. Individual participation amounts were based on the recommendation of Mr. Newkirk. Generally, these restricted stock awards will vest on August 5, 2016 subject to completion of employment through that date. Accelerated full or pro rata vesting may be permitted upon a change of control or if employment is terminated as a result of death, disability, retirement or termination without cause. Dividends are paid on the restricted shares. Awards are subject to our claw back policy.

(2) The Company's annual cash incentive plan for the 2011 transition period is described in Compensation Discussion and Analysis – Annual Cash Incentive – Current MEP Program (2011 Transition Period and Fiscal 2010 and 2011). Under the Current MEP Program, annual awards are a percentage of base pay set by the Human Resources and Compensation Committee and are based on improvements in MEP, by which we mean adjusted net income from operations (net income from operations, plus depreciation less capital expenditures), net of taxes paid during the specified fiscal year (“Adjusted NOPAT”), minus a charge representing our weighted estimated economic cost of capital (“C”) multiplied by the sum of average monthly total funded indebtedness plus average monthly total equity (“TC”). The formula we use for determining MEP is:  $MEP = \text{Adjusted NOPAT} - (C \times TC)$ . The Human Resources and Compensation Committee may determine whether any non-recurring or extraordinary item will be included in income from operations, and in this regard makes an adjustment for the margin sharing arrangement with the Company's joint venture, ICP. The actual amount of awards that may be paid depend on the percentage of base pay set by the Committee for each participant and the extent to which improvement in MEP over the base period meets or exceeds targeted growth. If growth in MEP had been between 80% and 90% of the growth target, 75% of targeted incentive compensation would have been paid. If growth in MEP had been between 90% and 98% of the growth target,





85% of targeted compensation would have been paid. If growth in MEP had been between 98% and 102% of the growth target, 100% of targeted incentive compensation would have been paid. If growth in MEP had been between 102% and 110% of growth target, 115% of targeted incentive compensation would have been paid. If growth in MEP had exceeded 110% of the growth target, 125% of target incentive compensation would have been paid. For the 2011 transition period, no incentive compensation was payable because growth in MEP was less than 80% of target.

**OUTSTANDING EQUITY AWARDS  
AT END OF 2011 TRANSITION PERIOD  
DECEMBER 31, 2011**

The following table shows information concerning stock options and restricted stock awards outstanding held by the named executive officers at December 31, 2011. No stock options of any of the named executive officers were repriced.

Name	Option Awards			Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Timothy W. Newkirk	0	-	-	8,100(2)	40,824
				9,200(3)	46,368
				17,695(4)	89,183
				36,000(5)	181,440
				22,700(6)	114,408
Don Tracy	0	-	-	14,300(6)	72,072
				16,500(7)	83,160
Scott Phillips	0	-	-	7,613(4)	38,370
				18,000(5)	90,720
				14,300(6)	72,072
				16,500(7)	83,160
David E. Rindom	7,500	3.62	12/02/2012	9,300(2)	46,872
				6,600(3)	33,264
				9,561(4)	48,187
				17,500(5)	88,200
				14,300(6)	72,072
Randy M. Schrick	10,000	6.44	6/12/2012	13,500(2)	68,040
				9,300(3)	46,872
				13,530(4)	68,192
				24,500(5)	123,480
				14,300(6)	72,072
				16,500(7)	83,160



- (1) Because they will vest in any event after seven years, we report performance accelerated restricted stock awards granted prior to fiscal 2008 in this column instead of as equity incentive plan awards.
- (2) These shares will vest on July 1, 2012.
- (3) These shares will vest on July 1, 2013.
- (4) These shares will vest on July 1, 2013.
- (5) These shares will vest on June 11, 2014.
- (6) These shares will vest on August 26, 2015.
- (7) These shares will vest on August 25, 2016

#### OPTION EXERCISES AND STOCK VESTED

The following table shows certain information concerning the exercise of options and vesting of stock awards for named executive officers during the 2011 transition period.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Timothy W. Newkirk	-	-	5,000	43,750
Don Tracy	-	-	-	-
Scott Phillips	-	-	-	-
Dave Rindom	-	-	4,400	38,500
Randy M. Schrick	-	-	7,000	61,250

#### Potential Payments upon Termination or Change-in-Control

##### General

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

##### Restricted Stock and Restricted Stock Unit Awards

Accelerated or pro rata vesting is permitted under our restricted stock awards and restricted stock unit awards upon a change of control or if employment is terminated as a result of death, disability, retirement or, in the discretion of the Human Resources and Compensation Committee, termination without cause. The following summarizes the arrangements provided for outstanding restricted stock awards and restricted stock unit awards in the event of termination or change in control, although the Committee has discretion under the 2004 Plan to modify these arrangements and has generally exercised such discretion in the event of involuntary termination. We provide for change in control payments in our long term incentive plans so that employees will remain focused on our business in the event of potential or actual changes in control.

In fiscal 2007 and prior years we granted performance accelerated restricted shares that vested in three years if specified performance goals were met and seven years if such goals were not met. In the event of death, disability, retirement or, in the sole discretion of the Human Resources and Compensation Committee, involuntary termination of employment without cause, in any such case after three years from the date of grant specified in the agreement evidencing the stock award but prior to the end of the seventh fiscal year after the fiscal year in which the award was made, the outstanding performance accelerated restricted shares issued to a participant in fiscal 2007 and prior years vest on the date of termination as to the number of restricted shares issued to the participant multiplied by a fraction,

the numerator of which equals the number of months of employment (including fractional months as full months) that the participant was employed by us, commencing

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as of the first day of the fiscal year in which the award was made and ending on the date of termination of employment, and the denominator of which is eighty-four. The balance of outstanding performance accelerated restricted shares is forfeited by the participant.

Restricted stock awards that we have granted since fiscal 2008 vest in five years. In the event of a participant's death, disability, retirement or, in the sole discretion of the Human Resources and Compensation Committee, involuntary termination of employment without cause, in any such case after three years from the date of grant specified in the agreement evidencing the stock award, restricted shares issued to the participant on August 28, 2008, June 11, 2009, August 26, 2010 and August 25, 2011 vest as to the number of restricted shares issued to the participant multiplied by a fraction, the numerator of which equals the number of months (including fractional months as full months) that such participant was employed by us, commencing as of July 1, 2008, June 11, 2009, August 26, 2010 and August 25, 2011, respectively, and ending on the date of termination of employment, and the denominator of which is sixty. The balance of restricted shares issued to the participant is forfeited. Restricted stock unit awards granted in 2012 are subject to these same vesting and forfeiture provisions, except that such awards provide for pro rata vesting after one year in the event of a participant's death, disability, retirement or, in the sole discretion of the Human Resources and Compensation Committee, involuntary termination of employment without cause. Further, in accordance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), the vested portion of a participant's restricted stock unit award will be distributed in shares of the Company's common stock on the earliest to occur of (i) the end of the five year vesting period, (ii) the participant's death or "separation from service" (as defined in the Section 409A Treasury regulations) or (iii) certain change in control events described below. If a participant is a "specified employee" under the Section 409A Treasury regulations (generally an officer whose annual compensation exceeds \$160,000), a distribution of vested restricted stock unit award shares on account of the participant's separation from service will be delayed until the first business day immediately following the six month anniversary of the date the participant separates from service.

As noted above, the Human Resources and Compensation Committee has exercised its discretion to modify these arrangements from time to time. The 2004 Plan permits accelerated vesting on a pro rata basis of restricted stock and restricted unit awards not intended to be qualified under Section 162(m) of the Internal Revenue Code when employment is terminated by reason of disability, death, retirement or, at the discretion of Human Resources and Compensation Committee, involuntarily without cause. The Committee has exercised its discretion to waive minimum vesting periods to permit such pro rata vesting of awards.

All restricted stock awards become fully vested in the event of a change of control. A change in control is deemed to occur in the event of (i) certain acquisitions of 30% or more of our outstanding Common Stock and 50% of our outstanding Preferred Stock or 30% of the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors, (ii) certain changes of more than a majority of the membership of the Board of Directors, or (iii) certain mergers which result in our stockholders owning less than 50% of the combined voting power of the surviving corporation. All restricted stock unit awards also become fully vested and the shares of Company common stock covered by the awards are immediately distributed to the participants upon a "change in the ownership" of the Company or the subsidiary for which a participant performs services, a "change in effective control" of the Company or a "change in the ownership of a substantial portion of the assets" of the Company (in each case as defined in the Section 409A Treasury regulations). Generally, (i) a change in ownership of the Company or a subsidiary occurs upon an acquisition that gives the acquirer ownership of more than 50% of the total fair market value or voting power of the Company or a subsidiary, respectively, (ii) a change in effective control of the Company occurs upon either (A) the acquisition of 30% or more of the total voting power of the Company during a twelve month period or (B) the replacement of a majority of the members of the Company's Board of Directors during a twelve month period where such replacement was not endorsed by the existing members and (iii) a change in the ownership of a substantial portion of assets of the Company occurs upon an acquisition during a twelve month period of 50% or more of the total gross fair market value of all the assets of the Company.

There were no restricted stock unit awards outstanding at December 31, 2011. Assuming termination without cause or that a change in control occurred as of December 31, 2011, the value of the restricted stock awards outstanding as of such date held by the named executive officers that would vest (a) in accordance with the terms of their grant awards and (b) if the Human Resources and Compensation Committee were to waive all

vesting requirements, is as shown below. Amounts shown are based on a price of \$5.04 per share, the closing market price on December 30, 2011.

Name	Termination Value (\$)		Change in Control Value(\$)
	Per Grant Terms	Vesting Waived	
Timothy W. Newkirk	261,810	555,383	555,383
Don Tracy	21,622	155,232	155,232
Scott Phillips	93,840	284,322	284,322
David E. Rindom	169,113	371,755	371,755
Randy M. Schrick	231,103	461,815	461,815

#### Annual Incentive Plan.

If an employee's employment during a plan year terminates for any reason, he or she shall not be entitled to the payment of incentive compensation for the plan year. However, the Human Resources and Compensation Committee has full discretion to determine that payment of a prorated annual component may be made when termination results from job elimination, reduction in work force or other similar Company initiative or is otherwise without cause, or is encouraged or induced by incentives offered by us. Upon a change in control, the annual incentive plan terminates. The Committee will determine MEP on an annualized basis, based on our performance through the most recently completed fiscal quarter for which financial results are available. Incentive compensation will be paid on a pro rata basis (measured through the end of such fiscal quarter) in accordance with the guidelines for payment of annual incentive compensation described in "Compensation Discussion and Analysis – Annual Cash Incentive." Payment is to be made in a lump sum as soon as feasible following the change in control, but in no event later than two and one-half months following the end of the plan year in which the change in control occurs.

#### Policies and Practices as they relate to Risk Management.

We believe that the various components of our compensation program are effective in linking performance based compensation to stockholder interests without encouraging executives to take unnecessary risks. We also believe that our compensation program is properly balanced and does not encourage taking short term risks at the expense of long term results. Our annual incentive program is designed to encourage programs that have appropriate returns on our investment. To the extent that our annual incentive program might encourage actions contrary to our long term interest, the Human Resources and Compensation Committee retains discretion to modify factors relevant in determining annual compensation. Further, long term incentives are in the form of restricted stock or restricted stock unit awards, which are generally made on an annual basis and are subject to a multi-year vesting schedule. We believe that such awards appropriately link the interest of our executives and stockholders and balance the short term nature of annual cash incentives and any related risk of undue risk taking.

**DIRECTOR COMPENSATION**  
**TRANSITION PERIOD ENDED DECEMBER 31, 2011**

The following table shows compensation earned by or paid to all persons who were directors during the six month transition period ended December 31, 2011 who were not also executive officers during such period.

Name	Fees			Total (\$)
	Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2) (3)	All Other Compensation(\$)(4)	
Michael Braude	43,000	12,500	472	55,972
John E. Byom	50,500	12,500	472	63,472
Cloud L. Cray, Jr.	26,000	12,500	472	38,972
Gary Gradinger	40,000	12,500	472	52,972
Linda E. Miller	40,000	12,500	472	52,972
Daryl R. Schaller	45,250	12,500	472	55,222
Karen Seaberg	26,000	12,500	365	38,865
John R. Speirs	108,500	12,500	472	121,472

(1)Employee directors receive a fee of \$437.50 for attendance at each meeting of the Board of Directors.

Non-employee directors receive a retainer at the rate of \$10,000 quarterly, meeting fees of \$2,000 for each meeting of the Board and \$1,750 for each committee meeting thereof attended. The chairperson of the Audit Committee is paid an additional retainer at the rate of \$3,500 per meeting, the chairperson of the Human Resources and Compensation Committee is paid an additional retainer at the rate of \$1,750 per meeting and the chairperson of the Nominating and Governance Committee is paid an additional retainer at the rate of \$1,500 per meeting. The annual fee for serving as lead director and Chairman of the Board is \$165,000.

(2)Under the Non-Employee Directors' Restricted Stock Plan, which was approved by stockholders at the 2006 Annual Meeting and amended at the 2009 Annual Meeting, on the first business day following the date of each annual meeting of stockholders, each non-employee director has been awarded shares of restricted stock with a fair market value of \$12,500, as determined on such first business day following the annual meeting. The amount shown in the table is the grant date fair value of the awards computed in accordance with FASB ASC Topic 718. Grant date fair value per share was assumed to be the closing price of the Company's stock on the grant date. In connection with the holding company reorganization, this Plan was amended to provide for the award of restricted stock units, which will convert to shares of stock upon vesting. Restricted stock unit awards will be made annually in 2012 and subsequent years. We pay dividends on these shares and dividend equivalents on restricted stock unit awards during the vesting period, which are not taken into account in determining their grant date fair value.

The shares/restricted units awarded become fully vested upon the occurrence of one of the following events: (1) the third anniversary of the award date, (2) the death of the director, or (3) a change in control, as defined in the Plan. The Human Resources and Compensation Committee may allow accelerated vesting in the event of specified terminations, including retirement at the end of the director's term, termination of service as a result of not standing for reelection and termination of service due to inability to substantially perform his or her duties. In accordance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), a director's vested restricted stock unit awards are distributed in shares of the Company's common stock on the earliest to occur of (i) the third anniversary of the award date, (ii) the director's death or "separation from service" (as defined in the Section 409A Treasury regulations) or (iii) a "change in the ownership," a "change in effective control" or a "change in the ownership of a substantial portion of



the assets” (in each case as defined in the Section 409A Treasury regulations) of the Company. If a director is a “specified employee” under the Section 409A Treasury regulations, a distribution of vested restricted stock unit award shares on account of the director’s separation from service will be delayed until the first business day immediately following the six month anniversary of the date the director separates from service.

(3)As of December 31, 2011, the number of shares subject to restricted stock awards held by each of the non-employee directors named in the table was as follows: Karen Seaberg – 6,229 shares; all other directors named in the table – 9,369 shares. There were no restricted stock unit awards outstanding on December 31, 2011.

(4)Consists of amounts paid as dividends on unvested restricted stock awards.

#### PRINCIPAL STOCKHOLDERS

The following table sets forth, as of March 9, 2012, the number of shares beneficially owned and the percentage of ownership of the Company’s Preferred Stock and Common Stock by (i) each person who is known by the Company to own beneficially more than 5% of either class of the Company’s capital stock outstanding, (ii) each director of the Company, (iii) each of the executive officers named in the Summary Compensation Table, (iv) the MGP Ingredients, Inc. ESOP, and (v) all directors and executive officers of the Company as a group.

Stockholder	Shares Beneficially Owned (a)			
	Common Stock		Preferred Stock	
	No. of Shares	%	No. of Shares	%
Michael Braude	37,731	*		
John E. Byom (b)	62,319	*		
Cloud L. Cray, Jr.(b)(e)	3,772,994	20.8		
Richard B. Cray (d)	0	*	334	76.4
Gary Gradinger(b)	52,432	*		
Linda E. Miller	39,262	*		
Tim Newkirk(c)(f)	123,860	*		
Scott Phillips (g)	58,513	*		
David E. Rindom (b)(c)(h)	156,682	*		
Daryl Schaller, Ph.D. (b)	103,005	*		
Randy M. Schrick (b)(i)	188,625	1.0		
Ladd Seaberg (d)(j)	984,252	5.4	404	92.4
Karen Seaberg (d)(k)	246,031	1.4	333	76.2
John R. Speirs (b)	87,847	*		
Don Tracy (c)	35,781	*		
MGP Ingredients Voting Trust (d)	---	---	333	76.2
Trustees of the Company’s ESOP (c)	448,015	2.5		
All Executive Officers and Directors as a Group (18)(b)				
(k)(l)	6,118,996	33.8	404	92.4
SEACOR Holdings Inc. (m)	1,163,000	6.4		

\* less than 1%

(a) For the purposes of the table, a person is deemed to be a beneficial owner of shares if the person has or shares the power to vote or to dispose of them. Except as otherwise indicated in the table or the footnotes below, as of March 9, 2012, each person had sole voting and investment power over the shares listed in the beneficial ownership table and all stockholders shown in the table as having beneficial ownership of 5% or more of either of

the classes of stock had as a business address Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002. Stockholders disclaim beneficial ownership in the shares described in the footnotes as being “held by” or “held for the benefit of” other persons.

- (b) The table includes shares which may be acquired pursuant to stock options granted under the Company's stock option plans that became exercisable on or before May 8, 2012. These consist of options held by one non-employee director (Mr. Cray) to purchase 8,000 shares and three non-employee directors (Messrs. Schaller, Byom and Speirs) to purchase 4,000 shares each and one non-employee director (Mr. Gradinger) to purchase 2,000 shares, options held by Mr. Schrick to purchase 10,000 shares, options held by Mr. Rindom to purchase 7,500 shares and options held by all executive officers and directors as a group to purchase 39,500 shares.
- (c) The Company's Employee Stock Ownership Plan (ESOP) holds for the benefit of participants 448,015 shares of Common Stock. The trustees are obligated to vote the shares which are allocated to participants in accordance with instructions given by such participants, all of which were allocated at March 9, 2012. Any unallocated shares are voted by the trustees. The trustees, and the number of shares allocated to their accounts, are as follows: Mr. Newkirk (6,141 shares); Mr. Rindom (17,414 shares); and Mr. Tracy (0 shares). A total of 40,617 shares are allocated to the accounts of all other officers and directors. The number and percentage of ownership shown after the names of each of the Trustees in the table above do not include any of the 448,015 shares or any of the shares allocated to their individual accounts. Accordingly, the aggregate beneficial ownership for each of the Trustees may be deemed to be the individual amounts and percentages shown, plus 448,015 shares and 2.5%.
- (d) The MGP Ingredients, Inc. Voting Trust holds 333 shares of Preferred Stock which are attributed in the table to the trustees, who share the power to vote the shares. The beneficial interests in the voting trust are held by the Cray Family Trust. The trustees of the Voting Trust are Mrs. Karen Seaberg, Mr. Ladd Seaberg and Mr. Richard B. Cray. The original trustees of the Cray Family Trust were Mr. Cloud L. Cray, Jr., his brother, Mr. Richard B. Cray, and their father, Cloud L. Cray, Sr., who is now deceased. A successor trustee must be a major officer and a stockholder of the Company or of a company which is member of a "controlled group of corporations" of which the Company is a member. The Voting Trust will continue in effect until the last death of the issue of Mr. Cloud L. Cray, Sr. who was living at the creation of the Trust. There presently are 19 such persons living, the youngest of which is 37 years old. The Voting Trust may also be terminated by the consent of a majority of the Trustees or the beneficiaries of 90% of the shares held in the Voting Trust or upon the sale of all the shares held in the Voting Trust. Until the Voting Trust is terminated or dissolved, each Trustee may appoint a successor trustee, provided that any successor must either (i) be a major officer and a stockholder of the Company or of a company which is a member of a "controlled group of corporations" of which the Company is a member or (ii) be an issue of Cloud L. Cray, Sr., or the spouse of such issue, and own at least 10,000 shares of the Company's Common Stock. (The original trustees of the Voting Trust are not subject to this requirement). Only one person who is solely an issue of Cloud L. Cray, Sr., or the spouse of such issue, (and not also an officer) may serve as successor trustee at one time. The trustees are permitted to act with respect to the voting or divestment of shares of the Company's stock held by the Voting Trust in accordance with the decision of a majority of the trustees. Actions by the trustees with respect to the voting or disposition of the shares may be effected by majority vote.
- (e) Includes 356,412 shares of Common Stock held by the Cray Medical Research Foundation with respect to which Mr. Cloud L. Cray, Jr. is a director and has shared voting and disposition power, 342,000 shares of Common Stock held by other family trusts for the benefit of family members with respect to which Mr. Cloud L. Cray, Jr. is a trustee and has sole voting and disposition power, 347,874 shares of Common Stock held by the Cray Family Foundation, over which Mr. Cray has sole voting and disposition power, and 26,000 shares held by the Cloud L. Cray Foundation over which he has shared voting and disposition power.
- (f) Includes 850 shares held by children of Mr. Newkirk over which he may be deemed to share voting and disposition power.



- (g) Includes 800 shares held by Mr. Phillip's wife over which he may be deemed to share voting and disposition power.
- (h) Includes 8,122 shares held by Mr. Rindom's wife over which he may be deemed to share voting and disposition power.
- (i) Includes 1,752 shares held by Mr. Schrick's wife over which he may be deemed to share voting and disposition power.
- (j) Does not include shares held by Mr. Seaberg's wife, Karen Seaberg.
- (k) Does not include shares held by Mrs. Seaberg's husband, Ladd Seaberg.
- (l) Includes Ladd Seaberg's shares and other shares discussed under notes (a) through (k) as well as shares held by members of the families of executive officers not listed in the table.
- (m) Based on its Schedule 13G filed February 15, 2012, SEACOR Holdings Inc. has a business address of 2200 Eller Drive, P.O. Box 13038, Ft. Lauderdale, Florida 33316. Its 13G indicates sole investment and voting power over the shares reported as beneficially owned, which are reported as held directly by a subsidiary, F2 Sea Inc.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who own more than 10% of the Company's Common Stock, to file reports of ownership and changes in ownership with the SEC and NASDAQ. Executive officers, directors and greater-than-10% beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such forms furnished to the Company, the Company believes that during the 2011 transition period, all of its executive officers, directors and greater-than-10% beneficial owners complied with the Section 16(a) filing requirements.

#### RELATED TRANSACTIONS

The Audit Committee is responsible for reviewing and approving material related party transactions. The Company's written Code of Conduct requires Audit Committee preapproval of any transaction involving an executive officer or director exceeding \$50,000 in value in which such person might have a conflict of interest with the Company. Examples of conflicts of interest as defined in the Code of Conduct include having a significant financial or other interest in a customer, supplier or competitor of the Company. During the 2011 transition period and the prior two fiscal years, there were no transactions involving related persons required to be disclosed under Item 404(a) of SEC Regulation S-K where the Company's policies did not require review, approval or ratification or where such policies and procedures were not followed. Generally, Item 404(a) of Regulation S-K requires disclosure of transactions in which the Company is a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest.

On March 27, 2009, we agreed to borrow \$2 million from the Cloud L. Cray, Jr. Trust pursuant to a subordinated secured promissory note which, as amended, provided for interest at the rate of 7% per annum and the payment of principal and interest in a lump sum on March 27, 2011. On December 21, 2009, we prepaid the note in full together with accrued interest of \$102,139. The note was secured by mortgages on our Atchison and Pekin production facilities and by a security interest in personal property, other than inventory, accounts, certain equipment and our equity interest in our German joint venture. The note was subject to subordination agreements between the Cloud L.

Cray, Jr. Trust and various other lenders. Mr. Cray, who is settlor and trustee of the Trust, is a director of the Company and its principal stockholder.

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David Harbert served as our Interim Chief Financial Officer from April 14, 2009 to November 6, 2009. In connection with Mr. Harbert's retention as Interim Chief Financial Officer, the Company and Tatum, LLC entered into an Interim Services Agreement, dated as of April 14, 2009, pursuant to which Mr. Harbert served. We paid Tatum a monthly fee of \$44,000. We also reimbursed Mr. Harbert for all travel and out-of-pocket expenses incurred in connection with the Interim Services Agreement, aggregating \$14,953 during fiscal 2010.

On August 27, 2009, we entered a consultation and non-solicitation agreement with Ladd Seaberg, who resigned as director on such date. The agreement had a term expiring on June 14, 2011 and provided for annual payments aggregating \$250,000. Mr. Seaberg is the husband of Mrs. Karen Seaberg and the son-in-law of Mr. Cloud L. Cray, Jr.

The Company has an interest in a joint venture entity named Illinois Corn Processing, LLC ("ICP"). Prior to February 1, 2012 the Company had a 50% interest in ICP; it now has a 30% interest. The other owner of ICP is Illinois Corn Processing Holdings, LLC ("ICP Holdings"), an indirectly owned subsidiary of SEACOR Holdings Inc., which holds more than 5% of the Company's Common Stock. ICP Holdings acquired an additional 20% interest in ICP from the Company on February 1, 2012 for \$9,103,000. The Company purchases food and industrial grade alcohol from ICP pursuant to a marketing agreement with ICP. As of December 31, 2011, June 30, 2011 and June 30, 2010, the Company recorded \$6,167,000, \$6,616,000 and \$4,951,000 respectively, of amounts due ICP in its consolidated balance sheet, and during the six month transition period ended December 31, 2011 and fiscal years ended June 30, 2011 and June 30, 2010, made net payments of approximately \$2,154,000, \$2,881,000 and \$0 to ICP under the marketing agreement. On January 29, 2010, ICP acquired an existing steam facility that services its plant for \$5,000,000. The Company and ICP Holdings each contributed \$1,000,000 towards the purchase price at that time. On January 19, 2011 and January 19, 2012 the Company and ICP Holdings each contributed \$500,000 towards the balance due on the purchase price. SEACOR Holdings Inc. may be deemed to have an indirect interest in these transactions because of its ownership of ICP Holdings.

#### OTHER MATTERS

A Proxy confers discretionary authority with respect to the voting of shares represented thereby on any other business that properly may come before the meeting as to which the Company did not have notice prior to March 21, 2012. The Board of Directors is not aware that any such other business is to be presented for action at the meeting and does not itself intend to present any such other business. However, if any such other business does come before the meeting, shares represented by proxies given pursuant to this solicitation will be voted by the persons named in the Proxy in accordance with their best judgment. A Proxy also confers discretionary authority on the persons named to approve minutes of last year's Annual Meeting, to vote on matters incident to the conduct of the meeting and to vote on the election of any person as a director if a nominee herein named should decline or become unable to serve as a director for any reason.

#### INDEPENDENT PUBLIC ACCOUNTANTS

In the 2011 transition period ended December 31, 2011, KPMG LLP served as independent registered public accountants. KPMG LLP also audited the Company's internal control and financial statements as of December 31, 2011 and issued an attestation report. Representatives of KPMG LLP will be present at the stockholders' meeting. They will have the opportunity to make a statement and will be available to respond to appropriate questions.

#### AUDIT AND CERTAIN OTHER FEES PAID ACCOUNTANTS

Set forth below are the aggregate fees billed the Company by its principal accountant, KPMG LLP, for the 2011 transition period which ended December 31, 2011 and fiscal years ended June 30, 2011 and June 30, 2010 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 ("Audit-Related Fees"), (iii)



professional services rendered for tax compliance, tax advice or tax planning (“Tax Fees”) and (iv) other products and services (“Other Fees”). The Audit Committee considers whether the provision of such services is compatible with maintaining the independence of its principal auditor. The Audit Committee has the sole right to engage and terminate the Company’s independent auditor, to pre-approve the performance of audit services and permitted non-audit services and to approve all audit and non-audit fees. The Audit Committee has empowered its chairman to act on the Committee’s behalf between meetings to approve permitted non-audit services; the chairman must report any such services to the Audit Committee at its next scheduled meeting.

Type of Fee	Amount		
	2011 Transition Period	2011 Fiscal	2010 Fiscal
Audit Fees	\$537,600	\$525,000	\$735,000
Audit Related Fees	0	0	0
Tax Fees	0	0	0
All Other Fees	0	0	0
Total	\$537,600	\$525,000	\$735,000

### PROXY SOLICITATIONS

The cost of soliciting proxies will be borne by the Company. The Company will reimburse brokers, banks or other persons for reasonable expenses in sending proxy material to beneficial owners. Proxies may be solicited through the mail and through telephonic or telegraphic communications to, or by meetings with, stockholders or their representatives by directors, officers and other employees of the Company who will receive no additional compensation therefor.

Stockholders who intend to present proposals for inclusion in the Company’s Proxy Statement for the next Annual Meeting of Stockholders to be held on May 23, 2013 must forward them to the Company at Cray Business Plaza, 100 Commercial Street, P.O. Box 130, Atchison, Kansas 66002, Attention: Marta L. Myers, Corporate Secretary, so that they are received on or before December 21, 2012. In addition, proxies solicited by management may confer discretionary authority to vote on matters which are not included in the proxy statement but which are raised at the Annual Meeting by stockholders, unless the Company receives written notice of the matter on or before March 6, 2013 at the above address.

### HOUSEHOLDING

Only one copy of the Company’s Transition Report and Proxy Statement has been sent to multiple stockholders of the Company who share the same address and last name, unless the Company has received contrary instructions from one or more of those stockholders. This procedure is referred to as “householding.” In addition, the Company has been notified that certain intermediaries, i.e., brokers or banks, will household proxy materials. The Company will deliver promptly, upon oral or written request, a separate copy of the Transition Report and Proxy Statement to any stockholder at the same address. If you wish to receive a separate copy of the Transition Report and Proxy Statement, you may write to the Corporate Secretary of the Company at MGP Ingredients, Inc., Cray Business Plaza, 100 Commercial Street, P.O. Box 130, Atchison, Kansas 66002 or call the Corporate Secretary at 913-360-5232. You can contact your broker or bank to make a similar request. Stockholders sharing an address who now receive multiple copies of the Company’s Transition Report and Proxy Statement may request delivery of a single copy by writing or calling the Company at the above address or by contacting their broker or bank, provided they have determined to household proxy materials.

COMMUNICATIONS WITH DIRECTORS AND DIRECTOR ATTENDANCE AT STOCKHOLDER MEETINGS.

The Company's policy is to ask directors to attend the annual meeting of stockholders, and all of the directors attended last year's Annual Meeting. Stockholders may communicate directly with board members by writing the board or individual board members in care of the Company's Secretary at the Company's executive offices. Letters should be addressed as follows: Name of director - In care of Marta Myers, Secretary - MGP Ingredients, Inc. – Cray Business Plaza, 100 Commercial Street, P.O. Box 130 - Atchison, Kansas 66002.

TRANSITION REPORT ON FORM 10-K

A copy of the Company's Transition Report on Form 10-K to the Securities and Exchange Commission will be furnished to stockholders without charge upon written request directed to Marta Myers, Corporate Secretary, MGP Ingredients, Inc., Cray Business Plaza, 100 Commercial Street, P.O. Box 130, Atchison, Kansas 66002-0130. The Form 10-K and other reports that the Company files with the Securities and Exchange Commission may also be obtained through the Internet at [www.mgpingredients.com](http://www.mgpingredients.com).

By Order of the Board of Directors

John R. Speirs  
Chairman of the Board

April 20, 2012

Cray Business Plaza  
100 Commercial Street  
P.O. Box 130  
Atchison, Kansas 66002-0130  
Phone: 913-367-1480  
[www.mgpingredients.com](http://www.mgpingredients.com)

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Shareowner Services  
 P.O. Box 64945  
 St. Paul, MN 55164-0945

COMPANY #

Vote by Internet, Telephone or Mail  
 24 Hours a Day, 7 Days a Week  
 Your phone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

INTERNET – www.eproxy.com/mgpi  
 Use the Internet to vote your proxy until 12:00 p.m. (CT) on May 30, 2012.

PHONE – 1-800-560-1965  
 Use a touch-tone telephone to vote your proxy until 12:00 p.m. (CT) on May 30, 2012.

MAIL – Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

If you vote your proxy by Internet or Telephone, you do NOT need to mail back your Proxy Card.

TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW,  
 SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD.

Please detach here

The Board of Directors recommends that you Vote FOR the nominee listed in Item 1.

1. Election of two Group A Directors	01 Linda E. Miller	[ ]	Vote FOR	[ ]	Vote WITHHELD
for terms expiring in 2015.	02 Daryl R. Schaller, Ph.D.		both nominees		from both nominees

(Instructions: To withhold authority to vote for any indicated nominee, Write the number of the nominee in the box provided to the right.)

The Board of Directors recommends you vote FOR proposals 2 and 3.

2. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ended December 31, 2012.	[ ]	For	[ ]	Against	[ ]	Abstain
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3. To approve, on an advisory basis, the compensation of the Company's	[ ]	For	[ ]	Against	[ ]	Abstain
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named executive officers.

4. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

Please indicate if you plan to attend this meeting. [ ]

Date

Address Change? Mark box, sign, and indicate changes below: [ ]

Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc. should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

MGP INGREDIENTS, INC.

ANNUAL MEETING OF STOCKHOLDERS

Thursday, May 31, 2012

10:00 a.m.

Benedictine College Administration Building  
1020 North 2nd Street,  
Atchison, KS 66002

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:  
The Notice and Proxy Statement and Transition Report are available at [www.proxyvote.com](http://www.proxyvote.com).

Proxy/Voting Instruction Card

THIS PROXY/VOTING INSTRUCTION CARD IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

PROXY. The undersigned appoints Timothy W. Newkirk, John R. Speirs and Don Tracy, or any of them, each with full power to appoint his substitute, proxies to vote, in the manner specified on the reverse hereof, all of the shares of Common Stock of MGP Ingredients, Inc. held by the undersigned at the Annual Meeting of Stockholders to be held on May 31, 2012, or at any adjournment thereof.

This Proxy is revocable and it shall not be voted if the undersigned is present and voting in person.

IF NO DIRECTION IS GIVEN WHEN THE DULY EXECUTED PROXY IS RETURNED, THE SHARES WILL BE VOTED "FOR" THE NOMINEES UNDER PROPOSAL 1 AND FOR PROPOSALS 2 AND 3. This proxy will also be voted in accordance with the discretion of the proxy or proxies on any other business.

VOTING INSTRUCTION. To participants in the MGP Ingredients, Inc. Employee Stock Purchase Plan (the "ESPP"): This proxy/voting instruction card constitutes your voting instructions to the Plan Administrator, Wells Fargo, to vote in the manner specified on the reverse hereof, all of the shares of Common Stock of MGP Ingredients, Inc. held by the ESPP and allocated to the account of the undersigned at the Annual Meeting of Stockholders to be held on May 31, 2012, or at any adjournment thereof.

IF YOU ARE A PARTICIPANT IN THE ESPP AND DO NOT DIRECT HOW THE ESPP SHARES SHOULD BE VOTED, THE PLAN ADMINISTRATOR WILL NOT VOTE THESE ESPP SHARES.

The undersigned has received the Company's Report for the transition period ended December 31, 2011 and its Proxy Statement

See reverse for voting instructions.

MGP INGREDIENTS, INC.

PROXY

Cray Business Plaza, 100 Commercial Street,  
Atchison, Kansas 66002

PREFERRED STOCK

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned appoints Timothy W. Newkirk, John R. Speirs and Don Tracy, or any of them, each with full power to appoint his substitute, proxies to vote, in the manner specified on the reverse hereof, all of the shares of Preferred Stock of MGP Ingredients, Inc. held by the undersigned at the Annual Meeting of Stockholders to be held on May 31, 2012, or at any adjournment thereof.

The undersigned has received the Company's Report for the transition period ended December 31, 2011 and its Proxy Statement.

This Proxy is revocable and it shall not be voted if the undersigned is present and voting in person.

Stockholder's Signature

Stockholder's Signature

Dated

Please sign exactly as you name(s) appear above. Joint owners should each sign. Executors, trustees, custodian, etc., should indicate the capacity in which they are signing.

PLEASE RETURN THIS PROXY PROMPTLY IN THE ACCOMPANYING ENVELOPE.

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(Continued from other side)

The Board of Director recommends a vote FOR the nominee listed in Item 1.

1. Election of one Group B Director for a term expiring in 2015. The Board of Directors has nominated:

Michael Braude

FOR Nominee       AUTHORITY WITHHELD from Nominee

The Board of Directors recommends you vote  
FOR proposals 2 and 3

For                      Against                      Abstain

2. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ended December 31, 2012.                                                 

3. To approve, on an advisory basis, the compensation of the Company's named executive officers                                                 

4. In their discretion, the Trustees are authorized to vote upon such other business as may properly come before the meeting.

IF NO DIRECTION IS GIVEN WHEN THE DULY EXECUTED PROXY IS RETURNED, THE SHARES WILL BE VOTED "FOR" THE NOMINEE UNDER PROPOSAL 1 AND FOR PROPOSALS 2 AND 3 . This proxy will also be voted in accordance with the discretion of the proxy or proxies on any other business.

BE SURE TO SIGN AND DATE THE REVERSE SIDE OF THIS CARD.



April 20, 2012

TO: Participants in the  
Employee Stock Ownership Plan

Provisions of the Employee Stock Ownership Plan (the "Plan") entitle participants to instruct the Trustees of the Plan as to the voting of MGP Ingredients, Inc. Common Stock allocated to the accounts of participants. Accordingly, please find enclosed a form of instruction card that will permit you to direct the Trustees as to the voting of Common Stock allocated to your accounts in the Plan with respect to proposals to be acted upon at the Annual Meeting of Stockholders of the Company to be held on May 31, 2012.

We are also enclosing a copy of the Company's Report for the transition period ended December 31, 2011 and its Proxy Statement, unless you are being mailed one as a record holder of Common Stock.

Please promptly complete and sign the instruction card and return it in the enclosed envelope.

Thank you.

Very truly yours,

/s/ John R. Speirs  
Chairman of the Board

MGP INGREDIENTS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

c/o MGP Ingredients, Inc.

Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002

INSTRUCTIONS FOR THE VOTING OF MGP INGREDIENTS, INC. COMMON STOCK

The undersigned hereby instructs Timothy W. Newkirk, David E. Rindom and Don Tracy, as Trustees of the Employee Stock Ownership Plan indicated below (the "ESOP"), or any of them, to vote, in the manner specified on the reverse hereof, all of the shares of Common Stock of MGP Ingredients, Inc. held by the ESOP and allocated to the account of the undersigned at the Annual Meeting of Stockholders to be held on May 31, 2012, or at any adjournment thereof.

The undersigned has received the Company's Report for the transition period ended December 31, 2011 and its Proxy Statement.

Name of ESOP: Midwest Grain Products, Inc. ESOP

Accountholder's Signature

Accountholder

Dated:

Number of Shares Allocated to Account:

PLEASE RETURN THIS INSTRUCTION CARD PROMPTLY IN THE ACCOMPANYING ENVELOPE.

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(Continued from other side)

The Board of Director recommends a vote FOR the nominees listed in Item 1.

1. Election of two Group A Directors for terms expiring in 2015. The Board of Directors has nominated:

Linda E. Miller

Daryl R. Schaller, Ph.D.

FOR both Nominees     AUTHORITY WITHHELD from both Nominees

AUTHORITY WITHHELD from the following Nominee: \_\_\_\_\_.

The Board of Directors recommends you vote FOR proposals 2 and 3

For                      Against                      Abstain

2. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ended December 31, 2012.                                               

3. To approve, on an advisory basis, the compensation of the Company's named executive officers                                               

4. In their discretion, the Trustees are authorized to vote upon such other business as may properly come before the meeting.

IF NO DIRECTION IS GIVEN WHEN THE DULY EXECUTED PROXY IS RETURNED, THE SHARES WILL BE VOTED "FOR" THE NOMINEES UNDER PROPOSAL 1 AND FOR PROPOSALS 2 AND 3 . This proxy will also be voted in accordance with the discretion of the proxy or proxies on any other business.

BE SURE TO SIGN AND DATE THE REVERSE SIDE OF THIS CARD.