

MGP INGREDIENTS INC
Form DFAN14A
July 05, 2013

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

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

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

Karen Seaberg

Laidacker M. Seaberg

Cloud L. Cray, Jr.

Cray Family Management LLC

Cray MGP Holdings LP
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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On July 3, 2013, Karen Seaberg, Laidacker M. Seaberg, Cloud L. Cray, Jr., Cray Family Management LLC and Cray MGP Holdings LP jointly filed an amendment to their Schedule 13D, originally filed on May 24, 2013, relating to MGP Ingredients, Inc., a copy of which is filed herewith as Exhibit 1. Each of the foregoing persons is a participant in the solicitation of proxies in connection with the information filed herewith, and, in the case of Karen Seaberg and Cloud L. Cray, Jr., both are directors of MGP Ingredients, Inc.

SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT AND OTHER DOCUMENTS RELATED TO THE SOLICITATION OF PROXIES BY KAREN SEABERG, LAIDLACKER M. SEABERG, CLOUD L. CRAY, JR., CRAY FAMILY MANAGEMENT LLC AND CRAY MGP HOLDINGS LP FROM THE STOCKHOLDERS OF MGP INGREDIENTS, INC. FOR USE AT ITS 2013 ANNUAL MEETING WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION, INCLUDING INFORMATION RELATING TO THE PARTICIPANTS IN SUCH PROXY SOLICITATION. WHEN COMPLETED, A DEFINITIVE PROXY STATEMENT AND A FORM OF PROXY WILL BE MAILED TO CERTAIN STOCKHOLDERS OF MGP INGREDIENTS, INC. AND WILL ALSO BE AVAILABLE AT NO CHARGE AT THE SECURITIES AND EXCHANGE COMMISSION S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). INFORMATION RELATING TO THE PARTICIPANTS IN SUCH PROXY SOLICITATION IS CONTAINED IN THE SCHEDULE 13D/A RELATING TO THE COMMON STOCK, NO PAR VALUE, AND PREFERRED STOCK, WITH A PAR VALUE OF \$10.00 PER SHARE, OF MGP INGREDIENTS, INC., FILED BY THE PARTICIPANTS ON JULY 3, 2013 (THE SCHEDULE 13D/A). THE PARTICIPANTS INTERESTS IN MGP INGREDIENTS, INC. THROUGH THE BENEFICIAL OWNERSHIP OF SHARES OF COMMON STOCK, NO PAR VALUE, AND PREFERRED STOCK, WITH A PAR VALUE OF \$10.00 PER SHARE, OF MGP INGREDIENTS, INC., IS DISCLOSED IN THE SCHEDULE 13D/A. THE SCHEDULE 13D/A IS AVAILABLE AT NO CHARGE AT THE SECURITIES AND EXCHANGE COMMISSION S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov).

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No. 1)*

MGP INGREDIENTS, INC.

(Name of Issuer)

Common Stock, No Par Value

(Title of Class of Securities)

55303J 106

(CUSIP Number)

John A. Granda

Stinson Morrison Hecker LLP

1201 Walnut St., Suite 2900

Kansas City, Missouri 64106

(816) 842-8600

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

July 3, 2013

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box o.

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NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Section 240.13d-7 for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 59832G 104

1	Name of Reporting Person Karen Seaberg
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input checked="" type="checkbox"/> x (b) <input type="checkbox"/> o
3	SEC Use Only
4	Source of Funds (See Instructions) OO, PF
5	Check Box if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> o
6	Citizenship or Place of Organization U.S.A.
7	Sole Voting Power 2,781,060
8	Shared Voting Power 4,940,101 (1)
9	Sole Dispositive Power 2,781,060
10	Shared Dispositive Power 4,940,101 (1)
11	Aggregate Amount Beneficially Owned by Each Reporting Person 4,940,101 (1)
12	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/> o
13	Percent of Class Represented by Amount in Row (11) 27.54% (2)
14	Type of Reporting Person (See Instructions) IN

(1) As a member of a group with the other Reporting Persons, each Reporting Person is deemed to have acquired beneficial ownership of all equity securities of the Issuer beneficially owned by other members of the group for purposes of Section 13(d) of the Act and this filing. See Item 5 for additional details.

(2) Based upon 17,934,233 shares outstanding as of April 26, 2013 (according to the information contained in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on May 6, 2013).

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CUSIP No. 59832G 104

1	Name of Reporting Person Cray Family Management LLC
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input checked="" type="checkbox"/> x (b) <input type="checkbox"/> o
3	SEC Use Only
4	Source of Funds (See Instructions) AF, OO
5	Check Box if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> o
6	Citizenship or Place of Organization Kansas
7	Sole Voting Power 0
8	Shared Voting Power 4,940,101 (1)
9	Sole Dispositive Power 0
10	Shared Dispositive Power 4,940,101 (1)
11	Aggregate Amount Beneficially Owned by Each Reporting Person 4,940,101 (1)
12	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/> o
13	Percent of Class Represented by Amount in Row (11) 27.54% (2)
14	Type of Reporting Person (See Instructions) OO

(1) As a member of a group with the other Reporting Persons, each Reporting Person is deemed to have acquired beneficial ownership of all equity securities of the Issuer beneficially owned by other members of the group for purposes of Section 13(d) of the Act and this filing. See Item 5 for additional details.

(2) Based upon 17,934,233 shares outstanding as of April 26, 2013 (according to the information contained in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on May 6, 2013).

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CUSIP No. 59832G 104

1	Name of Reporting Person Cray MGP Holdings LP
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="radio"/> (b) <input checked="" type="radio"/>
3	SEC Use Only
4	Source of Funds (See Instructions) OO
5	Check Box if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/>
6	Citizenship or Place of Organization Kansas
7	Sole Voting Power 0
8	Shared Voting Power 4,940,101 (1)
9	Sole Dispositive Power 0
10	Shared Dispositive Power 4,940,101 (1)
11	Aggregate Amount Beneficially Owned by Each Reporting Person 4,940,101 (1)
12	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="radio"/>
13	Percent of Class Represented by Amount in Row (11) 27.54% (2)
14	Type of Reporting Person (See Instructions) PN

(1) As a member of a group with the other Reporting Persons, each Reporting Person is deemed to have acquired beneficial ownership of all equity securities of the Issuer beneficially owned by other members of the group for purposes of Section 13(d) of the Act and this filing. See Item 5 for additional details.

(2) Based upon 17,934,233 shares outstanding as of April 26, 2013 (according to the information contained in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on May 6, 2013).

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CUSIP No. 59832G 104

1	Name of Reporting Person Laidacker M. Seaberg
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input checked="" type="checkbox"/> x (b) <input type="checkbox"/> o
3	SEC Use Only
4	Source of Funds (See Instructions) Not Applicable
5	Check Box if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> o
6	Citizenship or Place of Organization U.S.A.
7	Sole Voting Power 0
8	Shared Voting Power 4,940,101 (1)
9	Sole Dispositive Power 0
10	Shared Dispositive Power 4,940,101 (1)
11	Aggregate Amount Beneficially Owned by Each Reporting Person 4,940,101 (1)
12	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/> o
13	Percent of Class Represented by Amount in Row (11) 27.54% (2)
14	Type of Reporting Person (See Instructions) IN

(1) As a member of a group with the other Reporting Persons, each Reporting Person is deemed to have acquired beneficial ownership of all equity securities of the Issuer beneficially owned by other members of the group for purposes of Section 13(d) of the Act and this filing. See Item 5 for additional details.

(2) Based upon 17,934,233 shares outstanding as of April 26, 2013 (according to the information contained in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on May 6, 2013).

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CUSIP No. 59832G 104

1	Name of Reporting Person Cloud L. Cray, Jr.	
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input checked="" type="checkbox"/> x (b) <input type="checkbox"/> o	
3	SEC Use Only	
4	Source of Funds (See Instructions) Not Applicable	
5	Check Box if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> o	
6	Citizenship or Place of Organization U.S.A.	
Number of Shares Beneficially Owned by Each Reporting Person With	7	Sole Voting Power 810,005
	8	Shared Voting Power 4,940,101 (1)
	9	Sole Dispositive Power 810,005
	10	Shared Dispositive Power 4,940,101 (1)
11	Aggregate Amount Beneficially Owned by Each Reporting Person 4,940,101 (1)	
12	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/> o	
13	Percent of Class Represented by Amount in Row (11) 27.54% (2)	
14	Type of Reporting Person (See Instructions) IN	

(1) As a member of a group with the other Reporting Persons, each Reporting Person is deemed to have acquired beneficial ownership of all equity securities of the Issuer beneficially owned by other members of the group for purposes of Section 13(d) of the Act and this filing. See Item 5 for additional details.

(2) Based upon 17,934,233 shares outstanding as of April 26, 2013 (according to the information contained in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on May 6, 2013).

SCHEDULE 13D

for Cray Family Management LLC, Cray MGP Holdings LP,

Karen Seaberg, Laidacker M. Seaberg and Cloud L. Cray, Jr.

Explanatory Note: This filing is Amendment No. 1 to the Schedule 13D filed by Karen Seaberg, Cray Family Management, LLC, Cray MGP Holdings LP, and Laidacker M. Seaberg, filed on May 9, 2013. This Amendment includes Cloud L. Cray, Jr., who previously filed individually on Schedule 13D, most recently on May 9, 2013. Each of the reporting persons is a member of a group that has agreed to vote their shares of the Company's Common Stock and Preferred Stock as described in Item 4 below.

Item 1. Security and Issuer.

This statement, which is a joint filing made on behalf of each of the above named persons pursuant to Rule 13d-1(k), relates to shares of the No Par Value Common Stock of MGP Ingredients, Inc. (the Company). The address of the principal executive offices of the Company is Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002.

Item 2. Identity and Background.

Karen Seaberg.

(a) Address:

20073 266th Road

Atchison, Kansas 66002

(b) Present principal occupation or employment:

Member of the Board of the Company. The Company is a fully integrated producer of certain ingredients and distillery products.

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Managing Member of Cray Family Management LLC

20073 266th Road

Atchison, Kansas 66002

Travel Agent

Travel Center of Atchison

725 Commercial

Atchison, Kansas 66002

(c) Criminal convictions:

The reporting person has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) during the last five years.

(d) Certain civil proceedings.

During the last five years the reporting person has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction which has resulted in a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activity subject

to federal or state securities laws or a finding of any violation with respect to such laws.

(e) Citizenship:

U.S.A.

Cray Family Management LLC

(a) State of Organization:

Kansas

(b) Principal Business:

General Partner of Cray MGP Holdings LP

(c) Business Address and Address of Principal Office:

20073 266th Road

Atchison, Kansas 66002

(d) Criminal Convictions:

The reporting person has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) during the last five years.

(e) Certain civil proceedings.

During the last five years the reporting person has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction which has resulted in a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activity subject to federal or state securities laws or a finding of any violation with respect to such laws.

Cray MGP Holding LP

(f) State of Organization:

Kansas

(b) Principal Business

Investments

(d) Business Address and Address of Principal Office

20073 266th Road

Atchison, Kansas 66002

(e) Criminal convictions:

The reporting person has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) during the last five years.

(f) Certain civil proceedings.

During the last five years the reporting person has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction which has resulted in a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activity subject to federal or state securities laws or a finding of any violation with respect to such laws.

Laidacker M. Seaberg.

(a) Address:

20073 266th Road

Atchison, Kansas 66002

(b) Present principal occupation or employment:

Retired

(c) Criminal convictions:

The reporting person has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) during the last five years.

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(d) Certain civil proceedings.

During the last five years the reporting person has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction which has resulted in a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activity subject to federal or state securities laws or a finding of any violation with respect to such laws.

(e) Citizenship:

U.S.A.

Cloud L. Cray, Jr.

(a) Name of person filing:

Cloud L. Cray, Jr.

(b) Business address:

MGP Ingredients, Inc.

Cray Business Plaza

100 Commercial Street

PO BOX 130

Atchison, Kansas 66002

(c) Present principal occupation or employment:

Member of the Board of the Company. The Company is a fully integrated producer of certain ingredients and distillery products.

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(d) Criminal convictions: the reporting person has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) during the last five years.

(e) Certain civil proceedings.

During the last five years the reporting person has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction which has resulted in a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activity subject to federal or state securities laws or a finding of any violation with respect to such laws.

(f) Citizenship: U.S.A.

Item 3. Source and Amount of Funds or Other Consideration.

See Item 4.

Item 4. Purpose of Transaction.

Item 4 is hereby amended and restated in its entirety as follows:

This report relates to, among other things, the formation of Cray Family Management LLC (Management) and Cray MGP Holdings LP (the Partnership) and the contribution of Common Stock to the Partnership.

Management was formed on September 25, 2012 and Partnership was formed on October 1, 2012 for estate planning purposes. Karen Seaberg is the sole manager of Management, and Karen Seaberg and her sisters, Cathy Scroggs and Susan Robbins, are the members of Management. Management is the general partner of Partnership. The limited partners of the Partnership and their respective percentage interests in the Partnership as of May 9, 2013 are Cloud L. Cray, Jr. (34%) and the Cloud L. Cray, Jr. Gift Trust (the Gift Trust) (65%).

On December 16, 2012, Cloud L. Cray Jr. contributed 2,555,967 shares of Common Stock to the Partnership. On December 12, 2012, Karen Seaberg and Susan Robbins contributed 9,000 and 3,010 shares of Common Stock to Management, respectively. Susan Robbins contributed an additional 5,090 shares on December 21, 2012. Cathy Scroggs contributed cash to Management. Management used these contributions to acquire a 1% interest in Partnership on December 30, 2012.

In connection with his contribution, Mr. Cray received a 99% interest in the Partnership. On December 26, 2012, Mr. Cray donated a 65% limited partnership interest in the Partnership to the Gift Trust. Under the terms of the Gift Trust, Mr. Cray may reacquire all or any part of this contribution by substituting property of equivalent value.

Karen Seaberg is trustee of the Gift Trust, whose beneficiaries are the descendants of Cloud L. Cray living from time to time.

The reporting persons have had growing concern with the lack of profitable growth, deterioration in the corporate culture, efforts to sell certain parts of the Company s business, efforts to amend the bylaws that would limit accountability to shareholders and increase the power of the Chief Executive Officer (CEO), and the level of compensation paid to the Chairman of the board of directors and the CEO of the Company. Events transpiring since the original filing of this Schedule 13D have served as a catalyst to cause the reporting persons to become proactive in seeking to (i) change the composition of the board of directors and management, and (ii) influence the board of directors and officers to improve business and financial performance, ensure accountability to shareholders and restore a corporate culture that is positive, is empowering and reinforces the Company s goals. In particular, the reporting persons are seeking (i) the removal of the CEO and requesting his resignation as a director, (ii) the resignation of any other directors from the board of directors who are not supportive of the foregoing goals and related actions described herein, (iii) the approval by stockholders of an amendment to the Company s bylaws to provide for the right of stockholders holding 10% or more of either of the Company s Common Stock or Preferred Stock to call a special meeting, (iv) the approval by the board of directors of an amendment of the Company s articles of incorporation to de-stagger the board of directors and provide for the annual election of all

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directors and to permit the immediate removal, with or without cause, of any director, (iv) immediately following the adoption of the amendment to de-stagger the Company's board of directors and permit the immediate removal of any director, to remove any remaining director described in (ii) above; (v) the approval by stockholders of an amendment to the Company's bylaws to provide for confidential voting at stockholder meetings; (vi) the approval by stockholders of an amendment to the Company's bylaws to require that any vacancies on the Company's board of directors be filled only by stockholders and not by the board; and (vii) the repeal of any provision of or amendments to the Company's bylaws adopted by the board of directors without the approval of stockholders after April 3, 2013 and before the date of the 2013 Annual Meeting of Stockholders.

On May 22, 2013 the reporting persons revoked proxies they had previously given in favor of the matters to be voted at the Annual Meeting of Stockholders for 2013 (2013 Annual Meeting) originally scheduled to be held on May 23, 2013. As a result, there was not a quorum and therefore no business could be conducted at that meeting and it had to be adjourned to a later date.

Following the filing of the original Schedule 13D by the reporting persons on May 22, 2013 and withdrawal of proxies voting in favor of the proposals by the board of directors, the Company on May 29 announced that the board of directors had authorized a review of strategic alternatives. The Company announced that a special committee of the board of directors had been formed, and that the committee had retained BMO Capital Markets Corp. as its financial advisor. Such statements are usually interpreted to mean that the entire company or major parts of it are being readied for sale.

The reporting persons have communicated to the board of directors their support for the Company's current corporate strategy, even as they have communicated their concerns about the CEO's ability to execute that strategy. The board of directors most recently endorsed the current corporate strategy at a board meeting on May 23, 2013, which includes the retention of each of the Company's divisions. The reporting persons, by virtue of their control of the voting of the Preferred Stock of the Company, have the right to approve any merger, consolidation, sale, lease or exchange of substantially all of the assets of the Company, dissolution, or amendment to the Company's articles of incorporation. The reporting persons do not believe this is the right time or circumstances to propose a transaction involving a sale of the Company, however structured, and do not intend, in their capacity as stockholders, to approve any such transaction. Further, the reporting persons' support for the Company's current corporate strategy entails supporting the retention, in the present circumstances, of each of the Company's divisions. The reporting persons believe the two divisions together help assure stable cash flow and risk diversification for the Company. Accordingly, the reporting persons do not believe that the Company or any significant portion of it, including any division, should be shopped by the special committee of the board of directors. In light of the board's unanimous support for the Company's current corporate strategy, which includes the retention of each of the Company's divisions, and in light of the reporting persons' expressed opposition as preferred stockholders to any transaction at this time involving a sale of the Company or substantially all of its assets, however structured, there is no basis for the board's continued examination of strategic alternatives for the Company. The reporting persons believe that any continued sale process is a waste of the Company's corporate assets, and that a continued waste of assets in these circumstances may constitute a breach of fiduciary duties by those responsible. The reporting persons urge the termination of the review of strategic alternatives and the cessation of this corporate waste.

When the 2013 Annual Meeting reconvenes, the reporting persons currently intend to vote their shares of Preferred Stock, which are described in Item 6, in favor of Cloud L. Cray, Jr. and M. Jeannine Strandjord, and will not vote those shares in favor of John Byom who is the Group B nominee nominated by the Company's board of directors. The reporting persons also currently intend to vote their shares of Common Stock, and to solicit proxies from other holders of Common Stock, to vote in favor of John P. Bridendall and will not vote in favor of John Speirs who is the Group A nominee nominated by the Company's board of directors.

The MGP Ingredients, Inc. Voting Trust (the Voting Trust) was amended by a second amendment thereto which became effective as of the date of the occurrence of the last of the conditions set forth in Section 5 thereof, which took place on July 3, 2013. Following the effectiveness of that amendment, (i) Laidacker Seaberg appointed his father-in-law, Cloud L. Cray, Jr., as his successor as trustee of the Voting Trust and then resigned as a trustee, and (ii) Richard Cray appointed his son, Thomas Cray, as his successor as a trustee of the Voting Trust and then resigned as trustee, which resignations were immediately accepted. As of the date of this filing, the trustees of the Voting Trust are Karen Seaberg, Cloud L. Cray, Jr., and Thomas M. Cray.

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On June 18, 2013, the Company announced that it anticipates further delay in the reconvening of the 2013 Annual Meeting. The Company attributed this delay to its purported need to determine whether actions taken by the Voting Trust with respect to the Annual Meeting held on May 23, 2013, and the ability of a majority of the Preferred Stock to take action at any reconvened Annual Meeting, are valid and properly authorized under the terms of the Voting Trust and applicable law. The Company has initiated litigation against, among others, Karen Seaberg and Laidacker Seaberg, alleging uncertainty as to whether certain actions they have taken in connection with the Annual Meeting were authorized by the terms of the Voting Trust. We note that the Company never asserted any uncertainty about the actions of the Voting Trust when the Voting Trust shares were voted in accord with the recommendations of the board of directors. Only now that the reporting persons have initiated a proxy solicitation does it see uncertainty. The reporting persons believe this litigation is intended solely to delay and frustrate their ability to achieve the goals described in this filing and that the Company's claims are without merit, and intend to seek prompt resolution of the Company's claims by filing a motion to dismiss based on, among other things, the absence of legal standing on the part of the Company to initiate this litigation. The reporting persons also intend to initiate legal action pursuant to Section 17-6501 of the Kansas General Corporation Code to obtain a prompt reconvening of the Annual Meeting.

Except as described in this Item 4, the reporting persons presently have no plans or proposals which relate to or would result in any of the effects specified in subparagraphs (a) through (j) in the text of Item 4 of Schedule 13D.

The undersigned Laidacker Seaberg may sell a portion of his holdings in the Company's common stock over the course of the next year, depending on market prices, for personal financial management purposes. Such sales may be made pursuant to a 10b5-1 trading plan.

Item 5. Interest and Securities of the Issuer.

(a)-(b) The number and percentage of shares of MGP Ingredients, Inc. Common Stock, no par value, beneficially owned by each of the Reporting Persons, based on 17,934,233 shares outstanding as of April 26, 2013, are as follows:

Cray Family Management LLC

(i) Number Beneficially Owned: 4,940,101

Percent of Class: 27.34%

(ii) Number of shares of Common Stock as to which the Reporting Person has:

(A) Sole voting power to vote or direct the vote: 0

(B) Shared power to vote or direct the vote: 4,940,101

(C) Sole power to dispose or direct the disposition of: 0

(D) Shared power to dispose or direct the disposition of: 4,940,101

2,573,967 shares shown above are owned of record by the Partnership.

Management is the general partner of the Partnership. Karen Seaberg is the managing member of Management and in such capacity has sole power to vote and dispose of the shares owned by the Partnership.

Cray MGP Holding LP

(iii) Number Beneficially Owned: 4,940,101

Percent of Class: 27.54%%

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(iv) Number of shares of Common Stock as to which the Reporting Person has:

(A) Sole voting power to vote or direct the vote: 0

(B) Shared power to vote or direct the vote: 4,940,101

(C) Sole power to dispose or direct the disposition of: 0

(D) Shared power to dispose or direct the disposition of: 4,940,101

Management is the general partner of the Partnership. Karen Seaberg is the managing member of Management and in such capacity has sole power to vote and dispose of the shares owned by the Partnership.

Karen Seaberg

(v) Number Beneficially Owned: 4,940,101

Percent of Class: 27.54%

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(vi) Number of shares of Common Stock as to which the Reporting Person has:

(A) Sole voting power to vote or direct the vote: 2,781,060

(B) Shared power to vote or direct the vote: 4,940,101

(C) Sole power to dispose or direct the disposition of: 2,781,060

(D) Shared power to dispose or direct the disposition of: 4,940,101

The amounts reported in (A) and (C) include 2,573,967 shares owned of record by the Partnership. As manager of Management, Partnership's general partner, Karen Seaberg has sole voting and investment power over shares owned by Partnership. The shares shown as beneficially owned by Karen Seaberg in (B) and (D) consist of shares owned of record by her spouse, Laidacker M. Seaberg, from whom she holds a durable power of attorney.

Laidacker M. Seaberg

Number Beneficially Owned: 4,940,101

Percent of Class: 27.54%

(vii) Number of shares of Common Stock as to which the Reporting Person has:

(A) Sole voting power to vote or direct the vote: 0

(B) Shared power to vote or direct the vote: 4,940,101

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(C) Sole power to dispose or direct the disposition of: 0

(D) Shared power to dispose or direct the disposition of: 4,940,101

Cloud L. Cray, Jr.

Number Beneficially Owned: 4,940,101

Percent of Class: 27.54%

(viii) Number of shares of Common Stock as to which the Reporting Person has:

(A) Sole voting power to vote or direct the vote 810,005

(B) Shared power to vote or direct the vote: 4,940,101

(C) Sole power to dispose or direct the disposition of: 810,005

(D) Shared power to dispose or direct the disposition of: 4,940,101

The amounts reported in (ii)(A) and (C) include 6,000 shares subject to presently exercisable stock options.

(c) During the last 60 days, none of the undersigned has effected any transactions in shares of the Company.

(d)-(e) Not applicable

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

Karen Seaberg and Laidacker M. Seaberg are husband and wife. Cloud L. Cray, Jr. is Karen Seaberg's father. Karen Seaberg is the sole manager of Management and, as such, has sole power to vote and dispose of the shares held by the Partnership.

The terms of the limited partnership agreement of the Partnership give Karen Seaberg the unfettered right and authority to dispose of Common Stock held by the Partnership for so long as she is the sole manager of Management. If either of her sisters should become manager of Management, they may only sell Common Stock to lineal descendants of Cloud L. Cray, Jr. or trusts for the benefit of a descendant or descendants or an entity over which one or more lineal descendants possesses voting control. Should any other person become manager of Management or should the Partnership have more than one general partner, the terms of the partnership agreement require the general partner to offer the Common Stock held by the Partnership to the persons described in the preceding sentence before disposing of it to third parties. Distributions by the Partnership are to be made as determined by its general partner in proportion to the limited partners' respective partnership interests. The Partnership may be dissolved with the consent of the general partner and holders of 80% of the limited partnership interests. Upon dissolution, distribution of Partnership assets would be determined by the general partner or other person designated by law.

Karen Seaberg has a durable power of attorney from Laidacker M. Seaberg empowering her to vote shares owned by him.

Karen Seaberg and Cloud L. Cray, Jr. are each a trustee of the MGP Ingredients, Inc. Voting Trust (the "Voting Trust"), which was created under a voting trust agreement entered into on November 16, 2005 (the "Voting Trust") and which holds 333 shares of the Company's Preferred Stock, representing 76.2% of the outstanding shares of such class. The other trustee of the Voting Trust is Thomas M. Cray (Karen Seaberg's cousin and the nephew of Cloud L. Cray, Jr.). Laidacker M. Seaberg directly owns 71 shares of the Company's Preferred Stock. The 404 shares owned by the group represent 92.4% of the outstanding Preferred Stock.

The Articles of Incorporation and Bylaws of the Company entitle the holders of the Preferred Stock to elect five out of the Company's nine directors. Only the holders of Preferred Stock are entitled to vote upon any proposal which requires stockholder approval and which will authorize or direct the Company to merge with another corporation, consolidate, voluntarily dissolve, sell, lease or exchange all or substantially all of its property and assets, or amend its Articles of Incorporation; provided, that the holders of Common Stock are entitled to vote, as a class, upon any such proposal if the result thereof would be to increase or decrease the aggregate number of authorized shares of Common Stock or Preferred Stock, increase or decrease the par value of the shares of Common Stock or Preferred Stock, or alter or change the powers, preferences or special rights of the Common Stock or Preferred Stock so as to affect the holders of Common Stock adversely. On all other matters, other than the election of directors, the holders of

Common Stock and Preferred Stock each vote separately, as a class, and no such matter to be acted upon may be approved unless it receives the affirmative vote, consent or approval of the holders of a majority, or such greater percentage as may be required by law, of the shares of Common Stock and the shares of Preferred Stock.

The Voting Trust was amended effective August 23, 2010 and again effective July 2, 2013. It will continue in effect until the last death of the issue of Cloud L. Cray, Sr. who was living at the creation of the Trust. There presently are 18 such persons living. 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 be an issue of Cloud L. Cray, Sr., and beneficially 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). 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.

Item 7. Material to be Filed as Exhibits.

99.1 Cray Family Trust (incorporated by reference to Exhibit 1 to Amendment No. 1 to Schedule 13D of Laidacker Seaberg dated November 17, 1994).

99.2 First Amendment to Cray Family Trust dated November 13, 1980 (incorporated by reference to Exhibit 9.2 to MGP Ingredients, Inc.'s Form 10-Q for the quarter ended December 31, 2005) (File No. 000-17196).

99.3 Voting Trust Agreement dated as of November 16, 2005 (incorporated by reference to Exhibit 9.1 to MGP Ingredients, Inc.'s Form 10-Q for the quarter ended December 31, 2005) (File No. 000-17196).

99.4 First Amendment to Voting Trust. (incorporated by reference to Exhibit 9.4 of MGP Ingredients, Inc.'s Form 10-K for the fiscal year ended June 30, 2010 (File No. 000-17196)).

99.5 Cray Family Management LLC Operating Agreement dated September 25, 2012. (incorporated by reference to Exhibit 99.5 to Schedule 13D of Karen Seaberg dated May 9, 2013)

99.6 Limited Partnership Agreement of Cray MGP Holdings LP dated October 1, 2012, as amended May 8, 2013. (incorporated by reference to Exhibit 99.6 to Schedule 13D of Karen Seaberg dated May 9, 2013)

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99.7 Durable Power of Attorney dated May 14, 1992. (incorporated by reference to Exhibit 99.7 to Schedule 13D of Karen Seaberg dated May 9, 2013)

*99.8 Second Amendment to Voting Trust dated June 27, 2013

99.9 Joint Filing Agreement (incorporated by reference to Exhibit 99.8 to Schedule 13D of Karen Seaberg dated May 24, 2013)

* Filed herewith

SIGNATURE.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Cray Family Management LLC

By /s/ Karen Seaberg
Karen Seaberg
Manager

Cray MGP Holdings LP

By: Cray Family Management LLC,
its General Partner

By /s/ Karen Seaberg
Karen Seaberg
Manager

/s/ Karen Seaberg
Karen Seaberg

/s/ Laidacker M. Seaberg
Laidacker M. Seaberg

/s/ Cloud L. Cray, Jr.
Cloud L. Cray, Jr.

Date: July 3, 2013

**SECOND AMENDMENT TO
VOTING TRUST AGREEMENT
(MGP INGREDIENTS, INC. VOTING TRUST)**

The Second Amendment (Second Amendment) to the MGP Ingredients, Inc. Voting Trust Agreement (Voting Trust) is entered into as of the 27th day of June, 2013 by the Trustees whose signatures are set forth below, effective as of the Effective Time, as defined below.

WITNESSETH

WHEREAS, the Voting Trust was entered into on November 16, 2005;

WHEREAS, a First Amendment to the Voting Trust (First Amendment) was entered into on August 10, 2010;

WHEREAS, the Trustees whose signatures are set forth below are empowered to amend the Voting Trust, with the consent of the Cray Family Trust, and such Trustees desire to change the universe of persons who may act as a Successor Trustee under the Voting Trust;

WHEREAS, the Trustees have had growing concern with the lack of profitable growth, deterioration in the corporate culture, efforts to sell certain parts of the Company's business, efforts to amend the bylaws that would limit accountability to stockholders and increase the power of the Chief Executive Officer (CEO), and the level of compensation paid to the Chairman of the board of directors and the CEO of the Company;

WHEREAS, the Trustees believe that certain changes are needed to the composition of the board of directors (the Board) and management of the Company, including removal of the current CEO as an officer and a director and not reelecting the current Chairman of the Board;

WHEREAS, a petition was filed by the Company in the District Court of Johnson County, Kansas seeking a declaratory judgment challenging the mental capacity or other specified qualification of each of the Trustees to serve as a Trustee of the Voting Trust following the revocation by the Voting Trust and other members of the Cray Family Group of proxies in favor of the reelection of certain directors and certain other matters to be voted at the Annual Meeting of Stockholders for 2013 (2013 Annual Meeting), the joint filing with the U.S. Securities and Exchange Commission (SEC) of Amendment No. 1 to a Schedule 13D disclosing the voting intentions of the Cray Family Group, and the filing with the SEC of preliminary proxy material by the Cray Family Group and other participants for the solicitation of proxies to vote in favor of the nominees proposed by the Cray Family Group and certain other improvements to the corporate governance of the Company;

WHEREAS, no such challenge was made when the Voting Trust originally provided its proxy to vote in favor of the slate of nominees proposed by the Board for election at the 2013 Annual Meeting which shows, among other things, that the Board's true motive is entrenchment

and delay in holding the 2013 Annual Meeting in order to give it additional time to, among other things, attempt to sell all or part of the Company;

WHEREAS, the Trustees believe that the Company does not have legal standing to bring a declaratory judgment action asserting such a challenge and is otherwise without merit;

WHEREAS, the Trustees believe that the Company does not have legal standing to bring a declaratory judgment action asserting such a challenge and is otherwise without merit;

WHEREAS, the requirement in Section 4.3(a) that two of three successor trustees must be major officers of the Company in order to be eligible to serve as successor Trustee, which was adopted in the First Amendment, creates a clear and present danger that the current CEO or current Board could manipulate the determination of who qualifies for selection as a majority of the Trustees by either (i) terminating a major officer so that such person is no longer qualified to serve as Trustee even though that person is acting independently and in the best interests of the Beneficiaries and all stockholders of the Company, or (ii) limiting the universe of persons who qualify as a major officer by Board resolution or bylaw amendment so that the universe of eligible candidates is skewed to only those who are willing to vote as directed by the CEO or the Board;

WHEREAS, this danger of manipulation and control of the voting power of the preferred stock held by the Voting Trust would place the Board and management of the Company in a position to perpetuate themselves in their offices indefinitely and assure themselves of remaining in control of the Company;

WHEREAS, the absence of independent oversight and accountability to stockholders arising from placing voting control in the hands of the Board and management, and the conflict between the interests of directors and officers in their own compensation and emoluments of office, on the one hand, and the interests of stockholders in profitable growth, lean compensation and overhead and maximization of return to stockholders, on the other hand, demonstrate the vital importance of having an independent check and balance in the hands of the Voting Trust which is exercised free of control by the Board or the CEO or other members of management;

WHEREAS, the Voting Trust will survive until the death of the last issue of Cloud L. Cray, Sr. living on April 4, 1975, which issue are identified in Exhibit B to the Voting Trust (Cray Senior Issue) and all of the Cray Senior Issue fully support and consent to the changes in the Voting Trust set forth in this Second Amendment; and

WHEREAS, the Trustees appreciate the value of obtaining input and insights from management, the directors, the stockholders and other constituents of the Company which will be taken into account as part of voting the preferred stock and otherwise fulfilling their duties under the Voting Trust and will therefore implement the Advisory Committee and Outreach Program set forth in new Sections 3.10 and 3.11 that will be added by this Second Amendment;

NOW, THEREFORE, BE IT AGREED, that the Voting Trust be amended as follows:

1. **Amendment to Section 4.3(a).** Paragraph (a) of Section 4.3 is amended to read in its entirety as follows:

(a) Each Trustee shall have the power to name and appoint an individual to succeed such Trustee in office as a successor trustee (each, a Successor Trustee), and may revoke an appointment at any time prior to the time the Successor Trustee takes office. Any such designation or revocation shall be made in a written instrument signed and acknowledged by said Trustee and deposited with the other Trustees and the Secretary of the Company prior to such Trustee's death or resignation. In the event of inconsistent designations, the designation in the document bearing the last execution date shall control and be deemed to revoke any prior designation. To qualify as a Successor Trustee, an individual must be a Cloud Senior Issue and be the record owner, or direct or indirect beneficial owner, of at least 10,000 shares of the Company's common stock. An individual must be so qualified at the time the individual becomes a Successor Trustee and must remain so qualified to maintain such Trustee's Trusteeship as a Successor Trustee. (The original Trustees named in the first paragraph of this Agreement are not subject to this requirement.) A Trustee, whether original or a Successor Trustee, may name the Trustee's own Successor Trustee at any time and, in the manner provided above, may revoke the document naming such Successor Trustee prior to the Successor Trustee taking office with or without substituting a new Successor Trustee.

2. **New Section 4.3(d).** Section 4.3 is amended by deleting in its entirety the new paragraph (d) that was added by the First Amendment.

3. **New Section 3.10.** Article III is amended by adding a new Section 3.10 which would read in its entirety as follows:

Section 3.10. **Advisory Committee.** The Trustees shall appoint an Advisory Committee to the Trustees to provide advice and information concerning: (i) matters relevant to the Company that would be significant in fulfilling the Trustees' voting and other duties under this Agreement, including, without limitation, financial and business performance, assets, liabilities and properties, strategic direction, competitive dynamics, risks and uncertainties, corporate culture, employee morale, civic and charitable engagement, succession planning for management and key employees, and prospects (collectively, Company Information); (ii) information relating to the Company's competitors in each of the Company's segments or product lines that is similar in scope to the Company Information; and (iii) developments in the industries in which the Company competes, including, without limitation, changes in consumer tastes and preferences and other factors affecting the demand for and pricing of, and the markets for, the Company's products. The Advisory Committee shall be composed of knowledgeable persons selected by a majority of the Trustees and shall include: (i) two or more current or former members of management or key employees of the Company, and (ii) one or more current or former directors of the Company. The Trustees agree to maintain the confidentiality of the Company Information, to use such information solely for purposes of fulfilling their duties

under this Agreement or as directors of the Company, and not to use such information for the purpose of purchasing or selling the Company's securities. The Trustees are authorized to pay reasonable compensation to members of the Advisory Committee from any resources made available from the Family Trust or other appropriate sources.

4. **New Section 3.11.** Article III is further amended by adding a new Section 3.11 which would read in its entirety as follows:

Section 3.11. **Outreach Program.** The Trustees shall develop a program in which they affirmatively reach out to significant stockholders, the Board of Directors of the Company, management, key employees and representatives of each of the communities in which significant facilities are located to obtain input and insight from each of those constituencies regarding the matters that are significant to them, including, without limitation: (i) producing profitable and sustainable growth in the Company's business and financial performance, (ii) building long-term stockholder value, (iii) following best practices in corporate governance, executive compensation, legal compliance, ethical conduct and corporate citizenship, and (iv) maintaining a strong and positive corporate culture.

5. **Effective Time.** The Effective Time of this Amendment will occur when all of the following have occurred: (i) a majority of the Trustees of the Voting Trust have executed this Agreement, (ii) a majority of the Trustees of the Cray Family Trust have consented thereto, (iii) all of the Cray Senior Issue have consented thereto; and (iv) all of the successor trustees that have been named as of the date of the Second Amendment have consented thereto.

6. **Miscellaneous.** The construction and interpretation of this Amendment shall at all times and in all respects be governed by the laws of the State of Kansas. This Amendment may be executed in two or more counterparts and by different parties on separate counterparts, each of which will be an original, but all of which together will constitute one and the same instrument. This Amendment shall be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

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IN WITNESS WHEREOF, the Trustees of the Voting Trust whose signatures are set forth below have caused this instrument to be executed as of the day set forth below their respective names.

Trustees:

/s/ Karen L. Seaberg
Karen L. Seaberg, as Trustee of the MGP Ingredients, Inc. Voting
Trust

Dated: June 27, 2013

/s/ Laidacker M. Seaberg
Laidacker M. Seaberg, as Trustee of the MGP Ingredients, Inc.
Voting Trust

Dated: June 27, 2013

/s/ Richard B. Cray
Richard B. Cray, as Trustee of the MGP Ingredients, Inc. Voting
Trust

Dated: June 27, 2013

CONSENT OF TRUSTEES

The undersigned Trustees of the Cray Family Trust, for and on behalf of the Cray Family Trust, the sole beneficiary of the Trust Certificates issued by the Voting Trust, hereby consent to such Second Amendment.

Trustees:

/s/ Richard B. Cray
Richard B. Cray, as trustee of the Cray Family Trust U/T/A dated
April 4, 1975, as amended by a First Amendment dated
November 13, 1980.

/s/ Cloud L. Cray, Jr.
Cloud L. Cray, Jr., as trustee of the Cray Family Trust U/T/A dated
April 4, 1975, as amended by a First Amendment dated
November 13, 1980.

Dated: June 27, 2013

Dated: June 27, 2013

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STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared KAREN L. SEABERG, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed and in her capacity as a Trustee of the MGP Ingredients, Inc. Voting Trust.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared RICHARD B. CRAY, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as a Trustee of the MGP Ingredients, Inc. Voting Trust and as a trustee of the Cray Family Trust.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

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STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared LAIDACKER M. SEABERG, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as a Trustee of the MGP Ingredients, Inc. Voting Trust.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared CLOUD L. CRAY, JR., to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as a trustee of the Cray Family Trust.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

**CONSENT OF CURRENT SUCCESSOR TRUSTEES OF
THE MGP INGREDIENTS, INC. VOTING TRUST**

The undersigned current Successor Trustees of the respective current Trustees of the MGP Ingredients, Inc. Voting Trust (the Voting Trust) understand and concur with the terms of, and the rationale for amending the Voting Trust in the manner set forth in, the Second Amendment to the Voting Trust to which this Consent is attached (Second Amendment) and hereby consent to the Second Amendment both in their capacity as a current Successor Trustee and fully and to the same extent as if their respective succession had become operative and they were therefore acting as a Trustee of the Voting Trust and had directly executed the Second Amendment.

Successor Trustees:

/s/ David Rindom
David Rindom, Successor Trustee for Richard B. Cray, Trustee of the
Voting Trust

/s/ Randall Schrick
Randall Schrick, Successor Trustee for Laidacker M. Seaberg as
Trustee of the Voting Trust

Dated: June 27, 2013

Dated: June 27, 2013

/s/ Lori L. Mingus
Lori L. Mingus, Successor Trustee for Karen L. Seaberg, Trustee of the Voting
Trust

Dated: July 3, 2013

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STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared DAVID RINDOM, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as a Successor Trustee of the MGP Ingredients, Inc. Voting Trust.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared RANDALL SCHRICK, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as a Successor Trustee of the MGP Ingredients, Inc. Voting Trust.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

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STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared LORI L. MINGUS, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed and in her capacity as a Successor Trustee of the MGP Ingredients, Inc. Voting Trust.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

CONSENT OF ISSUE OF CLOUD L. CRAY, SR.

LIVING ON APRIL 4, 1975

The undersigned are the issue of Cloud L. Cray, Sr. that were living on April 4, 1975 and understand and concur with the terms of, and the rationale for amending the MGP Ingredients, Inc. Voting Trust (the Voting Trust) in the manner set forth in, the Second Amendment to the Voting Trust to which this Consent is attached (the Second Amendment) and hereby consent to the Second Amendment.

FIRST GENERATION:

/s/ Cloud L. Cray, Jr.
Cloud L. Cray, Jr.

Dated: June 27, 2013

/s/ Patricia Cray Page
Patricia Cray Page

Dated: June 29, 2013

/s/ Richard B. Cray
Richard B. Cray

Dated: June 27, 2013

SECOND GENERATION:

/s/ Karen Cray Seaberg
Karen Cray Seaberg

Dated: June 27, 2013

/s/ Susan Cray Robbins
Susan Cray Robbins

Dated: June 28, 2013

/s/ Cathy Cray Scroggs
Cathy Cray Scroggs

Dated: June 28, 2013

/s/ Patty Cray Mach
Patty Cray Mach

Dated: June 30, 2013

/s/ Steve Page
Steve Page

Dated: July 3, 2013

/s/ Tom Cray
Tom Cray

Dated: June 27, 2013

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/s/ C.L. Cray
C. L. Cray

Dated: July 1, 2013

/s/ George Page
George Page

Dated: July 1, 2013

/s/ Scott Page
Scott Page

Dated: June 29, 2013

/s/ William Page
William Page

Dated: June 28, 2013

/s/ Greg Jeffries
Greg Jeffries

Dated: June 28, 2013

/s/ James Jeffries
James Jeffries

Dated: June 28, 2013

/s/ Jeri Jeffries Kurth
Jeri Jeffries Kurth

Dated: June 28, 2013

THIRD GENERATION:

/s/ Melissa Seaberg Huntington
Melissa Seaberg Huntington

Dated: June 28, 2013

/s/ Amanda Garrison Drury
Amanda Garrison Drury

Dated: July 2, 2013

/s/ Lori Seaberg Mingus
Lori Seaberg Mingus

Dated: July 2, 2013

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STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared CLOUD L. CRAY, JR., to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared PATRICIA CRAY PAGE, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed and in her capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

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STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared RICHARD B. CRAY, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared KAREN CRAY SEABERG, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed and in her capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

My Commission Expires:

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STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared PATTY CRAY MACH, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed and in her capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared STEVE PAGE, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

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STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

On this 27th day of June, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared TOM CRAY, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared C. L. CRAY, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

Edgar Filing: MGP INGREDIENTS INC - Form DFAN14A

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared GEORGE PAGE, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared SCOTT PAGE, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

Edgar Filing: MGP INGREDIENTS INC - Form DFAN14A

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared WILLIAM PAGE, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared GREG JEFFRIES, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

Edgar Filing: MGP INGREDIENTS INC - Form DFAN14A

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared JAMES JEFFRIES, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared JERI JEFFRIES KURTH, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in his capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

Edgar Filing: MGP INGREDIENTS INC - Form DFAN14A

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared MELISSA SEABERG HUNTINGTON, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed and in her capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF)
) ss:
COUNTY OF)

On this day of , 2013, in said County and State, before me, the undersigned, a notary public, personally appeared LORI SEABERG MINGUS, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed and in her capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

STATE OF)
) ss:
COUNTY OF)

On this _____ day of _____, 2013, in said County and State, before me, the undersigned, a notary public, personally appeared AMANDA GARRISON DRURY, to me personally known and known to me to be the same person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed and in her capacity as an issue of Cloud L. Cray, Sr. that was living on April 4, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires:

6,766,304, which issued on July 20, 2004, and U.S. Patent 6,772,132, which issued on August 3, 2004. TT later added eSpeed International Ltd., ECCO LLC and ECCO Ware LLC as defendants in a second amended complaint. On January 5, 2006, we answered TT's second amended complaint in which we denied the infringement allegations and we filed an amended counterclaim seeking a declaration that the patents in suit are invalid, we do not make, use or sell any product that infringes any claims of the patents in suit, the patents in suit are unenforceable because of inequitable conduct before the U.S. Patent and Trademark Office during the prosecution of the patents, and the patents are unenforceable due to TT's patent misuse. The Court consolidated for certain discovery and Markman hearing purposes our case with other patent infringement cases brought by TT against other defendants. A Markman hearing was held on August 16-18, 2006. On October 31, 2006, the Court issued a ruling on claim construction, which provides the meanings of the various terms in dispute in the asserted patents. In that ruling, the Court found that we correctly defined several of the patents' key terms. The Court's ruling supports our consistent position that eSpeed and ECCO's products fall outside the scope of TT's patents. In February 2007, the Court denied TT's motion for clarification and reconsideration of the Markman decision and reconfirmed its October 2006 ruling. On June 20, 2007, the Court granted eSpeed's motion for partial summary judgment on TT's claims of infringement covering the Dual Dynamic, eSpeedometer and modified eSpeedometer versions of eSpeed and ECCO's products. As a result, the remaining products at issue in the case were the versions of the eSpeed and ECCO products that have not been on the market in the U.S. since around the end of 2004. TT moved for reconsideration of that summary judgment ruling which the court denied. The trial began on September 10, 2007 and ended on October 4, 2007. On October 10, 2007 a jury rendered a verdict that eSpeed and ECCO willfully infringed. The jury awarded damages in the amount of \$3.5 million. On January 3, 2008, the court granted eSpeed's motion for directed verdict on willfulness, finding that eSpeed's infringement was not willful as a matter of law, and denied eSpeed's general motions for directed verdict and for new trial. On February 6, 2008, eSpeed's remittitur motion was conditionally granted and on February 12, 2008, TT accepted the remittitur. Accordingly, the principal amount of the verdict has been reduced to \$2,539,468. Additionally, TT's motion for pre-judgment interest was granted and interest was set at the prime rate,

compounded monthly. A hearing on inequitable conduct was held on April 3-4, 2008. On May 7, 2008, the court held that TT did not engage in inequitable conduct during the prosecution of the patents in suit. On May 23, 2008, the court granted TT's motion for a permanent injunction, and on June 13, 2008 denied its motion for attorneys' fees. On July 16, 2008, TT's costs were taxed in the amount of \$3,321,775.78 against eSpeed. eSpeed filed a motion to strike any objections to these costs, which has been stayed pending resolution of the appeals referred to below. Both parties have appealed to the United States Court of Appeals for the Federal Circuit. If TT ultimately prevails in the litigation, we may be required to pay TT damages and/or certain costs and expenses, and we may be forced to modify or withdraw certain products from the market. Both parties have requested attorneys' fees from the other party, which may be awarded by the Court in exceptional cases. We are unable to estimate a possible loss or range of losses in connection with an appeal of this matter.

In addition to the matters discussed above, the Company is a party to several pending legal proceedings and claims that have arisen during the ordinary course of business. The outcome of such items cannot be determined with certainty, therefore the Company cannot predict what the eventual loss or range of loss related to such matters will be. Management believes that, based on currently available information, the final outcome of these current pending matters will not have a material effect on the Company's financial condition, results of operations or cash flows.

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Legal reserves are established in accordance with SFAS No. 5, *Accounting for Contingencies*, when a material legal liability is both probable and reasonably estimable. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change.

Letter of Credit Agreements

The Company has irrevocable uncollateralized letters of credit with various banks, where the beneficiaries are clearing organizations through which we transact, that are used in lieu of margin and deposits with those clearing organizations. As of March 31, 2009, the Company was contingently liable for \$52.1 million under these letters of credit, and paid an average fee of 0.7% on them.

Risk and Uncertainties

The Company generates revenues by providing securities trading and brokerage activities to institutional customers and by executing and, in some cases, clearing transactions for institutional counterparties. Revenues for these services are transaction-based. As a result, revenues could vary based on the transaction volume of global financial markets. Additionally, financing is sensitive to interest rate fluctuations, which could have an impact on its overall profitability.

Guarantees

The Company provides guarantees to securities clearing houses and exchanges which meet the definition of a guarantee under FASB Interpretations No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. Under these standard securities clearing house and exchange membership agreements, members are required to guarantee, collectively, the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the clearing house or exchange, all other members would be required to meet the shortfall. In the opinion of management, the Company's liability under these agreements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential of being required to make payments under these arrangements is remote. Accordingly, no contingent liability was recorded in the Company's condensed consolidated statements of financial condition for these agreements.

17. Income Taxes

eSpeed was a U.S. corporation and reported and paid U.S. federal income taxes as well as taxes to other jurisdictions in which it or its subsidiaries conducted business. Historically, much of BGC Partners, LLC had operated through entities that were treated as partnerships for U.S. federal income tax purposes. As such, much of the income was not subject to U.S. federal and state income taxes because taxes related to income earned by partnerships represent obligations of the individual partners. BGC Partners, LLC did have certain companies that were incorporated and subject to U.S. federal, state and local income tax and they did report and pay U.S. federal, state and local income taxes. Outside the United States, BGC Partners, LLC had operated principally through subsidiary corporations subject to local income taxes. Prior to April 1, 2008, income taxes reported in the consolidated financial statements for BGC Partners, LLC were primarily attributable to taxes incurred by its incorporated U.S. entities and by non-U.S. entities. Subsequent to the merger, the consolidated financial statements of the Company include U.S. federal, state and local income taxes on its allocable share of the U.S. results of operations, giving effect to the post-merger structure, as well as taxes payable to jurisdictions outside the U.S.

Income taxes are accounted for using the asset and liability method, as prescribed in SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Certain of the Company's entities are taxed as U.S. partnerships and are

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subject to the Unincorporated Business Tax (UBT) in the City of New York. Therefore, the tax liability or benefit related to the partnership's income or loss except for UBT rests with the partners, rather than the partnership entity. As such, the partners' liability or benefit is not reflected in the Company's condensed consolidated financial statements. The tax related assets, liabilities, provisions or benefits included in the Company's condensed consolidated financial statements also reflect the results of the entities that are taxed as corporations, either in the U.S. or in foreign jurisdictions. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against deferred tax assets if it is more likely than not those assets will not be realized. No deferred U.S. federal income taxes have been provided for the undistributed foreign corporate earnings since they have been permanently reinvested in the Company's foreign operations. It is not practical to determine the amount of additional tax that may be payable in the event these earnings are repatriated. Effective January 1, 2007, the Company, adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting For Uncertainty in Income Taxes - an interpretation of SFAS No. 109* (FIN 48). It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. As of March 31, 2009, the Company had \$4.2 million of unrecognized tax benefits all of which would affect the Company's effective tax rate if recognized. During the three months ended March 31, 2009, the Company did not have any material changes with respect to interest and penalties. The Company does not anticipate any significant change in the total amount of unrecognized benefits (excluding interest and penalties) over the next twelve months.

18. Regulatory Requirements

Many of the Company's businesses are subject to regulatory restrictions and minimum capital requirements. These regulatory capital requirements may restrict the Company's ability to withdraw capital from its subsidiaries.

Certain U.S. subsidiaries are registered as U.S. broker-dealers or Futures Commissions Merchants subject to Rule 15c3-1 of the SEC and Rule 1.17 of the Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants, and also require a significant part of the registrants' assets be kept in relatively liquid form. As of March 31, 2009, the U.S. subsidiaries had net capital in excess of their minimum capital requirements.

Certain European subsidiaries of the Company are regulated by the FSA and must maintain financial resources (as defined by the FSA) in excess of the total financial resources requirement of the FSA. As of March 31, 2009, the European subsidiaries had financial resources in excess their requirements.

Certain other subsidiaries are subject to regulatory and other requirements of the jurisdictions in which they operate.

The regulatory requirements referred to above may restrict the Company's ability to withdraw capital from its regulated subsidiaries. As of March 31, 2009, \$301.9 million of net assets were held by regulated subsidiaries. These subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of \$215.4 million.

19. Segment and Geographic Information***Segment Information***

The Company currently operates its business in one reportable segment that of providing integrated voice and electronic brokerage services to the wholesale, inter-dealer markets in a broad range of products and services, including brokerage services for global fixed income securities, equities, futures, foreign exchange, derivatives and other instruments, including complementary proprietary market data offerings.

Table of Contents**Geographic Information**

The Company offers products and services in the United States, Europe and the AMEA region (defined as Africa, Middle East and Asia-Pacific). Information regarding revenues for the three months ended March 31, 2009 and 2008, respectively, and information regarding long-lived assets (defined as forgivable loans, fixed assets, net of accumulated depreciation, investment, goodwill, other intangible assets, net of accumulated amortization, and rent and other deposits) in geographic areas as of March 31, 2009 and December 31, 2008, respectively, are as follows (in thousands):

	Three months ended March 31,	
	2009	2008
Revenues:		
United Kingdom	\$ 122,174	\$ 140,734
United States	73,715	106,901
France	43,942	36,416
AMEA	38,465	46,910
Other Europe	4,845	4,753
Other Americas	773	1,396
Total revenues	\$ 283,914	\$ 337,110
	March 31,	December 31,
	2009	2008
Long-lived assets:		
United Kingdom	\$ 144,843	\$ 144,837
United States	122,370	126,392
France	12,446	14,874
AMEA	37,854	25,930
Other Europe	2,865	3,272
Other Americas	451	558
Total long-lived assets	\$ 320,829	\$ 315,863

20. Subsequent Events**Acquisition of Liquidez**

In August 2008, BGC entered into a purchase agreement to acquire Liquidez Distribuidora de Titulos e Valores Mobiliarios Ltda. (Liquidez), a Brazilian financial institution and interdealer broker with offices in Sao Paulo and Rio de Janeiro for approximately \$15 million. This acquisition would enable BGC to enter the Brazilian economy, which is fast becoming one of the world's major economies, and would provide a platform for further expansion in Brazil and Latin America. The purchase transaction is subject to the approval of the Central Bank of Brazil (Central Bank), CMN and the President of the Federative Republic of Brazil. The application for approval, which includes a business plan, was submitted to the Central Bank on November 28, 2008 and is pending approval. The parties are currently discussing certain amendments to the financial terms of the purchase agreement. We expect that the closing of the transaction, if any, will be in the first half of 2009.

Fourth Quarter Dividend

On May 4, 2009, the Company's Board of Directors declared a quarterly cash dividend of \$0.09 per share payable on May 28, 2009 to Class A and Class B common stockholders of record as of May 18, 2009.

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Saleability of BGC Holdings Founding Partnership Units

On April 21, 2009, the Board, Audit Committee and Compensation Committee of the Company, as the general partner of BGC Holdings, L.P. agreed to remove the contractual transfer restrictions on the sale of shares of Class A Common Stock of the Company receivable by partners of BGC Holdings upon exchange of their exchangeable Founding Partnership Units.

At the April 1, 2008 closing of the Company's merger with eSpeed, 20% of the BGC Holdings founding partner interests held by each founding partner, other than Lee Amaitis and Shaun Lynn, became exchangeable into Class A Common Stock, less any shares previously exchanged. One-third, or 2,252,744 of such shares receivable by a founding partner upon a full exchange became saleable on each of the first, second and third anniversaries of the closing of the merger. The Company has agreed to accelerate the right to sell these shares at any time, which results in an additional 4,505,487 shares eligible for exchange and sale currently. While these shares are authorized for sale, the Company does not have an indication at this time of the number of partnership interests that may be exchanged and sold by partners pursuant to this agreement and the Company does not anticipate this changing the fully diluted number of shares outstanding.

Stock Repurchases

On April 21, 2009, in connection with the Company's stock repurchase program, the Company repurchased 486,701 shares of its Class A common stock for an aggregate purchase price of approximately \$1.2 million. The shares of Class A common stock repurchased consisted of 486,701 shares issued by the Company upon exchange of founding partner units issued in connection with the separation and merger.

As of April 30, 2009, the Company had approximately \$32.4 million available under its original \$100 million stock repurchase program.

Stock Issuance

On May 7, 2009, the Company issued an aggregate of 1,793,946 shares of Class A common stock of the Company to founding partners of BGC Holdings upon exchange of their exchangeable founding partnership units in fulfillment of the rights to acquire such shares issued by the Company to such founding partners on April 1, 2008. All of these shares were eligible for sale beginning on May 7, 2009 when the Company's restrictions on employee stock transactions were lifted. The Company does not anticipate this issuance changing the fully diluted number of shares outstanding. The Company had \$32.4 million remaining on its authorized share repurchase program as of April 30, 2009 and may actively purchase its shares in the market or in private transactions, including from partners of BGC Holdings, Cantor Fitzgerald and/or their affiliates from time to time and may cease making any such purchases at any time.

In order to facilitate receipt of the shares by the partners of BGC Holdings and receipt of distribution rights shares to be received by partners of BGC Holdings and Cantor Fitzgerald, L.P., the Company and Cantor have made arrangements for such partners to open brokerage accounts with an investment bank. These accounts will facilitate repayment by any such partners of any partnership loans or other amounts payable to Cantor or the Company in connection with any sale of exchange shares or distribution rights shares.

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

The following discussion of BGC Partners, Inc. financial condition and results of operations should be read together with BGC Partners, Inc. condensed consolidated financial statements and notes to those statements, included elsewhere in this document. When used herein, the terms BGC Partners, BGC the Company, we, us and our refer to BGC Partners, Inc., including consolidated subsidiaries.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as may, will, should, estimates, predicts, potential, continue, strategy, believes, anticipate, intends and similar expressions are intended to identify forward-looking statements.

Our actual results and the outcome and timing of certain events may differ significantly from the expectations discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to:

our relationship with Cantor Fitzgerald, L.P. and its affiliates (Cantor) and any related conflicts of interest, competition for and retention of brokers and other managers and key employees, reliance on Cantor for liquidity and capital and other relationships;

pricing and commissions and market position with respect to any of our products and services and those of our competitors;

the effect of industry concentration and reorganization, reduction of customers and consolidation;

liquidity, clearing capital requirements and the impact of recent credit market events;

market conditions, including trading volume and volatility, and further deterioration of the equity and debt capital markets;

economic or geopolitical conditions or uncertainties;

the extensive regulation of the Company's businesses, changes in regulations relating to the financial services industry, and risks relating to compliance matters;

factors related to specific transactions or series of transactions, including credit, performance and unmatched principal risk, as well as counterparty failure;

the costs and expenses of developing, maintaining and protecting intellectual property, including judgments or settlements paid or received in connection with intellectual property, or employment or other litigation and their related costs;

certain financial risks, including the possibility of future losses and negative cash flow from operations, potential liquidity and other risks relating to the ability to obtain financing and risks of the resulting leverage, as well as interest and currency rate fluctuations;

the ability to enter new markets or develop new products, trading desks, marketplaces or services and to induce customers to use these products, trading desks, marketplaces or services and to secure and maintain market share;

the ability to enter into marketing and strategic alliances and other transactions, including acquisitions, dispositions, reorganizations, partnering opportunities and joint ventures, and the integration of any completed transactions;

the ability to hire new personnel;

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the ability to expand the use of technology for our hybrid platform, including screen-assisted, voice-assisted and fully electronic trading;

effectively managing any growth that may be achieved;

financial reporting, accounting and internal control factors, including identification of any material weaknesses in our internal controls and our ability to prepare historical and pro forma financial statements and reports in a timely manner;

the effectiveness of risk management policies and procedures;

the ability to meet expectations with respect to payment of dividends, distributions and repurchases of our common stock or purchases of BGC Holdings, L.P. (BGC Holdings) limited partnership interests or other equity interests in our subsidiaries, including from Cantor, our executive officers, and our employees; and

the risks and other factors described herein under the heading Item 1A Risk Factors.

The foregoing risks and uncertainties, as well as those risks discussed under the heading Item 3 Quantitative and Qualitative Disclosures About Market Risk and the Company's Form 10-Q, may cause actual results to differ materially from the forward-looking statements. The information included herein is given as of the filing date of this Form 10-Q with the SEC, and future events or circumstances could differ significantly from these forward-looking statements. The Company does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This discussion summarizes the significant factors affecting our results of operations and financial condition during the three months ended March 31, 2009 and 2008. This discussion is provided to increase the understanding of, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes thereto included elsewhere in this Report.

Overview

BGC Partners is a leading global inter-dealer broker specializing in the brokering of a broad range of financial products globally, including fixed income securities, interest rate swaps, foreign exchange, equity derivatives, credit derivatives, commodities, futures, structured products and other instruments. BGC Partners provides a full range of services, including execution, clearing, processing and other back office services. Through its eSpeed and BGCantor Market Data brands, BGC Partners also offers financial technology solutions and market data and analytics related to select financial instruments and markets. BGC Partners' customers include many of the world's largest banks, broker-dealers, investment banks and investment firms. BGC Partners' integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use voice, screen-assisted, voice-assisted or, where available, fully electronic brokerage services in connection with transactions executed either OTC or through an exchange. BGC Partners has offices in New York and London, as well as in Beijing (representative office), Chicago, Copenhagen, Hong Kong, Istanbul, Johannesburg, Mexico City, Nyon, Paris, Seoul, Singapore, Sydney, Tokyo and Toronto.

Prior to the events of September 11, 2001, BGC Partners' brokerage business was widely recognized as one of the leading full-service wholesale inter-dealer brokers in the world. After September 11, 2001 and the loss of the majority of its U.S.-based employees, its brokerage business operated primarily in Europe. In August 2004, Cantor announced the restructuring of its inter-dealer brokerage business, renaming it BGC, in honor of B. Gerald Cantor, Cantor's co-founder and a pioneer in screen brokerage services and fixed income market data products. Over the past three years, BGC Partners has re-established its U.S. presence and has continued to expand its global presence through the acquisition and integration of established brokerage companies and the hiring of experienced brokers. Through these actions, BGC Partners has been able to expand its presence in key markets and position its business for sustained growth.

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On April 1, 2008, BGC Partners, LLC merged with and into eSpeed to form BGC Partners. eSpeed is a leader in developing and deploying electronic marketplaces and related trading technology that offers traders access to some of the most liquid, efficient and neutral financial markets in the world. eSpeed is an innovator in its core electronic marketplaces, the government bond markets of the world. The merger combined eSpeed's electronic marketplaces and related electronic trading technology expertise in the government bond and its other markets with BGC Partners' inter-dealer brokerage businesses. Management believes this combination will position BGC Partners as one of the few inter-dealer brokers with hybrid capabilities and technology thus allowing them to offer superior execution to its clients and drive higher trading volumes. Prior to the merger, BGC Partners and eSpeed had a strong relationship through the JSA under which revenues for certain services shared. Management believes that the merger will help drive efficiencies and align the interests of both firms so that they can better focus eSpeed's technology on supporting BGC Partners' brokerage services.

Business Environment

The inter-dealer broker sector has been a competitive area that has experienced robust growth from 2001 through the beginning of 2009 due to several factors. One factor is the increasing use of derivatives to manage risk or to take advantage of the anticipated direction of a market by allowing holders to guard against gains or losses in the price of underlying assets without having to buy or sell the underlying assets. Derivatives are often used to mitigate the risks associated with interest rate movements, equity ownership, changes in the value of foreign currency, credit defaults by corporate and sovereign debtors and changes in the prices or commodity products. Demand from financial institutions, financial services intermediaries and large corporations have increased volumes in the wholesale derivatives market, thereby increasing the business opportunity for inter-dealer brokers.

Another key factor in the growth of the inter-dealer broker sector has been the increase in the number of new products. As market participants and their customers strive to mitigate risk, new types of equity and fixed income securities, futures, options and other financial instruments are developed. These new securities and derivatives are not immediately ready for more liquid and standardized electronic markets, and generally increase the need for trading and require broker-assisted execution.

The continuing credit crises and ensuing global economic slowdown, has resulted in consolidation among some of the larger market participants. Most have curtailed risk taking, de-levered, and/or seen a decline in trading activity across many of their products. As a result, there has been an industry-wide slowdown in growth or outright decline in the volumes for many of the OTC and listed products we broker. At the same time, the continued high volatility by historical standards and decrease in the number of market participants has led to widening spreads.

As some of our largest customers reduce their staffing levels in many of the markets in which we operate, full-service inter-dealer brokers may see increased opportunity to be the outsourced provider of market intelligence, operational expertise and liquidity to help our clients as these seek to operate in the current uncertain economic climate. BGC Partners has invested significantly to capitalize on the current business environment through acquisitions, technology spending and the hiring of new brokers. The business climate for these acquisitions has been competitive and it is expected that these conditions will persist for the foreseeable future. BGC Partners has been able to attract businesses and brokers to its platform as it believes they recognize that BGC Partners has the scale, technology, experience and expertise to succeed in the current business environment.

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Financial Highlights

Revenue Growth

Total revenues were \$283.9 million and \$337.1 million for the three months ended March 31, 2009, and 2008 respectively, representing a 15.8% decrease.

The main factors contributing to the decline were:

reduced volumes across global interest rate and foreign exchange option markets;

a decrease in the number of fixed-fee eSpeed fully electronic U.S. Treasury customers due to some industry consolidation; and

an increase in the value of the U.S. dollar relative to other major currencies.

These declines were offset by:

expansion across both product lines and geography;

an increase in brokerage personnel year-over-year from 1,201 to 1,270;

higher Credit revenue related to BGC's strength in cash bonds; and

wider spreads across most asset classes.

These variances are discussed in more detail under the discussion of Results of Operations .

Table of Contents**Results of Operations**

The following table sets forth BGC's Condensed Consolidated Statements of Operations data expressed as a percentage of total revenues for the periods indicated (in thousands):

	Three Months Ended March 31, 2009		2008	
	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues
Revenues:				
Commissions	\$ 172,280	60.7%	\$ 254,031	75.4%
Principal transactions	91,261	32.1	51,896	15.4
Total brokerage revenues	263,541	92.8	305,927	90.8
Fees from related parties	14,924	5.3	20,913	6.2
Market data	4,462	1.6	5,544	1.6
Software solutions	1,498	0.5	2,083	0.6
Interest income	1,312	0.5	3,853	1.1
Other revenues	320	0.1	586	0.2
Losses on equity investments	(2,143)	(0.8)	(1,796)	(0.5)
Total revenues	283,914	100.0	337,110	100.0
Expenses:				
Compensation and employee benefits	175,837	61.9	274,545	81.4
Allocation of income to founding/working partner units	4,227	1.5		
Allocation of income to REUs	852	0.3		
Total compensation and employee benefits	180,916	63.7	274,545	81.4
Occupancy and equipment	25,824	9.1	30,722	9.1
Fees to related parties	4,335	1.5	6,540	1.9
Professional and consulting fees	7,484	2.6	15,546	4.6
Communications	15,324	5.4	16,720	5.0
Selling and promotion	15,004	5.3	15,235	4.5
Commissions and floor brokerage	3,675	1.3	3,713	1.1
Interest expense	2,397	0.9	7,663	2.3
Other expenses	7,630	2.7	6,235	1.8
Total expenses	262,589	92.5	376,919	111.7
Income (loss) from continuing operations before income taxes	21,325	7.5	(39,809)	(11.8)
Provision for income taxes	7,031	2.5	8,070	2.4
Consolidated net income (loss)	14,294	5.0	(47,879)	(14.2)
Less: Net income attributable to noncontrolling interest in subsidiaries	6,214	2.2	654	0.2
Net income (loss) available to common stockholders	\$ 8,080	2.8%	\$ (48,533)	(14.4)%

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Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

Revenues

Brokerage Revenues

Total brokerage revenues decreased by \$42.4 million, or 13.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. Commission revenues decreased by \$81.8 million, or 32.2%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. Principal transactions revenues increased by \$39.4 million, or 75.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

The decrease in rates revenues of \$28.9 million was primarily driven by a reduction in industry-wide market turnover in interest rate products. For example, during the first quarter of 2009, volumes for CME U.S. Treasury futures, CME Eurodollar contracts, and trading by U.S. Federal Reserve primary dealers were down 57.4%, 49.7%, and 47.6%, respectively. In addition, there has been some consolidation amongst major customers, including fixed-fee fully electronic U.S. Treasury customers.

The increase in credit brokerage revenues of \$4.1 million was driven primarily by continued expansion of our core credit business across all geographies, as well as our historical strength in broking cash bonds and growth in electronically executed transactions.

Foreign exchange revenues declined by \$15.1 million. This was primarily due to volatility in the market place resulting in reduced industry-wide foreign exchange option turnover.

Despite the global slowdown in equity markets, revenues from other asset classes fell by only \$2.5 million due to our continued growth in equity products across all geographies.

Fees from Related Parties

Fees from related parties decreased by \$6.0 million, or 28.6%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to lower fees charged to Cantor for certain administrative and other support services in the first quarter of 2009 as a result of lower costs incurred by us to provide those services, partly related to reductions in temporary staff and consulting costs.

Market Data

Market data revenues decreased by \$1.1 million, or 19.5%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to a decline in existing customer usage, as well as the expiration of certain contracts and lower audit revenues.

Software Solutions

Software solutions revenues decreased by \$0.6 million, or 28.1%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to a decline in license fees.

Interest Income

Interest income decreased by \$2.5 million, or 65.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to the repayment of intercompany loans by Cantor to us as part of our separation from Cantor in 2008, as well as lower yields on investments of our excess cash in both money markets and reverse repurchase agreements during the first quarter of 2009.

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Other Revenues

Other revenues decreased by \$0.3 million, or 45.4%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily driven by various one-time transactions in 2008 that did not recur in 2009.

Losses on Equity Investments

Losses on equity investments increased by \$0.3 million, or 19.3%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The increase was primarily driven by our share of losses in non-consolidated investments, including Aqua and ELX.

Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense decreased by \$98.7 million, or 36.0%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to non-cash compensation charges of \$84.1 million, in the first quarter of 2008, specifically \$47.3 million of which was in relation to the redemption of partnership units held by certain executive officers to settle outstanding loan obligations and \$36.8 million of which was in relation to the activation of exchangeability of founding partner interests held by certain executives, as part of the separation, which did not recur in 2009.

Additionally, we had \$4.9 million in compensation expense related to certain administrative and other support employees who provide services to us, which we lease from Cantor pursuant to an agreement executed as part of the merger. This compensation expense had been recorded as part of Fees to related parties in the first quarter of 2008.

Allocation of Income to Founding/Working Partner Units

Allocation of income to founding/working partner units was \$4.2 million for the three months ended March 31, 2009. The recognition of the allocation to founding/working partners units is related to the recapitalization in conjunction with the merger. The allocation of income to founding/working partner units is based on their pro rata economic ownership, which averaged 21.3% during the first quarter of 2009.

Allocation of Income to REUs

Allocation of income to REUs was \$0.9 million for the three months ended March 31, 2009. The recognition of the allocation to REUs is related to the recapitalization in conjunction with the merger. The allocation of income to REUs is based on their pro rata economic ownership, which averaged 4.3% during the first quarter of 2009.

Occupancy and Equipment

Occupancy and equipment expense decreased by \$4.9 million, or 15.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to lower rent expense recognized in our foreign locations resulting from a stronger U.S. dollar during the first quarter of 2009, as well as a decline in non-capitalizable hardware and software purchases and lower depreciation expense due to the retirement of certain assets at the end of 2008.

Fees to Related Parties

Fees to related parties decreased by \$2.2 million, or 33.7%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to an agreement we entered into in conjunction with the merger, whereby we leased certain administrative and other support

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employees, who provide services to us, from Cantor. As a result of this agreement, the compensation costs related to these employees, which had been recorded as part of Fees to related parties in prior years, is now recorded as part of Compensation and employee benefits .

Professional and Consulting Fees

Professional and consulting fees decreased by \$8.1 million, or 51.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to higher legal, audit and consulting fees related to the merger, as well as higher consulting fees related to the upgrade of our regulatory reporting infrastructure to comply with FSA requirements, incurred during the first quarter of 2008.

Communications

Communications expense decreased by \$1.4 million, or 8.3%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. As a percentage of total revenues, communications remained relatively unchanged at approximately 5.0% across the two periods.

Selling and Promotion

Selling and promotion expense decreased by \$0.2 million, or 1.5%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. As a percentage of total revenues, selling and promotion expense remained relatively unchanged at approximately 5.0% across the two periods.

Commissions and Floor Brokerage

Commissions and floor brokerage expense decreased marginally for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

Interest Expense

Interest expense decreased by \$5.3 million, or 68.7%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to the debt restructuring as part of our separation from Cantor in 2008, which included the repayment of intercompany loans and the issuance of new senior notes at more favorable interest rates.

Other Expenses

Other expenses increased by \$1.4 million, or 22.4%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The increase was primarily due to additional litigation reserves recorded during the first quarter 2009.

Noncontrolling Interest in Subsidiaries

Noncontrolling interest in subsidiaries increased by \$5.6 million, or 850.2%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The increase was due to the recognition of \$6.7 million in income attributable to Cantor's interest in BGC Holdings, which is based on Cantor's pro rata economic ownership, which averaged 33.9% during the first quarter of 2009, as well as a \$1.1 million decrease in the income attributable to Cantor's interest in Tower Bridge.

Provision for Income Taxes

Provision for income taxes decreased by \$1.0 million, or 12.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. Income taxes decreased due to the non-deductibility of certain non-cash merger related compensation charges in the first quarter of 2008. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

Table of Contents**Quarterly Results of Operations**

The following table sets forth, our unaudited quarterly results of operations for the indicated periods (in thousands). Results of any period are not necessarily indicative of results for a full year and may, in certain periods, be affected by seasonal fluctuations in our business.

	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
	(in thousands)							
Revenues:								
Commissions	\$ 172,280	\$ 179,144	\$ 225,482	\$ 212,541	\$ 254,031	\$ 217,908	\$ 204,233	\$ 190,711
Principal transactions	91,261	80,614	48,832	66,062	51,896	23,370	70,406	58,263
Fees from related parties	14,924	17,205	19,409	18,599	20,913	21,167	13,851	7,898
Market data	4,462	3,917	4,842	5,101	5,544	4,741	4,508	5,359
Software solutions	1,498	2,134	2,109	1,454	2,083	1,926	2,715	2,778
Interest income	1,312	3,010	1,019	3,931	3,853	3,083	4,873	5,945
Other revenues	320	1,545	1,085	(940)	586	36	(1,208)	2,002
Losses on equity investments	(2,143)	(2,087)	(1,910)	(1,276)	(1,796)	(408)	(262)	(95)
Total revenues	283,914	285,482	300,868	305,472	337,110	271,823	299,116	272,861
Expenses:								
Compensation and employee benefits	175,837	190,208	177,739	176,921	274,545	162,595	168,592	159,613
Allocation of income to founding/working partner units	4,227		3,716	7,133				
Allocation of income to REUs	852		299	252				
Total compensation and employee benefits	180,916	190,208	181,754	184,306	274,545	162,595	168,592	159,613
Occupancy and equipment	25,824	26,723	25,686	28,775	30,722	27,696	28,957	29,581
Fees to related parties	4,335	2,731	2,883	3,140	6,540	10,778	10,145	4,607
Professional and consulting fees	7,484	9,207	15,460	11,803	15,546	22,820	17,558	14,329
Communications	15,324	15,696	17,459	17,041	16,720	15,972	14,295	13,950
Selling and promotion	15,004	15,520	16,262	15,070	15,235	15,183	13,737	13,795
Commissions and floor brokerage	3,675	11,284	3,418	6,185	3,713	290	7,213	2,588
Interest expense	2,397	5,442	2,217	3,628	7,663	11,730	2,354	9,065
Other expenses	7,630	9,347	17,603	3,391	6,235	9,204	21,522	14,485
Total expenses	262,589	286,158	282,742	273,339	376,919	276,268	284,373	262,013
Income (loss) from continuing operations before income taxes	21,325	(676)	18,126	32,133	(39,809)	(4,445)	14,743	10,848
Provision (benefit) for income taxes	7,031	(1,440)	4,762	8,723	8,070	5,786	3,899	(2,697)
Consolidated net income (loss)	14,294	764	13,364	23,410	(47,879)	(10,231)	10,844	13,545
Less: Net income attributable to noncontrolling interest in subsidiaries	6,214	777	6,511	11,426	654	928	375	894
Net income (loss) available to common stockholders	\$ 8,080	\$ (13)	\$ 6,853	\$ 11,984	\$ (48,533)	\$ (11,159)	\$ 10,469	\$ 12,651

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The tables below detail our brokerage revenues by product category (in thousands):

	For the three months ended							
	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Brokerage revenue by product (actual results):								
Rates	\$ 123,556	\$ 116,392	\$ 142,162	\$ 143,100	\$ 152,450	\$ 117,844	\$ 162,375	\$ 140,611
Credit	91,334	83,258	67,923	69,114	87,193	63,439	57,963	55,857
Foreign exchange	22,349	30,910	38,434	34,048	37,466	34,417	36,132	32,215
Other asset classes	26,302	29,198	25,795	32,341	28,818	25,578	18,169	20,291
Total brokerage revenues	\$ 263,541	\$ 259,758	\$ 274,314	\$ 278,603	\$ 305,927	\$ 241,278	\$ 274,639	\$ 248,974
Brokerage revenue by product (percentage):								
Rates	46.9%	44.8%	51.8%	51.4%	49.8%	48.8%	59.1%	56.5%
Credit	34.6	32.0	24.8	24.8	28.5	26.3	21.1	22.4
Foreign exchange	8.5	12.0	14.0	12.2	12.2	14.3	13.2	12.9
Other asset classes	10.0	11.2	9.4	11.6	9.5	10.6	6.6	8.2
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Brokerage revenue by voice/hybrid and fully electronic (actual results):								
Voice/hybrid	\$ 248,413	\$ 244,298	\$ 255,143	\$ 262,195	\$ 289,862	\$ 217,839	\$ 252,294	\$ 227,263
Fully electronic	15,128	15,460	19,171	16,408	16,065	23,439	22,345	21,711
Total brokerage revenues	\$ 263,541	\$ 259,758	\$ 274,314	\$ 278,603	\$ 305,927	\$ 241,278	\$ 274,639	\$ 248,974
Brokerage revenue by voice/hybrid and fully electronic (percentage):								
Voice/hybrid	94.3%	94.0%	93.0%	94.1%	94.7%	90.3%	91.9%	91.3%
Fully electronic	5.7	6.0	7.0	5.9	5.3	9.7	8.1	8.7
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Liquidity and Capital Resources*Cash Flows*

Net cash provided by operating activities was \$33.2 million for the three months ended March 31, 2009, compared to net cash used by operating activities of \$163.7 million for the three months ended March 31, 2008, an increase of \$196.9 million. This increase was primarily due to increased working capital utilization of \$134.7 million and increased consolidated net income of \$62.2 million. The increase in net income was primarily attributable to a one-time non-cash compensation charge in the amount of \$84.1 million in the three months ending March 31, 2008. Working capital utilization, excluding the one-time non-cash compensation charge, for the three months ended March 31, 2009 increased by \$218.8 million from the three months ended March 31, 2008. This increase was due to our repayment of intercompany borrowings from Cantor during the three months ending March 31, 2008 in conjunction with the separation from Cantor on March 31, 2008.

Net cash provided by investing activities was \$80.0 million for the three months ended March 31, 2009, compared to net cash provided by investing activities of \$75.0 million for the three months ended March 31, 2008, an increase of \$5.0 million. This increase was primarily due to changes in investing activities with Cantor.

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Net cash used in financing activities was \$15.1 million for the three months ended March 31, 2009, compared to net cash provided by financing activities of \$30.3 million for the three months ended March 31, 2008, an decrease of \$45.4 million. During the three months ended March 31, 2008, the net cash provided by financing activities was primarily comprised of activities related to the separation from Cantor that occurred on March 31, 2008, including the settlement of \$196.8 million of long-term debt obligations to Cantor, capital contributions from Cantor of \$76.2 million, and the assumption of \$150.0 million of Cantor's senior notes. During the three months ended March 31, 2009, the net cash used in financing activities was primarily comprised of repurchases of Class A Common Stock in the amount of \$6.7 million, earnings distributions to founding/working partner units, REUs and Cantor of \$5.2 million and paid dividends of \$3.3 million.

Long-Term Debt

On March 31, 2008, we entered into a note purchase agreement pursuant to which \$150.0 million principal amount of notes were issued to the investors named in the note purchase agreement. The notes are due April 1, 2010, with interest payable semiannually at the rate of 5.19% per annum; provided, however, that this rate is increased by 0.25% per annum for any fiscal quarter during which our consolidated debt exceeds 55% but not 60% of our consolidated capitalization, as such terms are defined in the Company guaranty. In addition, the interest rate increases by 0.50% per annum during any period in which any holder of a note is required under applicable insurance regulations to post reserves with respect to the notes greater than the reserve requirement, as such term is defined in the note purchase agreement, in effect immediately prior to March 31, 2008. Under the terms of the guaranty, we are required to maintain consolidated capital of at least \$227.5 million as of the end of each fiscal quarter and cannot permit our consolidated debt to exceed 60% of our consolidated capitalization. Also, pursuant to the separation agreement, we will make semi-annual payments to Cantor during the term of the notes equal to the difference between 7.5% and the applicable interest rate of the notes.

Clearing Capital

Following the merger, Cantor has continued to clear U.S. Treasury and U.S. Government Agency securities transactions on our behalf. In November 2008, we entered into a clearing capital agreement with Cantor. Pursuant to the terms of this agreement, so long as Cantor is providing Clearing Services to us, Cantor shall be entitled to request from us, and we shall post as soon as practicable, cash or other property acceptable to Cantor in the amount reasonably requested by Cantor under the clearing capital agreement.

We intend to continue this relationship with Cantor. Accordingly, we expect that Cantor will continue to post clearing capital on our behalf and we will either post clearing capital with Cantor as requested under the clearing capital agreement or continue to invest our excess via reverse repurchase agreements or in other overnight investments. In the absence of such an arrangement, we may be required to raise additional capital, borrow funds or take other action to meet the capital requirements in connection with the clearing of our transactions. The increased capital requirements required in connection with the clearing of our securities transactions could have a material adverse impact on our ability to make distributions, repurchase our stock or affect strategic acquisitions or other opportunities. However, we believe that the agreement with Cantor, or, in the alternative, a clearing agreement with an additional third-party clearing agent, will not preclude us from meeting our cash needs in the near term.

Regulatory Requirements

Our liquidity and available cash resources are restricted by regulatory requirements of our operating subsidiaries. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer. In addition, self-regulatory organizations such as the FINRA and the NFA along with statutory bodies such as the FSA and the SEC, require strict compliance with their rules and

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regulations. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with broker-dealers and are not designed to specifically protect stockholders. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

As of March 31, 2009, \$301.9 million of net assets were held by regulated subsidiaries. As of March 31, 2009, these subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of \$215.4 million.

Stock Repurchase Program

The Company's Board of Directors has authorized the repurchase of up to \$100.0 million of outstanding Class A common stock.

Stock repurchase activity for the three months ended March 31, 2009 was as follows:

Period	Total number of shares purchased	Issuer Purchases of Equity Securities		
		Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plan
January 1, 2009 – January 31, 2009		\$		\$ 40,305,815
February 1, 2009 – February 28, 2009		\$		\$ 40,305,815
March 1, 2009 – March 31, 2009	3,537,258	\$ 1.89	3,537,258	\$ 33,629,570

During the three months ended March 31, 2009, the Company repurchased 3,537,258 shares of its Class A common stock. These repurchases included 2,600,000 shares repurchased from The Cantor Fitzgerald Relief Fund at a price of \$1.99 per share, for an aggregate purchase price of approximately \$5.2 million. A portion of these shares had been donated to The Cantor Fitzgerald Relief Fund by certain founding partners in connection with the 2008 Charity Day.

During the three months ended March 31, 2008, the Company did not repurchase any shares of its Class A common stock.

At March 31, 2009, the Company had approximately \$33.6 million remaining from its \$100 million buyback authorization and from time to time, the Company may actively continue to repurchase shares.

We anticipate, based on management's experience and current industry trends, that our existing cash resources, together with the proceeds received by our public offering, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months. We expect our operating activities going forward to generate adequate cash flows to fund normal operations, including any dividends issued pursuant to our dividend policy. However, we believe that there are a significant number of capital intensive opportunities for us to maximize our growth and strategic position, including, among other things, acquisitions, strategic alliances and joint ventures potentially involving all types and combinations of equity, debt and acquisition alternatives. As a result, we may need to raise additional funds to:

increase the regulatory net capital necessary to support operations;

support continued growth in our business;

effect acquisitions;

develop new or enhanced services and markets;

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respond to competitive pressures;

respond to unanticipated requirements; and

clear our securities transactions.

We cannot guarantee that we will be able to obtain additional financing when needed on terms that are acceptable to us, if at all.

Issuance of Shares

As previously reported, on April 1, 2008, in connection with the separation of the businesses of BGC Partners, LLC (the separation) and the merger of BGC Partners, LLC and eSpeed, Inc. (the merger), the Company issued an aggregate of 133,860,000 shares of Class A common stock and Class B common stock of the Company and rights to acquire shares of Class A common stock and Class B common stock of the Company pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. As also previously reported, certain of those rights to acquire were issued in the merger to certain former partners of Cantor who became founding partners of BGC Holdings in connection with the separation and now underlie exchangeable Founding Partner Units of BGC Holdings.

On May 7, 2009, the Company issued an aggregate of 1,793,946 shares of Class A common stock of the Company to founding partners of BGC Holdings upon exchange of their exchangeable founding partner units in fulfillment of the rights to acquire such shares issued by the Company to such founding partners on April 1, 2008. The Company does not anticipate this issuance changing the fully diluted number of shares outstanding.

As previously reported, in connection with the exchange of the 1,793,946 exchangeable founding partner units, the Company lifted the contractual restrictions on resale of the shares of Class A common stock of the Company issuable upon such exchange. The Company had \$32.4 million remaining on its authorized share repurchase program on April 30, 2009 and may actively purchase its shares in the market or in private transactions, including from partners of BGC Holdings, Cantor, and/or their affiliates from time to time.

In order to facilitate receipt of exchange shares issued by the Company to the founding partners of BGC Holdings and receipt of distribution rights shares distributed by Cantor to partners of BGC Holdings and Cantor, the Company and Cantor have made arrangements for such partners to open brokerage accounts with an investment bank. These accounts will facilitate repayment by any such partners of any partnership loans or other amounts payable to Cantor or the Company in connection with any sale of exchange shares or distribution rights shares.

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The following table provides certain volume and transaction count information on the eSpeed system for the periods indicated:

	1Q 2009	4Q 2008	3Q 2008	2Q 2008	1Q 2008
Volume (in billions)					
Fully Electronic Volume Excluding New Products (1)	\$ 7,846	\$ 6,376	\$ 12,308	\$ 13,062	\$ 14,525
Fully Electronic Volume New Products (2)	60	72	104	35	35
Total Fully Electronic Volume	7,906	6,448	12,412	13,097	14,560
Total Hybrid Volume (3)	19,914	18,724	22,506	21,966	21,983
Total Fully Electronic and Hybrid Volume	\$ 27,820	\$ 25,172	\$ 34,918	\$ 35,063	\$ 36,543
Transaction Count (in thousands, except for days)					
Fully Electronic Transactions Excluding New Products (1)	2,823	2,618	4,112	3,860	4,112
Fully Electronic Transactions New Products (2)	2	2	4	1	2
Total Fully Electronic Transactions	2,825	2,620	4,116	3,861	4,114
Total Hybrid Transactions	301	258	320	341	368
Total Transactions	3,126	2,878	4,436	4,202	4,482
Trading Days	61	62	64	64	61
U.S. Primary Dealer Treasury Volume (in billions)					
U.S. Treasury Volume	\$ 21,891	\$ 26,257	\$ 36,300	\$ 35,689	\$ 41,815
Average Daily U.S. Treasury Volume	\$ 359	\$ 423	\$ 567	\$ 558	\$ 685

(1) Defined as U.S. Treasuries, Canadian Sovereigns and European Government Bonds, Repos, Foreign Exchange Spot and Futures. CBOT Futures volume calculated based on per contract notional value of \$200,000.

(2) New products are defined as Foreign Exchange Options, Credit Default Swaps, and Interest Rate Swaps.

(3) Defined as notional volume from hybrid transactions conducted by BGC brokers using the eSpeed system, exclusive of voice-only transactions.

Reported volumes and transaction counts include transactions by our brokers that participate in certain of our marketplaces by posting quotations for their accounts and by acting as principal on trades. While the principal participation may vary widely from product to product and may be significant for any given product or period, in no case does the principal participation by our brokers exceed 10% of any of the reported volume or transaction counts, except as otherwise noted. Such activity is intended, among other things, to assist our brokers in managing their proprietary positions, and to facilitate transactions, add liquidity, increase commissions and attract additional order flow to the eSpeed system.

Quarterly Market Activity

Fully electronic volume on the eSpeed system, excluding new products, was \$7.8 trillion for the three months ended March 31, 2009, down 46.0% from \$14.5 trillion for the three months ended March 31, 2008. Fully electronic volume on the eSpeed system, including new products, was \$7.9 trillion for the three months ended March 31, 2009, down 45.7% from \$14.6 trillion for the three months ended March 31, 2008. Our hybrid volume in the three months ended March 31, 2009 was \$19.9 trillion, an decrease of 9.4% from \$22.0 trillion in the three months ended March 31, 2008.

Table of Contents**Contractual Obligations and Commitments**

The following table summarizes certain of our contractual obligations at March 31, 2009 (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating leases (1)	\$ 177,001	\$ 19,740	\$ 36,057	\$ 33,676	\$ 87,528
Long-term debt (2)	150,000		150,000		
Interest on long-term debt (2)	7,785	7,785			
Debt arrangement fee on long-term debt (3)	3,465	3,465			
Total contractual obligations	\$ 338,251	\$ 30,990	\$ 186,057	\$ 33,676	\$ 87,528

- (1) Operating leases are related to rental payments under various non-cancelable leases, principally for office space.
- (2) Long-term debt reflects the issuance of \$150.0 million of Senior Notes in connection with our separation from Cantor. See Note 14, Long-Term Notes, in BGC Partners Inc.'s condensed consolidated financial statements for the three months ended March 31, 2009 and 2008 for more information regarding this long-term debt, including timing of payments and compliance with debt covenants.
- (3) See Note 10, Related Party Transactions, in BGC Partners Inc.'s condensed consolidated financial statements for the three months ended March 31, 2009 and 2008 for more information regarding this debt arrangement fee payable to Cantor.

Off-Balance Sheet Arrangements

As of March 31, 2009 we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recently Adopted Accounting Pronouncements:

SFAS No. 160: In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements - an amendment to ARB No. 51* (SFAS 160). SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest of the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of operations, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 is effective as of January 1, 2009. The Company adopted the provisions of SFAS 160 when they became effective on January 1, 2009.

SFAS No. 161: In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, as amended, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) and its related interpretations and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flow. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The adoption of SFAS 161 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

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FASB Staff Position (FSP) No. 142-3: In April 2008, the FASB issued FSP 142-3, *Determining the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors to be considered in determining the useful life of intangible assets. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure such asset's fair value. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The adoption of FSP 142-3 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

FASB Staff Position (FSP) EITF No. 03-6-1: In June 2008, the FASB issued FSP EITF No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (EITF 03-6-1), which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, *Earnings per Share*. EITF 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The adoption of EITF 03-6-1 did not have a material effect on the Company's consolidated financial condition, results of operations, cash flows or earnings per share.

EITF No. 07-5: In June 2008, the EITF reached consensus on Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock* (EITF 07-5), which provides guidance about whether an instrument should be classified as equity and not marked to market for accounting purposes. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The adoption of EITF 07-5 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

SFAS No. 141(R): In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) replaces SFAS 141, *Business Combinations*. SFAS 141(R) retains the fundamental requirements in SFAS 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) amends the recognition provisions for assets and liabilities acquired in a business combination, including those arising from contractual and non-contractual contingencies. SFAS 141(R) also amends the recognition criteria for contingent consideration. SFAS 141(R) is effective as of January 1, 2009. Early adoption is not permitted.

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*****Market Risk***

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices or other factors will result in losses for a specified position. In the normal course of business, BGC Partners holds investment securities and equity investments which are recorded as assets in the Company's condensed consolidated statements of financial condition. BGC Partners is exposed to the risk that securities prices may fluctuate. BGC Partners enters into transactions to sell securities not yet purchased, which are recorded as liabilities in the Company's condensed consolidated statements of financial condition. BGC Partners is exposed to the risk that potential market price increases may cause the ultimate liability for such commitments to exceed the amount recognized in the Company's condensed consolidated statements of financial condition. BGC Partners holds derivative contracts and faces potential market risks related to fluctuations in the interest rates, foreign exchange rates and securities prices that these derivative contracts are tied to.

Foreign Currency Risk

BGC Partners is exposed to risks associated with changes in foreign exchange rates. As foreign currency exchange rates change, the U.S. dollar equivalent of revenues and expenses denominated in foreign currencies change. BGC Partners' UK operations generate a majority of its revenues in British Pounds and Euros. On a daily basis, all cash balances except those necessary to pay short-term expenses are converted to U.S. dollars. Changes in the remeasurement of BGC Partners' net assets are recorded as part of its results of operations and fluctuate with changes in foreign currency conversion rates. BGC Partners does not consider the related economic risk to be material to its results of operations.

A substantial part of BGC Partners' foreign currency-related business is on a name give-up basis resulting in no market or credit risks. BGC Partners runs a very small principal business in foreign currency. The focus in this business is not to take market risks but to facilitate customer flows with liquidity providers on the other side of the transaction, providing the offsets.

The majority of BGC Partners' derivative business is concentrated in spot foreign currency transactions with a relatively minor portion in short-dated forwards and options contracts. Exposure to non-performance in BGC Partners' foreign currency and derivative contracts is minor given that BGC Partners' counterparties are highly rated major banking institutions.

The accounting for derivative contracts is established in SFAS No. 133, as amended, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SFAS 133 requires that an entity recognize all derivative contracts as either an asset or liability and measure those instruments at fair value. The fair values of BGC Partners' derivative contracts are determined from quoted market prices or other public price sources. BGC Partners does not designate any of its derivative contracts as hedges for accounting purposes. The change in fair value of derivative contracts is reported as part of "Principal transactions" in the Company's condensed consolidated statements of operations. All derivative contracts are recorded on a net-by-counterparty basis where management believes a legal right of setoff exists under an enforceable netting agreement.

Interest Rate Risk

BGC Partners had \$150.0 million in fixed-rate debt outstanding as of March 31, 2009. These debt obligations are not subject to fluctuations in interest rates.

Credit Risk

Credit risk arises from potential non-performance by counterparties and customers. BGC Partners has established policies and procedures to manage its exposure to credit risk. BGC Partners maintains a thorough credit approval process to limit exposure to counterparty risk and employ stringent monitoring to control the

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market and counterparty risk from its matched principal and agency businesses. BGC Partners' credit approval process generally includes verification of key financial information and operating data and anti-money laundering verification checks. BGC Partners' credit review process includes consideration of independent credit agency reports and a visit to the entity's premises, if necessary. BGC Partners has developed and utilizes an electronic credit monitoring system.

Credit approval is granted subject to certain trading limits and may be subject to additional conditions, such as the receipt of collateral or other credit support. On-going credit monitoring procedures include reviewing current audited financial statements and publicly available information on the client, collecting data from credit rating agencies, where available, and reviewing any changes in ownership, title or capital of the client.

Principal Transaction Risk

Through its subsidiaries, BGC Partners executes matched principal transactions in which it acts as a middleman by serving as counterparty to both a buyer and a seller in matching back-to-back trades. These transactions are then settled through a third-party clearing organization. Settlement typically occurs within one to three business days after the trade date. Cash settlement of the transaction occurs upon receipt or delivery of the underlying instrument that was traded. In a limited number of circumstances, BGC Partners may settle a principal transaction on a free-of-payment basis or by physical delivery of the underlying instrument.

The number of matched principal trades BGC Partners executes has continued to grow as compared to prior years. Matched principal trades in the less liquid markets on which BGC Partners focuses are less likely to settle on a timely basis than transactions in more liquid markets. Receivables from brokers, dealers and clearing organizations and payables to brokers, dealers and clearing organizations on BGC Partners condensed consolidated statements of financial condition primarily represent the simultaneous purchase and sale of the securities associated with those matched principal transactions that have not settled as of their stated settlement dates. BGC Partners' experience has been that substantially all of these transactions ultimately settle.

Matched principal transactions expose BGC Partners to risks. In executing matched principal transactions, BGC Partners is exposed to the risk that one of the counterparties to a transaction may fail to fulfill its obligations, either because it is not matched immediately or, even if matched, one party fails to deliver the cash or securities it is obligated to deliver. BGC Partners' focus on less liquid and OTC markets, including emerging markets, exacerbates this risk because transactions in these markets are less likely to settle on a timely basis. Adverse movements in the prices of securities that are the subject of these transactions can increase risk. In addition, widespread technological, natural disasters (e.g., tsunamis and earthquakes) or communication failures, such as those which occurred as a result of the terrorist attacks on September 11, 2001 and the blackout in the eastern portion of the United States in August 2003. Similarly, actual or perceived credit difficulties or the insolvency of one or more large or visible market participants could cause market-wide credit difficulties or other market disruptions such as the events which occurred in 2008 and 2009 as a result of the bankruptcy or consolidation of certain financial institutions and contraction of credit markets. These failures, difficulties or disruptions could result in a large number of market participants not settling transactions or otherwise not performing their obligations.

Transactions executed on a matched principal basis where the instrument has the same or similar characteristics to the counterparty may expose us to correlation risk. In this case, the counterparty's inability to meet its obligations will also result in the value of the instrument declining. For example, if we were to enter into a transaction to sell to a customer a bond or structured note where the issuer or credit support provider was such customer's affiliate, the value of the instrument would decline in value in tandem with the default. This correlation has the effect of magnifying the credit loss.

BGC Partners is subject to financing risk in these circumstances because if a transaction does not settle on a timely basis, the resulting unmatched position may need to be financed, either directly by BGC Partners or through one of its clearing organizations, at BGC Partners expense. These charges may be recoverable from the

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failing counterparty, but sometimes are not. Finally, in instances where the unmatched position or failure to deliver is prolonged or widespread due to rapid or widespread declines in liquidity for an instrument, there may also be regulatory capital charges required to be taken by BGC Partners, which depending on their size and duration, could limit its business flexibility or even force the curtailment of those portions of its business requiring higher levels of capital. Credit or settlement losses of this nature could adversely affect its consolidated financial condition or results of operations.

In the process of executing matched principal transactions, miscommunications and other errors by BGC Partners' clients or BGC Partners can arise whereby a transaction is not completed with one or more counterparties to the transaction, leaving BGC Partners with either a long or short unmatched position. These unmatched positions are referred to as "out trades," and they create a potential liability for BGC Partners. If an out trade is promptly discovered and there is a prompt disposition of the unmatched position, the risk to BGC Partners is usually limited. If the discovery of an out trade is delayed, the risk is heightened by the increased possibility of intervening market movements prior to disposition. Although out trades usually become known at the time of, or later on the day of, the trade, it is possible that they may not be discovered until later in the settlement process. When out trades are discovered, BGC Partners' policy is to have the unmatched position disposed of promptly, whether or not this disposition would result in a loss to BGC Partners. The occurrence of out trades generally rises with increases in the volatility of the market and, depending on their number and amount, such out trades have the potential to have a material adverse effect on BGC Partners' consolidated financial condition and results of operations.

In addition, liability for unmatched principal transactions could adversely affect BGC Partners' consolidated financial condition and results of operations. BGC Partners allows certain of its brokerage desks to enter into unmatched principal transactions in the ordinary course of business, primarily for the purpose of facilitating clients' execution needs, adding liquidity to a market or attracting additional order flow. As a result, BGC Partners has market risk exposure on these unmatched principal transactions. BGC Partners' exposure varies based on the size of its overall positions, the terms of the instruments brokered and the amount of time the positions are held before they are disposed of. BGC Partners does not track its exposure to unmatched positions on an intra-day basis; however, it attempts to mitigate its market risk on these positions by hedging its exposure. These unmatched positions are intended to be held short term. However, due to a number of factors, including the nature of the position and access to the market on which it trades, BGC Partners may not be able to match the position and it may be forced to hold the position overnight. To the extent these unmatched positions are not disposed of intra-day, BGC Partners marks these positions to market.

On a limited basis, our brokerage desks enter into unmatched principal transactions in the ordinary course of business due to errors or to facilitate transactions, add liquidity, improve customer satisfaction, increase revenue opportunities, attract additional order flow and, in a limited number of instances and subject to risk management limits, for the purpose of proprietary trading. As a result, we have market risk exposure on these unmatched principal transactions. Our exposure varies based on the size of the overall positions, the terms and liquidity of the instruments brokered and the amount of time the positions are held before we dispose of the position.

Adverse movements in the securities underlying these positions or a downturn or disruption in the markets for these positions could result in a substantial loss. In addition, principal gains and losses resulting from these positions could on occasion have a disproportionate effect, positive or negative, on BGC Partners' consolidated financial condition and results of operations for any particular reporting period.

BGC Partners also attempts to mitigate the risks associated with principal transactions through its credit approval and credit monitoring processes. BGC Partners maintains a credit approval process as described above under the discussion of "Credit Risk" as a means of mitigating exposure to counterparty risk. In addition, BGC Partners' credit risk department regularly monitors concentration of market risk to financial instruments, countries or counterparties and regularly monitors trades that have not settled within prescribed settlement periods or volume thresholds. BGC Partners has developed and utilizes an electronic risk monitoring system, which provides management with twice daily credit reports that analyze credit concentration.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chairman, Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the disclosure controls and procedures of the Company (as such term is defined in Rules 13a-15(e) and 15d-15(d) under the Exchange Act), as of the end of the period covered by this report, have concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the first quarter of 2009, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Legal Matters in Note 16 Commitments, Contingencies and Guarantees to the condensed consolidated financial statements included in Item 1 of this Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Other than as disclosed below, there have been no material changes in our risk factors from those disclosed in our 2008 annual report on Form 10-K. See Risk Factors in Part I, Item 1A of our 2008 annual report on Form 10-K.

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Risks Related to Our Business

If the value of the dollar against the other currencies in which we pay expenses or if the value of the dollar against the other currencies in which we earn revenues changes dramatically, our financial results could suffer.

Because our business is global, dramatic exchange rate fluctuations are able to impact our results. Significant movements in the U.S. dollar against other currencies, including the Euro and the British Pound, as experienced since October 2008, in which we pay expenses or earn profits, may have an adverse effect on our financial results. Potential movements in the U.S. dollar against other currencies in which we earn revenues could also adversely affect our financial results.

Risks Related to Our Class A Common Stock and Our Structure

The market price of our Class A common stock has fluctuated significantly and the market price of our Class A common stock may fluctuate in the future. In addition, future sales of shares of Class A common stock could adversely affect the market price of our Class A common stock. BGC Partners stockholders, other than Cantor and its affiliates, could be diluted by such future sales and be further diluted upon exchange of BGC Holdings limited partnership interests into our common stock and upon issuance of additional BGC US and BGC Global limited partnership interests to BGC Holdings as a result of future issuances of BGC Holdings limited partnership interests. We have also repurchased shares of our Class A common stock from time to time, and may actively do so or cease doing so at any time.

The market price of our Class A common stock has fluctuated widely since eSpeed's initial public offering in December 1999 and the market price of Class A common stock may fluctuate widely, depending upon many factors, including our actual results of operations and perceived prospects, the prospects of our competition and of the financial marketplaces in general, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, seasonality, changes in general valuations for companies in our business segment, changes in general economic or market conditions and broad market fluctuations.

Future sales of our shares also could adversely affect the market price of our common stock. If our existing stockholders sell a large number of shares, or if we issue a large number of shares of our common stock in connection with future acquisitions, strategic alliances, third-party investments and private placements or otherwise, such as our public offering in June 2008, the market price of common stock could decline significantly. Moreover, the perception in the public market that these stockholders might sell shares could depress the market price of common stock.

We have registered under the U.S. Securities Act of 1933, as amended, which we refer to as the Securities Act, 30,430,000 shares of common stock, which are reserved for issuance upon exercise of options, restricted stock and other incentive compensation granted under our Long-Term Incentive Plan. These shares can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates. We may in the future register additional shares of common stock under the Securities Act that become reserved for issuance under our Long-Term Incentive Plan or other benefit plans. In addition, we have registered under the Securities Act 425,000 shares of common stock issuable under our stock purchase plan.

Beginning on March 31, 2009, the first anniversary of the completion of the separation, Cantor was permitted to exchange all of its BGC Holdings limited partnership interests.

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The BGC Holdings founding partner interests that Cantor has provided are exchangeable with us for Class A common stock on a one-for-one basis (subject to customary anti-dilution adjustments), in accordance with the terms of the BGC Holdings limited partnership agreement, are as follows:

20% of the BGC Holdings founding partner interests held by each founding partner (other than Messrs. Amaitis and Lynn) became exchangeable upon the closing of the merger, with one-third of the shares receivable by such BGC Holdings founding partner upon a full exchange becoming saleable on each of the first, second and third anniversaries of the closing of the merger, subject to applicable law. These contractual restrictions were lifted on April 21, 2009 and these exchangeable founding partner interests are exchangeable at any time.

(1) 1,100,000 of the 3,160,215 BGC Holdings founding partner interests held by Mr. Amaitis at the closing of the merger became exchangeable upon the closing of the merger, (2) 40% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the second anniversary of the closing of the merger, (3) 60% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the third anniversary of the closing of the merger, (4) 80% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the fourth anniversary of the closing of the merger, and (5) 100% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the fifth anniversary of the closing of the merger (and any exchange of founding partner interests by Mr. Amaitis will be subject to the terms and conditions of the BGC Holdings limited partnership agreement and the Amaitis letter agreement), with the shares received by Mr. Amaitis upon exchange being immediately saleable, subject to applicable law. Exchangeability of certain of the shares which would have become exchangeable on the fifth anniversary of the closing of the merger was accelerated in connection with Mr. Amaitis' donation of shares in connection with the 2008 Charity Day; and

(1) 600,000 of the 2,515,898 BGC Holdings founding partner interests held by Mr. Lynn at the closing of the merger became exchangeable upon the closing of the merger, (2) 40% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the second anniversary of the closing of the merger, (3) 50% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the third anniversary of the closing of the merger, (4) 60% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the fourth anniversary of the closing of the merger, (5) 70% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the fifth anniversary of the closing of the merger, (6) 80% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the sixth anniversary of the closing of the merger, (7) 90% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the seventh anniversary of the closing of the merger, and (8) 100% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the eighth anniversary of the closing of the merger (and any exchange of founding partner interests by Mr. Lynn will be subject to the terms and conditions of the BGC Holdings limited partnership agreement and the Lynn letter agreement), with the shares received by Mr. Lynn upon exchange being immediately saleable, subject to applicable law.

Any working partner interests that are issued will not be exchangeable with us unless otherwise determined by us with the written consent of a BGC Holdings exchangeable limited partnership interest majority in interest. The shares ultimately issuable pursuant to the BGC Holdings REUs (if exchangeable) and the RSUs that were issued upon the closing of the merger and subsequently would be shares of common stock issued pursuant to our Long-Term Incentive Plan or similar plan.

In connection with the merger, 111,890,929 shares of common stock were reserved for issuance upon the exchange of the BGC Holdings exchangeable limited partnership interests, which are entitled to registration rights under the terms of a registration rights agreement with Cantor that we assumed as a part of the merger, which we refer to as the separation registration rights agreement, and BGC Holdings founding partner interests

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(if exchangeable) and BGC Holdings REUs (if exchangeable). In addition, shares of common stock issuable upon conversion of shares of Class B common stock held by Cantor are entitled to registration rights under a registration rights agreement entered into in connection with the formation of eSpeed, which we refer to as the formation registration rights agreement. In light of the number of shares of common stock issuable in connection with the full exchange of the BGC Holdings exchangeable limited partnership interests, BGC Holdings founding partner interests (if exchangeable), and BGC Holdings REUs (if exchangeable), the price of common stock may decrease and our ability to raise capital through the issuance of equity securities may be adversely impacted as these exchanges occur and transfer restrictions lapse.

In addition, the following table reflects the timetable for distributions by Cantor of shares of our common stock that it holds or will hold in respect of the distribution rights that Cantor provided to limited partners of Cantor, including to the founding partners, in connection with the separation and merger. All of these shares of our common stock will be distributed by Cantor. Cantor expects to use shares of our Class A common stock received upon its conversion of Class B common stock, shares of our Class A common stock received upon exchange of BGC Holdings exchangeable limited partnership interests and purchases of shares of our Class A common stock in the open market to satisfy its distribution obligation under the distribution rights.

On April 1, 2009, the 12-month anniversary of the completion of the Merger, Cantor was required to distribute an aggregate of 6,317,385 shares of Class A Common Stock (5,872,888 shares with respect to retained partners and 444,497 shares with respect to founding partners) not including shares previously sold. In connection with the issuance of distribution rights shares, Cantor offered to its partners the opportunity to elect to defer their receipt of the distribution right shares and for Cantor to continue to hold their rights to distribution rights shares in the Cantor partnership and receive any income from such rights through partnership distributions rather than making an immediate issuance of such shares in the form of Class A Common Stock. Cantor partners who elected to defer their right to such shares are entitled to exchange such partnership interests for shares of Class A Common Stock upon written notice. Exchanges will occur on such subsequent dates as shall be determined by Cantor in its administrative discretion and Cantor shall have a right to defer such exchanges for up to 3 months. Accordingly, of the 6,317,385 distribution rights shares to be distributed by Cantor in April 2009, partners having rights to 5,567,725 of such distribution rights shares elected to defer their receipt of shares. In May 2009, Cantor exchanged shares of Class B Common Stock and delivered 527,344 shares of Class A Common Stock in satisfaction of its distribution rights obligations effective April 1, 2009. The remaining 222,316 shares will be distributed by Cantor upon completion of administration materials.

Upon completion of this distribution, the aggregate number of remaining shares of Class A Common Stock that Cantor will be required to distribute to retained and founding partners will be 25,618,396 shares of Class A Common Stock (22,819,305 shares with respect to retained partners and 2,799,091 shares with respect to founding partners).

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Cantor may fund the Class A common stock scheduled to be delivered in satisfaction of its distribution rights obligations by using: (i) shares of Class A common stock owned of record by it, (ii) shares of Class A common stock receivable upon conversion by Cantor of shares of Class B common stock, (iii) shares of Class A common stock receivable upon exchange by Cantor of BGC Holdings exchangeable limited partnership units, or (iv) any combination of the above.

	Number of shares of our common stock that are required to be distributed by Cantor in respect of the distribution rights (1)
Anniversary of the merger (April 1, 2008)	
12 month	6,317,385
18 month	7,150,706
24 month	8,419,659
30 month	1,228,250
36 month	3,029,740
Total	26,145,740

(1) As of March 31, 2009. Includes distribution rights shares which certain Cantor partners have elected to defer until a later time. In addition to the table above, the managing general partner of Cantor will be able to grant earlier distribution of the shares in its discretion, as it did with respect to an additional 6,073,355 shares and 458,369 shares in connection with our public offering in June 2008 and stock repurchases by us in September 2008, respectively. Similarly, in connection with the founding partners' charitable donations, on December 1, 2008, Cantor agreed to accelerate the distribution of the aggregate 519,276 distribution rights shares solely to permit such founding partners to donate such shares to The Cantor Fitzgerald Relief Fund. Cantor also agreed, on December 1, 2008, to allow one founding partner to exchange 521,957 additional BGC Holdings limited partnership units for 521,957 shares of Class A common stock, and to accelerate the exercisability of 484,445 of Mr. Amaitis' BGC Holdings limited partnership units (which would have otherwise become exercisable on the fifth anniversary of the Merger) for 484,445 shares of Class A common stock, in each case solely to permit such founding partner to donate such exchange shares to The Cantor Fitzgerald Relief Fund. In addition, the Company, as the general partner of BGC Holdings, agreed to remove the contractual transfer restrictions on the aggregate 1,006,402 exchange shares solely to permit such founding partners to donate such shares to The Cantor Fitzgerald Relief Fund.

In addition, we have issued shares of our common stock, warrants and convertible preferred stock and granted registration rights in connection with certain of our strategic alliances.

As of April 30, 2009, during the first four months of 2009, we repurchased common stock for a total of \$7.9 million. The 4,023,959 reacquired shares were designated treasury shares and will be used for general corporate purposes. As of April 30, 2009, \$32.4 million was remaining from the authorization of our board of directors and our audit committee to repurchase our Class A common stock, BGC Holdings limited partnership interests or other equity interests in our subsidiaries, including from Cantor or our executive officers. We are continuing to make stock repurchases in 2009 and from time to time we may actively repurchase shares and may cease making repurchases at anytime.

On May 7, 2009, BGC Partners, Inc. (the Company) issued an aggregate of 1,793,946 shares of Class A Common Stock of the Company to partners of BGC Holdings, L.P. upon exchange of their exchangeable Founding Partnership Units. All of these shares are eligible for sale beginning on May 7, 2009 when the Company's restrictions on employee stock transactions are lifted.

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In order to facilitate receipt of the shares by the partners of BGC Holdings and receipt of distribution rights shares to be received by partners of BGC Holdings and Cantor, the Company and Cantor have made arrangements for such partners to open brokerage accounts with an investment bank. These accounts will facilitate repayment by any such partners of any partnership loans or other amounts payable to Cantor or the Company.

We are a holding company, and accordingly we are dependent upon distributions from BGC US and BGC Global to pay dividends, taxes and other expenses and to make repurchases.

We are a holding company with no independent means of generating revenues. Any dividends declared by us and all applicable taxes payable in respect of our net taxable income, if any, are paid from distributions to us from BGC US and BGC Global. To the extent that we need funds to pay dividends or to pay taxes on our share of BGC US's and BGC Global's net taxable income, or to repurchase shares of our common stock or BGC Holdings exchangeable limited partnership interests or if we need funds to pay cash dividends, make repurchases or for any other purpose, and either BGC US or BGC Global or their respective subsidiaries are restricted from making such distributions under applicable law or regulation, would be taxed on the distribution or is otherwise unable to provide such funds, it could materially adversely affect our business, financial condition and results of operations and our ability to declare cash dividends. In addition, any unanticipated accounting, tax or other charges or expenses against net income could adversely affect our ability to pay dividends, taxes and other expenses and to make repurchases.

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

The information required by this item is set forth in Part 2 of Item 1 and is incorporated by reference herein.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Employment Agreement, dated November 13, 2008, between Anthony Graham Sadler and Tower Bridge International Services, L.P.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q for the quarter ended March 31, 2009 to be signed on its behalf by the undersigned thereunto duly authorized.

BGC Partners, Inc.

/s/ HOWARD W. LUTNICK

Name: Howard W. Lutnick

Title: Chairman of the Board and Chief Executive Officer

/s/ ANTHONY GRAHAM SADLER

Name: Anthony Graham Sadler

Title: Chief Financial Officer

Date: May 11, 2009

[Signature page to the Quarterly Report on Form 10-Q for the period ending March 31, 2009 dated May 11, 2009]

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Exhibit Index

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