

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

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended September 30, 2017

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from _____ to _____

COMMISSION FILE NUMBER 000-52033

RED TRAIL ENERGY, LLC

(Exact name of registrant as specified in its charter)

North Dakota

(State or other jurisdiction of
incorporation or organization)

76-0742311

(I.R.S. Employer Identification No.)

3682 Highway 8 South, P.O. Box 11, Richardton, ND 58652

(Address of principal executive offices)

(701) 974-3308

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Class A Membership Units

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the membership units held by non-affiliates of the registrant as of March 31, 2017 was \$35,052,383. There is no established public trading market for our membership units. The aggregate market value was computed by reference to the most recent offering price of our Class A units which was \$1 per unit.

As of December 15, 2017, there were 41,466,340 Class A Membership Units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this Annual Report on Form 10-K portions of its definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year covered by this Annual Report.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains historical information, as well as forward-looking statements that involve known and unknown risks and relate to future events, our future financial performance, or our expected future operations and actions. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "future," "intend," "could," "hope," "predict," "target," "potential," or "continue" or the negative of these terms or other similar expressions. These forward-looking statements are only our predictions based on current information and involve numerous assumptions, risks and uncertainties. Our actual results or actions may differ materially from these forward-looking statements for many reasons, including the reasons described in this report. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include:

- The reduction or elimination of the renewable fuels use requirement in the Federal Renewable Fuels Standard (RFS);
- The Chinese anti-dumping duty and its impact on world distillers grains markets;
- The Brazilian ethanol import duty and its impact on world ethanol demand and prices;
- Any delays in shipping our products by rail and corresponding decreases in our sales as a result of these shipping delays;
- An unfavorable spread between the market price of our products and our feedstock costs;
- Fluctuations in the price and market for ethanol, distillers grains and corn oil;
- Availability and costs of our raw materials, particularly corn and natural gas;
- Changes in or lack of availability of credit;
- Changes in the environmental regulations that apply to our plant operations and our ability to comply with such regulations;
- Ethanol supply exceeding demand and corresponding ethanol price reductions impacting our ability to operate profitably and maintain a positive spread between the selling price of our products and our raw material costs;
- Our ability to generate and maintain sufficient liquidity to fund our operations, meet debt service requirements and necessary capital expenditures;
- Our ability to continue to meet our loan covenants;
- Limitations and restrictions contained in the instruments and agreements governing our indebtedness;
- Results of our hedging transactions and other risk management strategies;
- Changes in or elimination of governmental laws, tariffs, trade or other controls or enforcement practices that currently benefit the ethanol industry including:
 - national, state or local energy policy - examples include legislation already passed such as the California low-carbon fuel standard as well as potential legislation in the form of carbon cap and trade;
 - legislation mandating the use of ethanol or other oxygenate additives; or
 - environmental laws and regulations that apply to our plant operations and their enforcement.
- Changes and advances in ethanol production technology; and
- Competition from alternative fuels and alternative fuel additives.

Our actual results or actions could and likely will differ materially from those anticipated in the forward-looking statements for many reasons, including the reasons described in this report. We are not under any duty to update the forward-looking statements contained in this report. We cannot guarantee future results, levels of activity, performance or achievements. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. You should read this report and the documents that we reference in this report and have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we currently expect. We qualify all of our forward-looking statements by these cautionary statements.

AVAILABLE INFORMATION

Information about us is also available at our website at www.redtrailenergyllc.com, under "SEC Compliance," which includes links to reports we have filed with the Securities and Exchange Commission. The contents of our website are not incorporated by reference in this Annual Report on Form 10-K.

PART I**ITEM 1. BUSINESS****Business Development**

Red Trail Energy, LLC was formed as a North Dakota limited liability company in July of 2003, for the purpose of constructing, owning and operating a fuel-grade ethanol plant near Richardton, North Dakota in western North Dakota. References to "we," "us," "our" and the "Company" refer to Red Trail Energy, LLC. We began production in January 2007.

On October 10, 2016, we satisfied the contingencies set forth in a Real Estate Sales Agreement (the "Real Estate Sales Agreement") between the Company and Bismarck Land Company, LLC. As a result of the satisfaction of the contingencies in the Real Estate Sales Agreement, we closed on the purchase of approximately 338 acres of land that we will use for an expansion of the Company's rail yard. In exchange for the purchased real estate, we agreed to issue to Bismarck Land Company, LLC two million of our membership units. We also agreed to a Profit and Cost Sharing Agreement with Bismarck Land Company, LLC that became effective with the closing of the real estate purchase. The Profit and Cost Sharing Agreement provides that we will share 70% of the net revenue generated by us from business activities conducted on the purchased real estate which are brought to the Company by Bismarck Land Company, LLC. This obligation will terminate ten years after the real estate closing or after Bismarck Land Company, LLC receives \$10 million in proceeds from the agreement. In addition, we will pay Bismarck Land Company, LLC 70% of any net proceeds received by us from the sale of the subject real estate if a sale were to occur in the future, subject to the \$10 million cap and the 10 year termination of this obligation.

In March 2017, we entered into a new \$10 million revolving loan (the "Revolving Loan") with U.S. Bank National Association ("U.S. Bank"). As part of this transaction, we signed a Credit Agreement dated March 17, 2017 (the "Credit Agreement"). The Revolving Loan replaces our credit facilities with First National Bank of Omaha. Interest accrues on any outstanding balance on the Revolving Loan at a rate of 1.77% in excess of the one-month London Interbank Offered Rate ("LIBOR"). The maturity date of the Revolving Loan is May 31, 2018. Our ability to draw funds on the Revolving Loan is subject to a borrowing base calculation as set forth in the Credit Agreement. The Revolving Loan is subject to certain financial covenants as set forth in the Credit Agreement. The most significant financial covenants require us to maintain a fixed charge coverage ratio of no less than 1.25:1.00 and a current ratio of no less than 1.50:1.00. Our fixed charge coverage ratio measures our ability to pay our fixed expenses. Our current ratio measures our liquidity and ability to pay short-term and long-term obligations.

Financial Information

Please refer to "**ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**" for information about our revenue, profit and loss measurements and total assets and liabilities and "**ITEM 8. Financial Statements and Supplementary Data**" for our financial statements and supplementary data.

Principal Products

The principal products that we produce are ethanol, distillers grains and corn oil. The table below shows the approximate percentage of our total revenue which is attributed to each of our primary products for each of our last three fiscal years.

Product	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Ethanol	82%	78%	81%
Distillers Grains	14%	19%	17%
Corn Oil	4%	3%	2%

Ethanol

Ethanol is ethyl alcohol, a fuel component made primarily from corn and various other grains, which can be used as: (i) an octane enhancer in fuels; (ii) an oxygenated fuel additive for the purpose of reducing ozone and carbon monoxide vehicle emissions; and (iii) a non-petroleum-based gasoline substitute. Ethanol produced in the United States is primarily used for blending with unleaded gasoline and other fuel products. Ethanol blended fuel is typically designated in the marketplace according to the percentage of the fuel that is ethanol, with the most common fuel blend being E10, which contains 10% ethanol. The United States Environmental Protection Agency (the "EPA") has approved the use of gasoline blends that contain 15% ethanol, or E15,

for use in all vehicles manufactured in model year 2001 and later. In addition, flexible fuel vehicles can use gasoline blends that contain up to 85% ethanol called E85.

Distillers Grains

The principal co-product of the ethanol production process is distillers grains, a high protein animal feed supplement primarily marketed to the dairy and beef industry. We produce two forms of distillers grains: distillers dried grains and modified distillers grains. Modified distillers grains is processed corn mash that has been dried to approximately 50% moisture which has a shelf life of approximately seven days and is often sold to nearby markets. Distillers dried grains is processed corn mash that has been dried to approximately 10% moisture. It has a longer shelf life and may be sold and shipped to any market regardless of its vicinity to our ethanol plant.

Corn Oil

In March 2012, we commenced operating our corn oil extraction equipment. The corn oil that we are capable of producing is not food grade corn-oil and it cannot be used for human consumption. The primary uses of the corn oil that we produce are for animal feed, industrial uses and biodiesel production.

Principal Product Markets

We market nearly all of our products through a professional third party marketer, RPMG, Inc. ("RPMG"). The only products we sell which are not marketed by RPMG are certain modified distillers grains which we market internally to local customers. RPMG is a subsidiary of Renewable Products Marketing Group, LLC ("RPMG, LLC"). We are a part owner of RPMG, LLC which allows us to realize favorable marketing fees for our products and allows us to share in the profits generated by RPMG, LLC. Our ownership interest in RPMG, LLC also entitles us to a seat on its board of directors which is filled by Gerald Bachmeier, our Chief Executive Officer. Except for the modified distillers grains we market locally, RPMG decides where our products are marketed and sold. Our products are primarily sold in the domestic market; however, as domestic production of ethanol, distillers grains and corn oil continue to expand, we anticipate increased international sales of our products. Recently, the United States has exported a significant amount of distillers grains to Mexico, Turkey, South Korea, Thailand, China and Canada. In addition, the United States exported significant amounts of ethanol to Canada, Brazil, India, China, South Korea, the Philippines and Peru.

We expect our product marketer to explore all markets for our products, including export markets. However, due to high transportation costs, and the fact that we are not located near a major international shipping port, we expect a majority of our products to continue to be marketed and sold domestically.

Distribution Methods

Our ethanol plant is located near Richardton, North Dakota in Stark County, in the western half of North Dakota. We selected the Richardton site because of its proximity to existing coal supplies, the initial fuel source for our ethanol plant, and accessibility to road and rail transportation. Our plant is served by the Burlington Northern and Santa Fe Railway Company.

We sell and market the ethanol, distillers grains and corn oil produced at the plant through normal and established markets, including local, regional and national markets. Our products are primarily shipped by rail and by truck in our local market. We have separate marketing agreements with RPMG for our ethanol, distillers grains and corn oil. Whether or not our products are sold in local markets will depend on decisions made by RPMG, except for the modified distillers grains which we internally market locally. Local markets are evaluated on a case-by-case basis.

Ethanol

We have an exclusive marketing agreement with RPMG for the purposes of marketing and distributing all of the ethanol we produce at the ethanol plant. Because we are an owner of RPMG, LLC, our marketing fees are based on RPMG's actual cost to market our ethanol. Our ethanol marketing agreement provides that we can sell our ethanol either through an index arrangement or at a fixed price agreed to between us and RPMG. The term of our ethanol marketing agreement is perpetual, until it is terminated according to the terms of the agreement. The primary reasons the ethanol marketing agreement would terminate are if we cease to be an owner of RPMG, LLC, if there is a breach of the agreement which is not cured, or if we give advance notice to RPMG that we would like to terminate the agreement. Notwithstanding our right to terminate the ethanol marketing agreement, we may be obligated to continue to market our ethanol through RPMG for a period of time after the termination. Further, following the termination, we agreed to accept an assignment of certain railcar leases which RPMG has secured to service us. If the ethanol marketing agreement is terminated, it would trigger a redemption of our ownership interest in RPMG, LLC.

Distillers Grains

On August 29, 2013, we executed a distillers grain marketing agreement with RPMG effective starting on October 1, 2013. Pursuant to the marketing agreement, RPMG markets all of the dried distillers grains we produce and we will continue to internally market our modified distillers grains. Due to the fact that we are a part owner of RPMG, LLC, RPMG will only charge us its actual cost of marketing our distillers grains to its customers. The initial term of the marketing agreement was one year and thereafter the agreement renews for additional one year periods unless we elect not to renew the agreement. The agreement may be terminated by either party based on certain events described in the agreement or based on the bankruptcy or insolvency of either party.

We market and sell our modified distillers grains internally. Substantially all of our sales of modified distillers grains are to local farmers and feed lots.

Corn Oil

In March 2012, we executed a corn oil marketing agreement with RPMG to sell all of the corn oil that we produce. We pay RPMG a commission based on each pound of corn oil that RPMG sells on our behalf. The initial term of the corn oil marketing agreement was one year and the agreement automatically renews for additional one year terms unless either party gives notice that it will not extend the agreement past the current term.

New Products and Services

We did not introduce any new products or services during our 2017 fiscal year.

Sources and Availability of Raw Materials

Corn

Our ethanol plant used approximately 22 million bushels of corn during our 2017 fiscal year, or approximately 60,000 bushels per day, as the feedstock for its dry milling process. Our commodity manager is responsible for purchasing corn for our operations, scheduling corn deliveries and establishing hedging positions to protect the price we pay for corn.

During our 2017 fiscal year, we were able to secure sufficient corn to operate the plant and do not anticipate any problems securing enough corn during our 2018 fiscal year. Almost all of our corn is supplied from farmers and local grain elevators in North Dakota and South Dakota. Corn prices have been lower in recent years due to large corn crops harvested in each of the last four years. Further, growing conditions were favorable during 2017 which led to a large corn crop harvested in the fall of 2017. As a result of these large corn crops, we have not had difficulty securing the corn we require for our operations. While we do not anticipate encountering problems sourcing corn, a shortage of corn could develop, particularly if we experience an extended drought or other production problem during our 2018 fiscal year. Poor weather can be a major factor in increasing corn prices. If the United States were to endure an entire growing season with poor weather conditions, it could result in a prolonged period of higher than normal corn prices.

Corn prices are also impacted by world supply and demand, the price of other commodities, current and anticipated stocks, domestic and export prices and supports and the government's current and anticipated agricultural policy. Corn prices have been volatile in the past and volatility could return to the market in the future. While we have experienced several years of very favorable corn crops with relatively flat corn demand which reduced market corn prices, if poor weather conditions lead to a decrease in the amount of corn produced in the future, it could result in corn price volatility and increased corn prices.

Natural Gas

Following our natural gas conversion project which was completed during the second quarter of our 2015 fiscal year, we use natural gas as the fuel source to power our ethanol plant. We are using natural gas to produce process steam and to dry our distillers grains products. Due to our close proximity to the Bakken oil field which produces a significant amount of natural gas, we anticipate that natural gas prices in our area will remain lower and the cost to transport the natural gas to our ethanol plant will be low. We entered into a natural gas supply agreement with Rainbow Gas Company which provides a supply of natural gas to the ethanol plant. We do not anticipate any difficulty securing the natural gas we require to operate the ethanol plant.

Coal

In previous years, we used coal as the fuel source to operate our ethanol plant. However, we converted the ethanol plant to a natural gas fired plant during the second quarter of our 2015 fiscal year. As a result, we do not anticipate using coal to fire the ethanol plant in the future and changes in the price or availability of coal will not impact our operations. We maintain the equipment necessary to operate the ethanol plant using coal as the fuel source which management believes could benefit us in the future, especially if natural gas prices increase or natural gas is not available at the ethanol plant.

Electricity

The production of ethanol uses significant amounts of electricity. We entered into a contract with Roughrider Electric Cooperative to provide our needed electrical energy. This contract was renewed in August 2017. This contract automatically renews unless either party gives notice of its intent not to renew the agreement.

Water

To meet the plant's water requirements, we entered into a ten-year contract with Southwest Water Authority to purchase raw water. Our contract requires us to purchase a minimum of 160 million gallons of water per year. We anticipate receiving adequate water supplies during our 2018 fiscal year.

Patents, Trademarks, Licenses, Franchises and Concessions

We do not currently hold any patents, trademarks, franchises or concessions. We were granted a perpetual and royalty free license by ICM, Inc. ("ICM") to use certain ethanol production technology necessary to operate our ethanol plant. The cost of the license granted by ICM was included in the amount we paid to Fagen, Inc. to design and build the plant.

Seasonality of Sales

We experience some seasonality of demand for our ethanol, distillers grains and corn oil. Since ethanol is predominantly blended with gasoline for use in automobiles, ethanol demand tends to shift in relation to gasoline demand. As a result, we experience some seasonality of demand for ethanol in the summer months related to increased driving and, as a result, increased gasoline demand. In addition, we experience some increased ethanol demand during holiday seasons related to increased gasoline demand. We also experience decreased distillers grains demand during the summer months due to natural depletion in the number of animals at feed lots and during times when cattle are turned out to pasture. Finally, corn oil is used for biodiesel production which typically decreases in the winter months due to decreased biodiesel demand. This decrease in biodiesel demand leads to decreased corn oil demand during the winter months.

Working Capital

We primarily use our working capital for purchases of raw materials necessary to operate our ethanol plant and for capital expenditures to maintain and upgrade the plant. Our primary sources of working capital are cash from our operations as well as our revolving line-of-credit with US Bank. Management anticipates that we will have sufficient working capital to operate at capacity during our 2018 fiscal year without seeking additional sources of equity or debt financing. However, if we experience unfavorable operating conditions during our 2018 fiscal year, it is possible we may need to secure additional sources of working capital.

Dependence on a Few Major Customers

As discussed above, we rely on RPMG for the sale and distribution of all of our ethanol, dried distillers grains and corn oil. Accordingly, we are highly dependent on RPMG for the successful marketing of most of our products. We anticipate that we would be able to secure alternate marketers should RPMG fail, however, a loss of our relationship with RPMG could significantly harm our financial performance.

Competition

We are in direct competition with numerous ethanol producers, many of which have greater resources than we have. Larger ethanol producers may be able to take advantage of economies of scale due to their larger size and increased bargaining power with both customers and raw material suppliers. As of October 27, 2017, the Renewable Fuels Association ("RFA") estimates that there are 213 ethanol production facilities in the United States with capacity to produce approximately 16.1 billion gallons

of ethanol annually. The RFA also estimates that approximately 3% of the ethanol production capacity in the United States is currently idled. In the past, the ethanol industry experienced consolidation where a few larger ethanol producers emerged who control a large portion of United States ethanol production. The largest ethanol producers include Archer Daniels Midland, Flint Hills Resources, Green Plains Renewable Energy, Pacific Ethanol, POET, and Valero Renewable Fuels, each of which are capable of producing significantly more ethanol than we produce. Collectively this group controls approximately 47% of the ethanol production capacity in the United States.

The following table identifies the largest ethanol producers in the United States along with their production capacities.

U.S. FUEL ETHANOL PRODUCTION CAPACITY BY TOP PRODUCERS
Producers of Approximately 500
million gallons per year (MMgy) or more

Company	Current Capacity (MMgy)	Percent of Total Industry Capacity
Archer Daniels Midland	1,616	10%
POET Biorefining	1,662	10%
Valero Renewable Fuels	1,400	9%
Green Plains Renewable Energy	1,461	9%
Flint Hills Resources	820	5%
Pacific Ethanol	533	3%
TOTAL	7,492	47%

Updated: October 27, 2017

Ethanol Competition

Ethanol is a commodity product where competition in the industry is predominantly based on price and consistent fuel quality. Larger ethanol producers may be able to realize economies of scale in their operations that we are unable to realize. Further, we have experienced increased competition from oil companies who have purchased ethanol production facilities, including Valero Renewable Fuels and Flint Hills Resources, which are subsidiaries of larger energy companies. These oil companies are required to blend a certain amount of ethanol each year. Therefore, the oil companies may be able to operate their ethanol production facilities at times when it is unprofitable for us to operate our ethanol plant. Further, some ethanol producers own multiple ethanol plants which may allow them to compete more effectively by providing them flexibility to run certain production facilities while they have other facilities shut down. This added flexibility may allow these ethanol producers to compete more effectively, especially during periods when operating margins are unfavorable in the ethanol industry. Finally some ethanol producers who own ethanol plants in geographically diverse areas of the United States may spread the risk they encounter related to feedstock prices due to localized decreased corn production and supplies.

We anticipate increased competition from renewable fuels that do not use corn as the feedstock. Many of the current ethanol production incentives are designed to encourage the production of renewable fuels using raw materials other than corn. One type of ethanol production feedstock that is being explored is cellulose. Cellulose is the main component of plant cell walls and is the most common organic compound on earth. Cellulose is found in wood chips, corn stalks, rice straw, amongst other common plants. Cellulosic ethanol is ethanol produced from cellulose. If this technology can be profitably employed on a commercial scale, it could potentially lead to ethanol that is less expensive to produce than corn based ethanol. Cellulosic ethanol may also capture more government subsidies and assistance than corn-based ethanol. This could decrease demand for our product or result in competitive disadvantages for our ethanol production process.

A number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells, plug-in hybrids, electric cars or clean burning gaseous fuels. Electric car technology has recently grown in popularity, especially in urban areas. While there are currently a limited number of vehicle recharging stations, making electric cars not feasible for all consumers, there has been increased focus on developing these recharging stations to make electric car technology more widely available in the future. Additional competition from these other sources of alternative energy, particularly in the automobile market, could reduce the demand for ethanol, which would negatively impact our profitability.

In addition to domestic producers of ethanol, we face competition from ethanol produced in foreign countries, particularly Brazil. Ethanol imports have been lower in recent years and ethanol exports have been higher which was one of the reasons for improved operating margins in the ethanol industry. As of May 1, 2013, Brazil increased its domestic ethanol use requirement

from 20% to 25% which decreased the amount of ethanol available in Brazil for export. Further, in August 2017, Brazil instituted a quota and tariff on ethanol produced in the United States and exported to Brazil which also is likely to decrease the amount of ethanol Brazil has available for export. In the future, we may experience increased ethanol imports from Brazil which could put negative pressure on domestic ethanol prices and result in excess ethanol supply in the United States.

Competition among ethanol producers may continue to increase as gasoline demand decreases due to more fuel efficient vehicles being produced. If the concentration of ethanol used in most gasoline does not increase and gasoline demand is lower due to increased fuel efficiency by the vehicles operated in the United States, competition may increase among ethanol producers to supply the ethanol market.

Finally, many ethanol producers are increasing their production capacities through expansion projects which are expected to start becoming operational during our 2018 fiscal year. These expansion projects may lead to an excess supply of ethanol in the market which could negatively impact market ethanol prices.

Distillers Grains Competition

Our ethanol plant competes with other ethanol producers in the production and sales of distillers grains. Distillers grains are primarily used as an animal feed which replaces corn and soybean meal. As a result, we believe that distillers grains prices are positively impacted by increases in corn and soybean prices. In addition, in recent years the United States ethanol industry has increased exports of distillers grains which management believes has positively impacted demand and prices for distillers grains in the United States. In the event these distillers grains exports decrease, it could lead to an oversupply of distillers grains in the United States which could result in increased competition among ethanol producers for sales of distillers grains and could negatively impact distillers grains prices in the United States.

Corn Oil Competition

We compete with many ethanol producers for the sale of corn oil. Many ethanol producers have installed the equipment necessary to separate corn oil from the distillers grains they produce which has increased competition for corn oil sales and has resulted in lower market corn oil prices.

Governmental Regulation and Federal Ethanol Supports

Federal Ethanol Supports

The ethanol industry is dependent on the ethanol use requirement in the Federal Renewable Fuels Standard (the "RFS"). The RFS requires that in each year, a certain amount of renewable fuels must be used in the United States. The RFS is a national program that does not require that any renewable fuels be used in any particular area or state, allowing refiners to use renewable fuel blends in those areas where it is most cost-effective. The RFS statutory volume requirement increases incrementally each year until the United States is required to use 36 billion gallons of renewable fuels by 2022. Starting in 2009, the RFS required that a portion of the RFS must be met by certain "advanced" renewable fuels. These advanced renewable fuels include ethanol that is not made from corn, such as cellulosic ethanol and biomass based biodiesel. The use of these advanced renewable fuels increases each year as a percentage of the total renewable fuels required to be used in the United States.

The EPA has the authority to waive the RFS statutory volume requirement, in whole or in part, provided one of the following two conditions have been met: (1) there is inadequate domestic renewable fuel supply; or (2) implementation of the requirement would severely harm the economy or environment of a state, region or the United States. Annually, the EPA is required to pass a rule that establishes the number of gallons of different types of renewable fuels that must be used in the United States which is called the renewable volume obligations ("RVO").

The statutory RVO for all renewable fuels for 2017 was 24 billion gallons, of which corn-based ethanol could meet 15 billion gallons of the RVO. However, the EPA rule decreased the total RVO to 19.28 billion gallons and maintained the 15 billion gallon corn-based ethanol limit. On November 30, 2017, the final RVO for 2018 was set at 19.29 billion gallons and the corn-based ethanol RVO was set at 15 billion gallons.

The ethanol industry believes that this significant departure from the statutory requirements for the RFS is not supported by the law and will have a significant negative impact on the ethanol industry. Management anticipates that there will be legal challenges to the EPA's final RVO release.

Most ethanol that is used in the United States is sold in a blend called E10. E10 is a blend of 10% ethanol and 90% gasoline. E10 is approved for use in all standard vehicles. Estimates indicate that gasoline demand in the United States is approximately 143 billion gallons per year. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum domestic demand for ethanol is approximately 14.3 billion gallons per year. This is commonly referred to as the "blend wall," which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. This is a theoretical limit because it would not be possible to blend ethanol into every gallon of gasoline that is being used in the United States and it discounts the use of higher percentage blends such as E15 or E85. These higher percentage blends may lead to additional ethanol demand if they become more widely available and accepted by the market.

Many in the ethanol industry believe that it will be impossible to meet the RFS requirement in future years without an increase in the percentage of ethanol that can be blended with gasoline for use in standard (non-flex fuel) vehicles. The EPA has approved the use of E15, gasoline which is blended at a rate of 15% ethanol and 85% gasoline, in vehicles manufactured in the model year 2001 and later. However, there are still state hurdles that need to be addressed in some states before E15 will become more widely available. Many states still have regulatory issues that prevent the sale of E15. Sales of E15 may be limited because it is not approved for use in all vehicles, the EPA requires a label that management believes may discourage consumers from using E15, and retailers may choose not to sell E15 due to concerns regarding liability. In addition, different gasoline blendstocks may be required at certain times of the year in order to use E15 due to federal regulations related to fuel evaporative emissions which may limit E15 sales in these markets. As a result, the approval of E15 by the EPA has not had an immediate impact on ethanol demand in the United States.

Effect of Governmental Regulation

The government's regulation of the environment changes constantly. We are subject to extensive air, water and other environmental regulations and we have been required to obtain a number of environmental permits to construct and operate the ethanol plant. It is possible that more stringent federal or state environmental rules or regulations could be adopted, which could increase our operating costs and expenses. It also is possible that federal or state environmental rules or regulations could be adopted that could have an adverse effect on the use of ethanol. Plant operations are governed by the Occupational Safety and Health Administration ("OSHA"). OSHA regulations may change such that the costs of operating the ethanol plant may increase. Any of these regulatory factors may result in higher costs or other adverse conditions effecting our operations, cash flows and financial performance.

We have obtained all of the necessary permits to operate the ethanol plant. During our 2017 fiscal year, we incurred costs and expenses of approximately \$50,000 complying with environmental laws, including the cost of obtaining permits. Although we have been successful in obtaining all of the permits currently required, any retroactive change in environmental regulations, either at the federal or state level, could require us to obtain additional or new permits or spend considerable resources in complying with such regulations. Management believes converting the plant to use natural gas as the fuel source instead of coal will reduce our environmental compliance costs.

In late 2009, California passed a Low Carbon Fuels Standard ("LCFS"). The California LCFS requires that renewable fuels used in California must accomplish certain reductions in greenhouse gases which is measured using a lifecycle analysis, similar to the RFS. The LCFS could have a negative impact on demand for corn-based ethanol and result in decreased ethanol prices affecting our ability to operate profitably.

The European Union concluded an anti-dumping investigation related to ethanol produced in the United States and exported to Europe which resulted in the imposition of a tariff on the imported ethanol. This tariff has in the past and may continue to result in decreased exports of ethanol to Europe thereby negatively impacting the market price of ethanol in the United States. The anti-dumping tariff is scheduled to expire in 2018 which may result in additional exports to the European Union during our 2018 fiscal year.

In August 2017, Brazil instituted an import quota for ethanol produced in the United States and exported to Brazil, along with a 20% tariff on ethanol imports in excess of the quota. This tariff and quota have reduced exports of ethanol to Brazil and may continue to negatively impact ethanol exports from the United States. Any reduction in ethanol exports could negatively impact market ethanol prices in the United States.

Employees

As of December 15, 2017, we had 46 full-time employees. We anticipate that we will have approximately 47 full-time employees during the next 12 months.

Financial Information about Geographic Areas

All of our operations are domiciled in the United States. All of the products sold to our customers for our 2017, 2016 and 2015 fiscal years were produced in the United States and all of our long-lived assets are domiciled in the United States. We have engaged a third-party professional marketer which decides where our products are marketed and we have limited control over the marketing decisions made by our marketer. Our marketer may decide to sell our products in countries other than the United States. However, we anticipate that our products will primarily be marketed and sold in the United States.

Item 1A. Risk Factors

You should carefully read and consider the risks and uncertainties below and the other information contained in this report. The risks and uncertainties described below are not the only ones we may face. The following risks, together with additional risks and uncertainties not currently known to us or that we currently deem immaterial could impair our financial condition and results of operation.

Risks Relating to Our Business

A decrease in the spread between the price we receive for our products and our raw material costs will negatively impact our profitability. Practically all of our revenue is derived from the sale of our ethanol, distillers grains and corn oil. Our primary raw material costs are corn costs and energy costs. Our profitability depends on a positive spread between the market price of the ethanol, distillers grains and corn oil we produce and the raw material costs related to these products. While ethanol, distillers grains and corn oil prices typically change in relation to corn prices, this correlation may not always exist. In the event the prices for our products decrease at a time when our raw material costs are increasing, we may not be able to profitably operate the plant. In the event the spread between the price we receive for our products and the raw material costs associated with producing those products is negative for an extended period of time, we may not be able to maintain liquidity and we may fail which could negatively impact the value of our units.

Declines in the price of ethanol or distillers grain would significantly reduce our revenues. The sales prices of ethanol and distillers grains can be volatile as a result of a number of factors such as overall supply and demand, the price of gasoline and corn, levels of government support, and the availability and price of competing products. We are dependent on a favorable spread between the price we receive for our ethanol and distillers grains and the price we pay for corn and natural gas. Any lowering of ethanol and distillers grains prices, especially if it is associated with increases in corn and natural gas prices, may affect our ability to operate profitably. We anticipate the price of ethanol and distillers grains to continue to be volatile in our 2018 fiscal year as a result of the net effect of changes in the price of gasoline and corn and increased ethanol supply offset by changes in ethanol demand. Declines in the prices we receive for our ethanol and distillers grains will lead to decreased revenues and may result in our inability to operate the ethanol plant profitably for an extended period of time which could decrease the value of our units.

Decreasing gasoline prices could negatively impact our ability to operate profitably. Discretionary blending is an important secondary market which is often determined by the price of ethanol versus the price of gasoline. In periods when discretionary blending is financially unattractive, demand for ethanol may be reduced. In recent years, the price of ethanol has been less than the price of gasoline which increased demand for ethanol from fuel blenders. However, recently, low oil prices have driven down the price of gasoline which has reduced the spread between the price of gasoline and the price of ethanol which could discourage discretionary blending, and result in a downwards market adjustment in the price of ethanol. If oil and gasoline prices remain lower for a significant period of time, it could hurt our ability to profitably operate the ethanol plant which could decrease the value of our units.

Increases in the price of corn or natural gas would reduce our profitability. Our primary source of revenue is from the sale of ethanol, distillers grains and corn oil. Our results of operations and financial condition are significantly affected by the cost and supply of corn and natural gas. Changes in the price and supply of corn and natural gas are subject to and determined by market forces over which we have no control including weather and general economic factors.

Ethanol production requires substantial amounts of corn. Generally, higher corn prices will produce lower profit margins and, therefore, negatively affect our financial performance. If a period of high corn prices were to be sustained for some time, such pricing may reduce our ability to operate profitably because of the higher cost of operating our plant. We may not be able to offset any increase in the price of corn by increasing the price of our products. If we cannot offset increases in the price of corn, our financial performance may be negatively affected.

The prices for and availability of natural gas are subject to volatile market conditions. These market conditions often are affected by factors beyond our control such as higher prices as a result of colder than average weather conditions or natural disasters, overall economic conditions and foreign and domestic governmental regulations and relations. Significant disruptions in the supply of natural gas could impair our ability to manufacture ethanol and more significantly, distillers grains for our customers. Furthermore, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect our results of operations and financial condition.

Our business is not diversified which could negatively impact our ability to operate profitably. Our success depends largely on our ability to profitably operate our ethanol plant. We do not have any other lines of business or other sources of revenue if we are unable to operate our ethanol plant and manufacture ethanol, distillers grains and corn oil. If economic or political factors adversely affect the market for ethanol, distillers grains or corn oil, we have no other line of business to fall back on. Our business would also be significantly harmed if the ethanol plant could not operate at full capacity for any extended period of time.

Our inability to maintain or secure credit facilities we may require in the future may negatively impact our liquidity. While we do not currently require more financing than we have, in the future we may need additional financing. If we require financing in the future and we are unable to secure such financing, or we are unable to secure the financing we require on reasonable terms, it may have a negative impact on our liquidity. This could negatively impact the value of our units.

We engage in hedging transactions which involve risks that could harm our business. We are exposed to market risk from changes in commodity prices, including the prices we pay for our raw materials and the prices we receive for our finished products. We seek to minimize our exposure to fluctuations in the prices of corn, ethanol and distillers grains through the use of hedging instruments. However, our hedging activities may not successfully reduce the risk caused by price fluctuations which may leave us vulnerable to volatility in corn, ethanol and distillers grains prices. Alternatively, we may choose not to engage in hedging transactions in the future and our operations and financial conditions may be adversely affected during periods in which the prices for these commodities fluctuate. Further, using cash for margin calls to support our hedge positions can have an impact on the cash we have available for our operations which could negatively impact our liquidity. The effects of our hedging activities may negatively impact our ability to profitably operate which could reduce the value of our units.

We may violate the terms of our credit agreements and financial covenants which could result in our lender demanding immediate repayment of our loans. We were in compliance with all financial covenants at September 30, 2017. Current management projections indicate that we will be in compliance with our loan covenants through September 30, 2018. However, unforeseen circumstances may develop which could result in us violating our loan covenants. If we violate the terms of our credit agreement, our primary lender could deem us in default of our loans and require us to immediately repay any outstanding balance of our loans.

Changes and advances in ethanol production technology could require us to incur costs to update the ethanol plant or could otherwise hinder our ability to compete in the ethanol industry or operate profitably. Advances and changes in the technology of ethanol production are expected to occur. Such advances and changes may make the ethanol production technology installed in our ethanol plant less desirable or obsolete. These advances could allow our competitors to produce ethanol at a lower cost than us. If we are unable to adopt or incorporate technological advances, our ethanol production methods and processes could be less efficient than our competitors, which could cause the ethanol plant to become uncompetitive or completely obsolete. If our competitors develop, obtain or license technology that is superior to ours or that makes our technology obsolete, we may be required to incur significant costs to enhance or acquire new technology so that our ethanol production remains competitive. Alternatively, we may be required to seek third-party licenses, which could also result in significant expenditures. These third-party licenses may not be available or, once obtained, they may not continue to be available on commercially reasonable terms. These costs could negatively impact our financial performance by increasing our operating costs and reducing our net income which could decrease the value of our units.

We depend on our management and key employees, and the loss of these relationships could negatively impact our ability to operate profitably. We are highly dependent on our management team to operate our ethanol plant. We may not be able to replace these individuals should they decide to cease their employment with us, or if they become unavailable for any other reason. While we seek to compensate our management and key employees in a manner that will encourage them to continue their employment with us, they may choose to seek other employment. Any loss of these officers and key employees may prevent us from operating the ethanol plant profitably and could decrease the value of our units.

Risks Related to the Ethanol Industry

The ethanol industry is an industry that is changing rapidly which can result in unexpected developments that could negatively impact our operations and the value of our units. The ethanol industry has grown significantly in the last decade. This

rapid growth has resulted in significant shifts in supply and demand of ethanol over a very short period of time. As a result, past performance by the ethanol plant or the ethanol industry generally might not be indicative of future performance. We may experience a rapid shift in the economic conditions in the ethanol industry which may make it difficult to operate the ethanol plant profitably. If changes occur in the ethanol industry that make it difficult for us to operate the ethanol plant profitably, it could result in a reduction in the value of our units.

Excess ethanol supply in the market could put negative pressure on the price of ethanol which could lead to tight operating margins and may impact our ability to operate profitably. In the past the ethanol industry has confronted market conditions where ethanol supply exceeded demand which led to unfavorable operating conditions. A disconnect between ethanol supply and demand can result in lower ethanol prices which can result in unfavorable operating conditions. The United States has recently benefited from additional exports of ethanol which may not continue to occur during our 2018 fiscal year. We may experience periods of ethanol supply and demand imbalance during our 2018 fiscal year. If we experience excess ethanol supply, either due to increased ethanol production, lower ethanol demand or lower overall gasoline demand, it could negatively impact the price of ethanol which could hurt our ability to profitably operate the ethanol plant.

Distillers grains demand and prices may be negatively impacted by the Chinese anti-dumping duty. China was historically the world's largest importer of distillers grains produced in the United States. On January 12, 2016, the Chinese government announced that it would commence an anti-dumping and countervailing duty investigation related to distillers grains imported from the United States. On September 23, 2016, the Chinese instituted a preliminary anti-dumping duty of 33.8% and on September 30, 2016, an anti-subsidy duty of approximately 10% in response to this investigation. On January 10, 2017, China announced a final ruling related to its anti-dumping and countervailing duty investigation imposing anti-dumping duties from a range of 42.2% to 53.7% and anti-subsidy duties from 11.2% to 12.0%. The imposition of these duties have resulted in a significant decline in demand from this top importer and negatively impacted prices for distillers grains produced in the United States. This reduction in demand could negatively impact our ability to profitably operate the ethanol plant.

Demand for ethanol may not continue to grow unless ethanol can be blended into gasoline in higher percentage blends for standard vehicles. Currently, ethanol is primarily blended with gasoline for use in standard (non-flex fuel) vehicles to create a blend which is 10% ethanol and 90% gasoline. Estimates indicate that approximately 143 billion gallons of gasoline are sold in the United States each year. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum domestic demand for ethanol is 14.3 billion gallons. This is commonly referred to as the "blend wall," which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. Many in the ethanol industry believe that the ethanol industry has reached and surpassed this blend wall. In order to expand demand for ethanol, higher percentage blends of ethanol must be utilized in standard vehicles. Such higher percentage blends of ethanol are a contentious issue. Automobile manufacturers and environmental groups have fought against higher percentage ethanol blends. The EPA approved the use of E15 for standard vehicles produced in the model year 2001 and later. The fact that E15 has not been approved for use in all vehicles and the labeling requirements associated with E15 may lead to gasoline retailers refusing to carry E15. Without an increase in the allowable percentage blends of ethanol that can be used in all vehicles, demand for ethanol may not continue to increase which could decrease the selling price of ethanol and could result in our inability to operate the ethanol plant profitably which could reduce or eliminate the value of our units.

If exports of ethanol are reduced, including as a result of the European Union tariff on U.S. ethanol, ethanol prices may be negatively impacted. In 2012, the European Union concluded an anti-dumping investigation related to ethanol produced in the United States and exported to Europe. As a result of this investigation, the European Union imposed a tariff on ethanol which is produced in the United States and exported to Europe. While we continue to experience some ethanol exports to Europe due to current low ethanol prices, if ethanol prices increase, these exports to the European Union may cease as a result of the tariff. Further, ethanol exports could potentially be higher without the European Union tariff. In addition, other importers of United States ethanol could reduce their imports which could negatively impact ethanol prices in the United States and result in an imbalance between ethanol supply and ethanol demand. Any decrease in ethanol prices or demand may negatively impact our ability to profitably operate the ethanol plant.

A reduction in ethanol exports to Brazil due to the imposition by the Brazilian government of a tariff on U.S. ethanol could have a negative impact on ethanol prices. Brazil has historically been a top destination for ethanol produced in the United States. However, earlier this year, Brazil imposed a tariff on ethanol which is produced in the United States and exported to Brazil. This tariff has resulted in a decline in demand for ethanol from Brazil and could negatively impact the market price of ethanol in the United States and our ability to profitably operate the ethanol plant.

We operate in an intensely competitive industry and compete with larger, better financed entities which could impact our ability to operate profitably. There is significant competition among ethanol producers. There are numerous producer-owned

and privately-owned ethanol plants operating throughout the Midwest and elsewhere in the United States. We also face competition from outside of the United States. The largest ethanol producers include Archer Daniels Midland, Flint Hills Resources, Green Plains Renewable Energy, Pacific Ethanol, POET, and Valero Renewable Fuels, each of which is capable of producing significantly more ethanol than we produce. Further, many believe that there will be further consolidation occurring in the ethanol industry in the future which could lead to a few companies which control a significant portion of the United States ethanol production market. We may not be able to compete with these larger entities. These larger ethanol producers may be able to affect the ethanol market in ways that are not beneficial to us which could negatively impact our financial performance.

Technology advances in the commercialization of cellulosic ethanol may decrease demand for corn-based ethanol which may negatively affect our profitability. The current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass, such as agricultural waste, forest residue, municipal solid waste, and energy crops. This trend is driven by the fact that cellulose-based biomass is generally cheaper than corn, and producing ethanol from cellulose-based biomass would create opportunities to produce ethanol in areas of the country which are unable to grow corn. The Energy Independence and Security Act of 2007 and the 2008 Farm Bill offer strong incentives to develop commercial scale cellulosic ethanol. The RFS requires that 16 billion gallons per year of advanced bio-fuels must be consumed in the United States by 2022. Additionally, state and federal grants have been awarded to several companies which are seeking to develop commercial-scale cellulosic ethanol plants. This has encouraged innovation and has led to several companies which are either in the process or have completed construction of commercial scale cellulosic ethanol plants. If an efficient method of producing ethanol from cellulose-based biomass is developed, we may not be able to compete effectively. If we are unable to produce ethanol as cost-effectively as cellulose-based producers, our ability to generate revenue and our financial condition will be negatively impacted.

Risks Related to Regulation and Governmental Action

Government incentives for ethanol production may be eliminated in the future, which could hinder our ability to operate at a profit. The ethanol industry is assisted by various federal and state ethanol incentives, the most important of which is the RFS set forth in the Energy Policy Act of 2005. The RFS helps support a market for ethanol that might disappear without this incentive. The EPA has the authority to waive the RFS statutory volume requirement, in whole or in part, provided certain conditions have been met. Annually, the EPA is supposed to pass a rule that establishes the number of gallons of different types of renewable fuels that must be used in the United States which is called the renewable volume obligations. In the past, the EPA has set the renewable volume obligations below the statutory volume requirements. On November 30, 2017, the EPA released the final RFS rule setting the 2018 total volume obligation at 19.29 billion gallons of which 15.0 billion gallon could be met by corn-based ethanol. If the EPA were to significantly reduce the volume requirements under the RFS in the future or if the RFS were to be otherwise reduced or eliminated by the exercise of the EPA waiver authority or by Congress, the market price and demand for ethanol could decrease which will negatively impact our financial performance.

Changes in environmental regulations or violations of these regulations could be expensive and reduce our profitability. We are subject to extensive air, water and other environmental laws and regulations. In addition, some of these laws require our plant to operate under a number of environmental permits. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. A violation of these laws and regulations or permit conditions can result in substantial fines, damages, criminal sanctions, permit revocations and/or plant shutdowns. In the future, we may be subject to legal actions brought by environmental advocacy groups and other parties for actual or alleged violations of environmental laws or our permits. Additionally, any changes in environmental laws and regulations, both at the federal and state level, could require us to spend considerable resources in order to comply with future environmental regulations. The expense of compliance could be significant enough to reduce our profitability and negatively affect our financial condition.

The California Low Carbon Fuel Standard may decrease demand for corn based ethanol which could negatively impact our profitability. California passed a Low Carbon Fuels Standard ("LCFS") which requires that renewable fuels used in California must accomplish certain reductions in greenhouse gases which reductions are measured using a lifecycle analysis. Management believes that these regulations could preclude corn-based ethanol produced in the Midwest from being used in California. California represents a significant ethanol demand market. If the ethanol industry is unable to supply corn-based ethanol to California, it could significantly reduce demand for the ethanol we produce which could result in a reduction of our revenues and negatively impact our ability to profitably operate the ethanol plant.

ITEM 2. PROPERTIES

Our ethanol plant is located just east of the city limits of Richardton, North Dakota, and just north and east of the entrance/exit ramps to Interstate I-94. The plant complex is situated inside a footprint of approximately 25 acres of land which is part of an approximately 135 acre parcel. We acquired ownership of the land in 2004 and 2005. Included in the immediate campus area

of the plant are perimeter roads, buildings, tanks and equipment. An administrative building and parking area are located approximately 400 feet from the plant complex. During 2008, we purchased an additional 10 acre parcel of land that is adjacent to our current property. Our rail unloading facility and storage site was built on this property. During our 2012 fiscal year, we purchased an additional approximately 110 acres of land that is adjacent to our current property. During our 2017 fiscal year, we purchased approximately 338 acres of land which we will use as part of our rail yard allowing us to ship larger trains.

The site also contains improvements such as rail tracks and a rail spur, landscaping, drainage systems and paved access roads. The ethanol plant was placed in service in January 2007 and is in excellent condition and is capable of functioning at 100 percent of its 50 million gallon name-plate production capacity.

All of our tangible and intangible property, real and personal, serves as the collateral for our senior credit facility with US Bank. Our senior credit facility is discussed in more detail under "**ITEM 7. Management's Discussion and Analysis - Capital Resources.**"

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, we may be named as a defendant in legal proceedings related to various issues, including without limitation, workers' compensation claims, tort claims, or contractual disputes. We are not currently involved in any material legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED MEMBER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There is no established trading market for our membership units. We have engaged FNC Ag Stock, LLC to create a Qualified Matching Service ("QMS") in order to facilitate trading of our units. The QMS consists of an electronic bulletin board that provides information to prospective sellers and buyers of our units. Please see the table below for information on the prices of units transferred in transactions completed via the QMS. We do not become involved in any purchase or sale negotiations arising from the QMS and we take no position as to whether the average price or the price of any particular sale is an accurate measure of the value of our units. As a limited liability company, we are required to restrict the transfers of our membership units in order to preserve our partnership tax status. Our membership units may not be traded on any established securities market or readily traded on a secondary market (or the substantial equivalent thereof). All transfers are subject to a determination that the transfer will not cause the Company to be deemed a publicly traded partnership.

We have no role in effecting the transactions beyond approval, as required under our Operating Agreement and the issuance of new certificates. So long as we remain a publicly reporting company, information about us will be publicly available through the SEC's EDGAR filing system. However, if at any time we cease to be a publicly reporting company, we may continue to make information about us publicly available on our website.

As of December 15, 2017, there were 930 holders of record of our Class A membership units.

In December 2016 and January 2017 a total of 681,820 Units were purchased other than through a publicly announced plan or program, pursuant to a Membership Unit Repurchase Agreement, a private transaction between the Company and a Member.

The following table contains historical information by quarter for the past two years regarding the actual unit transactions that were completed by our unit-holders during the periods specified. The information was compiled by reviewing the completed unit transfers that occurred on the QMS bulletin board or through private transfers during the quarters indicated.

Quarter	Low Price	High Price	Average Price	# of Units Traded
2016 1 st	\$ 0.95	\$ 1.00	\$ 0.99	130,000
2016 2 nd	\$ 1.05	\$ 1.10	\$ 1.07	24,000
2016 3 rd	\$ —	\$ —	\$ —	—
2016 4 th	\$ 1.05	\$ 1.21	\$ 1.16	360,000
2017 1 st	\$ 1.05	\$ 1.21	\$ 1.16	370,000
2017 2 nd	\$ 1.20	\$ 1.31	\$ 1.26	45,000
2017 3 rd	\$ 1.32	\$ 1.45	\$ 1.39	107,812
2017 4 th	\$ 1.35	\$ 1.45	\$ 1.41	59,500

DISTRIBUTIONS

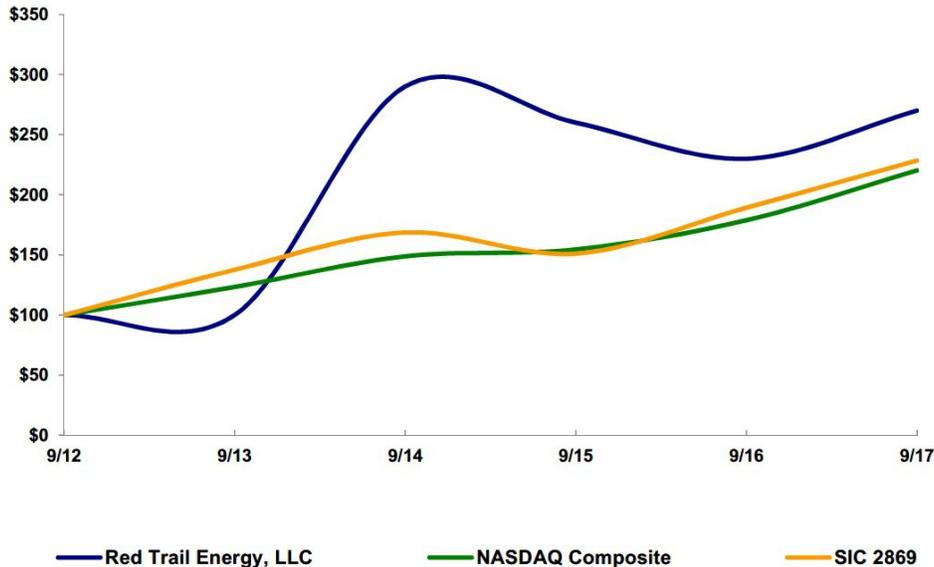
We made a \$0.10 per unit distribution for a total distribution of \$4,014,895 during our 2016 fiscal year and made a distribution of \$0.12 per unit during our 2017 fiscal year for a total distribution of \$4,977,453. Distributions are payable at the discretion of our board, subject to the provisions of the North Dakota Limited Liability Company Act and our Member Control Agreement. A unit holder's distribution is determined based on their pro-rata ownership interest in the Company, by dividing the number of units owned by such unit holder by the total number of units outstanding.

PERFORMANCE GRAPH

The following graph shows a comparison of cumulative total member return since September 30, 2012, calculated on a dividend reinvested basis, for the Company, the NASDAQ Composite Index (the "NASDAQ Market Index") and an index of other companies that have the same SIC code as the Company (the "SIC Code Index"). The graph assumes \$100 was invested in each of our units, the NASDAQ Market Index, and the SIC Code Index on September 30, 2012. Data points on the graph are annual. Note that historic unit price performance is not necessarily indicative of future unit price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Red Trail Energy, LLC, the NASDAQ Composite Index,
and SIC 2869



*\$100 invested on 9/30/12 in stock or index, including reinvestment of dividends.
Fiscal year ending September 30.

Pursuant to the rules and regulations of the Securities and Exchange Commission, the performance graph and the information set forth therein shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, and shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial and operating data as of the dates and for the periods indicated. The selected balance sheet financial data as of September 30, 2015, 2014 and 2013 and the selected income statement data and other financial data for the periods ended September 30, 2014 and 2013 have been derived from our audited financial statements that are not included in this Form 10-K. The selected balance sheet financial data as of September 30, 2017 and 2016 and the selected statement of operations data and other financial data for the fiscal years ended September 30, 2017, 2016 and 2015 have been derived from the audited Financial Statements included elsewhere in this Form 10-K. You should read the following table in conjunction with "**Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations**" and the financial statements and the accompanying notes included elsewhere in this Form 10-K. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following financial data.

Statement of Operations Data:	Years Ended				
	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013
Revenues	\$ 109,609,359	\$ 105,159,602	\$ 100,795,412	\$ 139,122,644	\$ 154,790,603
Cost of Goods Sold	102,061,933	97,414,865	91,984,165	106,047,180	151,588,287
Gross Profit	7,547,426	7,744,737	8,811,247	33,075,464	3,202,316
General and Administrative	2,382,272	2,399,733	2,471,783	2,200,809	2,145,733
Operating Income	5,165,154	5,345,004	6,339,464	30,874,655	1,056,583
Other Income (Expense)	3,199,696	558,757	2,227,797	(284,321)	(422,420)
Net Income	\$ 8,364,850	\$ 5,903,761	\$ 8,567,261	\$ 30,590,334	\$ 634,163
Weighted Average Units Outstanding - Basic	41,454,828	40,148,160	40,148,160	40,148,160	40,151,941
Weighted Average Units Outstanding - Diluted	41,454,828	40,148,160	40,148,160	40,148,160	40,153,201
Net Income Per Unit - Basic and Diluted	\$ 0.20	\$ 0.15	\$ 0.21	\$ 0.76	\$ 0.02
Balance Sheet Data:	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013
Current Assets	\$ 29,645,104	\$ 24,681,404	\$ 23,051,396	\$ 40,622,512	\$ 16,511,489
Net Property and Equipment	47,141,736	47,224,703	50,940,083	51,479,515	52,193,186
Total Assets	80,702,120	75,591,411	77,567,266	95,658,429	71,740,861
Current Liabilities	7,020,438	7,932,689	9,940,702	18,756,713	10,958,459
Long-Term Liabilities	2,921	5,538	1,862,246	5,647,712	18,111,281
Members' Equity	73,678,761	67,653,184	65,764,317	71,254,004	42,671,121
Book Value Per Unit	\$ 1.78	\$ 1.69	\$ 1.64	\$ 1.77	\$ 1.06
Dividends Declared Per Unit	\$ 0.12	\$ 0.10	\$ 0.35	\$ 0.05	\$ —

* See **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations** for further discussion of our financial results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Results of Operations for the Years Ended September 30, 2017 and 2016

The following table shows the results of our operations and the percentages of revenues, cost of goods sold, general and administrative expenses and other items to total revenues in our statements of operations for the years ended September 30, 2017 and 2016:

Statement of Operations Data	Year Ended September 30, 2017		Year Ended September 30, 2016	
	Amount	%	Amount	%
Revenues	\$ 109,609,359	100.00	\$ 105,159,602	100.00
Cost of Goods Sold	102,061,933	93.11	97,414,865	92.64
Gross Profit	7,547,426	6.89	7,744,737	7.36
General and Administrative Expenses	2,382,272	2.17	2,399,733	2.28
Operating Income	5,165,154	4.71	5,345,004	5.08
Other Income (Expense)	3,199,696	2.92	558,757	0.53
Net Income	\$ 8,364,850	7.63	\$ 5,903,761	5.61

The following table shows additional data regarding production and price levels for our primary inputs and products for the years ended September 30, 2017 and 2016.

	Year Ended September 30, 2017		Year Ended September 30, 2016	
Production:				
Ethanol sold (gallons)		62,500,281		60,616,099
Dried distillers grains sold (tons)		107,992		123,780
Modified distillers grains sold (tons)		98,631		80,659
Corn oil sold (pounds)		16,735,020		14,820,193
Revenues:				
Ethanol average price per gallon (net of hedging)	\$	1.43	\$	1.34
Dried distillers grains average price per ton		100.44		120.00
Modified distillers grains average price per ton		47.28		58.49
Corn oil average price per pound		0.26		0.24
Primary Inputs:				
Corn ground (bushels)		21,994,786		21,768,549
Natural gas (MMBtu)		1,578,185		1,649,911
Costs of Primary Inputs:				
Corn average price per bushel (net of hedging)	\$	3.46	\$	3.59
Natural gas average price per MMBtu (net of hedging)		2.83		2.44
Other Costs (per gallon of ethanol sold):				
Chemical and additive costs	\$	0.083	\$	0.087
Denaturant cost		0.032		0.029
Electricity cost		0.043		0.041
Direct labor cost		0.062		0.056

Revenue

For our 2017 fiscal year, ethanol sales comprised approximately 82% of our revenues, distillers grains sales comprised approximately 14% of our revenues and corn oil sales comprised approximately 4% of our revenues. For our 2016 fiscal year,

ethanol sales comprised approximately 78% of our revenues, distillers grains sales comprised approximately 19% of our revenues and corn oil sales comprised approximately 3% of our revenues.

Our total revenue for our 2017 fiscal year was greater compared to our 2016 fiscal year due to the net effect of increased ethanol and corn oil revenue during the 2017 period, partially offset by lower distillers grains revenue. However, our operating margins were less favorable during our 2017 fiscal year compared to our 2016 fiscal year due to a greater increase in our cost of goods sold compared to the increase in our revenue during the 2017 period.

Ethanol

The average price we received per gallon of ethanol sold was approximately 7% greater for our 2017 fiscal year compared to our 2016 fiscal year. Management attributes this increase in the average price we received for our ethanol during our 2017 fiscal year with higher energy and corn prices. Management anticipates that ethanol prices may be lower during our 2018 fiscal year due to a combination of factors, including anticipated increases in United States ethanol production along with lower export demand from Brazil and China. In the United States, many ethanol producers are expanding their production capacity. In addition, both Brazil and China, each a major source of export demand in the past, have instituted tariffs on ethanol produced in the United States. The combination of these two factors may lead to excess ethanol supply in the market which could negatively impact domestic ethanol prices. Without an increase in ethanol demand, either domestically or in the export markets, we may experience excess ethanol supply and corresponding weaker prices. The United States ethanol industry is continuing to work to open new export markets for ethanol, including the Mexican market, which may positively impact domestic ethanol prices. Export markets are not as reliable as the domestic ethanol market which can lead to ethanol price volatility.

We sold approximately 3% more gallons of ethanol during our 2017 fiscal year compared our 2016 fiscal year due to increased ethanol production. Management anticipates that we will continue to produce and sell more ethanol due to this increased production capacity at the plant. However, if operating margins in the ethanol industry are reduced, we may reduce production in order to improve our operating efficiency and maximize the amount of ethanol we can produce per bushel of corn used.

We experienced a gain of approximately \$306,000 in our ethanol derivative instruments and a gain of approximately \$71,000 in our soybean oil derivative instruments which both increased our revenue during our 2017 fiscal year. We experienced a loss of approximately \$124,000 in our ethanol derivative instruments and a loss of approximately \$30 in our soybean oil derivative instruments during our 2016 fiscal year which both decreased our revenue.

Distillers Grains

The average price we received for our dried distillers grains during our 2017 fiscal year was approximately 16% less than the average price we received during our 2016 fiscal year primarily due to a weaker distillers grains export market. Distillers grains exports were lower due to a lack of distillers grains demand from China and Vietnam during our 2017 fiscal year. The average price we received from our modified distillers grains during our 2017 fiscal year was approximately 19% less compared to our 2016 fiscal year due to decreased local distillers grains demand. Management anticipates that distillers grains prices will remain lower during our 2018 fiscal year unless China resumes importing a significant amount of distillers grains. Recently, Vietnam restated imports of U.S. distillers grains which has positively impacted distillers grains demand, however, exports to Vietnam are not significant enough to completely offset the loss of the Chinese market. Without additional export demand for distillers grains, management believes that local supplies of distillers grains will remain higher, further decreasing domestic prices.

We produced approximately 13% fewer tons of dried distillers grains and approximately 22% more tons of modified distillers grains during our 2017 fiscal year compared to our 2016 fiscal year primarily because of market factors which favored modified distillers grains sales. We decide whether to produce dried distillers grains versus modified/wet distillers grains based on market conditions and the relative cost of producing each form of distillers grains. Management anticipates that distillers grains production will remain at current levels during our 2018 fiscal year, despite expected increases in ethanol production, particularly if distillers grains prices remain lower. With lower distillers grains prices, the relative value of corn oil results in additional production and sales of corn oil which correspondingly reduces distillers grains production.

Corn Oil

The average price we received for our corn oil was approximately 8% greater during our 2017 fiscal year compared to our 2016 fiscal year primarily due to higher corn oil demand. Corn oil demand was greater during our 2017 fiscal year due to increased feed and biodiesel demand for corn oil. However, corn oil demand from the biodiesel industry has been volatile, and may continue to be volatile depending on whether the biodiesel blenders' credit is reinstated for 2018.

Our corn oil sales increased by approximately 13% during our 2017 fiscal year compared to our 2016 fiscal year due to increased total production at the ethanol plant during our 2017 fiscal year along with an increase in the amount of corn oil we produced per bushel of corn we ground. During our 2016 fiscal year we experienced increased downtime for our corn oil extraction equipment which resulted in less corn oil production during our 2016 fiscal year. Management anticipates that corn oil production will be remain at current levels during our 2018 fiscal year provided distillers grains prices remain relatively lower compared to market corn oil prices.

Cost of Goods Sold

Our cost of goods sold is primarily made up of corn and energy expenses. Our total cost of goods sold was approximately 5% greater for our 2017 fiscal year compared to our 2016 fiscal year due primarily to higher corn costs during our 2017 fiscal year.

Corn Costs

Our cost of goods sold related to corn was approximately 3% less during our 2017 fiscal year compared to our 2016 fiscal year due to decreased corn consumption and costs during our 2017 fiscal year. Our average cost per bushel of corn used was approximately 4% less during our 2017 fiscal year compared to our 2016 fiscal year. Management attributes this decrease in corn costs to a favorable spread between corn supply and demand. Management anticipates that corn prices will increase during the beginning of our 2018 fiscal year due to drought conditions in our geographical area. However, management believes that there will be sufficient corn in our local market to continue to operate the ethanol plant at capacity during our 2018 fiscal year. We consumed approximately 1% more bushels of corn during our 2017 fiscal year compared to our 2016 fiscal year due to increased production at the plant. Management anticipates that we will continue to consume more corn in the future as we continue to incrementally increase ethanol production at the plant.

From time to time we enter into forward purchase contracts for our commodity purchases and sales. At September 30, 2017, we had forward corn purchase contracts for various delivery periods through December 2017 for a total commitment of approximately \$3.3 million for a total of approximately 1 million bushels of corn. We had a gain of approximately \$2 million related to our corn derivative instruments which decreased our cost of goods sold during our 2017 fiscal year. We had a gain of approximately \$6 million related to our corn derivative instruments during our 2016 fiscal year which decreased our cost of goods sold. We recognize the gains or losses that result from the changes in the value of our derivative instruments from corn in cost of goods sold as the changes occur. As corn prices fluctuate, the value of our derivative instruments is impacted, which affects our financial performance.

Natural Gas Costs

Our total natural gas costs to operate the ethanol plant were greater for our 2017 fiscal year compared to our 2016 fiscal year due primarily to higher average costs per MMBtu of natural gas we consumed, partially offset by less volume of natural gas used during the 2017 period. Our average cost per MMBtu of natural gas was approximately 16% greater during our 2017 fiscal year compared to our 2016 fiscal year. Management believes this increase in natural gas costs during our 2017 fiscal year was due to increased energy prices generally along with a shift in the supply and demand balance for natural gas during 2017. In addition, we consumed approximately 4% less natural gas during our 2017 fiscal year compared to our 2016 fiscal year due to increased production of modified distillers grains compared to dried distillers grains. Modified distillers grains require less drying and therefore less natural gas to produce compared to dried distillers grains. Management expects that the natural gas prices will remain at current levels during our 2018 fiscal year unless we experience supply disruptions during 2018, including as a result of hurricane activity in the Gulf of Mexico which negatively impacts natural gas production.

General and Administrative Expenses

Our general and administrative expense was comparable during our 2017 fiscal year and our 2016 fiscal year.

Other Income/Expense

We had more interest income during our 2017 fiscal year compared to our 2016 fiscal year due to having more cash on hand during the 2017 period. Our interest expense was lower during our 2017 fiscal year compared to our 2016 fiscal year due to having less borrowing during the 2017 period. Our other income was significantly higher during our 2017 fiscal year compared to our 2016 fiscal year due to insurance proceeds we received this fiscal year for hail damage.

Results of Operations for the Year Ended September 30, 2016 and 2015

The following table shows the results of our operations and the percentages of revenues, cost of goods sold, general and administrative expenses and other items to total revenues in our statements of operations for the years ended September 30, 2016 and 2015:

Statement of Operations Data	Year Ended September 30, 2016		Year Ended September 30, 2015	
	Amount	%	Amount	%
Revenues	\$ 105,159,602	100.00	\$ 100,795,412	100.00
Cost of Goods Sold	97,414,865	92.64	91,984,165	91.26
Gross Profit	7,744,737	7.36	8,811,247	8.74
General and Administrative Expenses	2,399,733	2.28	2,471,783	2.45
Operating Income	5,345,004	5.08	6,339,464	6.29
Other Income (Expense)	558,757	0.53	2,227,797	2.21
Net Income	\$ 5,903,761	5.61	\$ 8,567,261	8.50

The following table shows additional data regarding production and price levels for our primary inputs and products for the years ended September 30, 2016 and 2015.

	Year Ended September 30, 2016		Year Ended September 30, 2015	
Production:				
Ethanol sold (gallons)		60,616,099		53,448,822
Dried distillers grains sold (tons)		123,780		111,425
Modified distillers grains sold (tons)		80,659		69,847
Corn oil sold (pounds)		14,820,193		8,297,930
Revenues:				
Ethanol average price per gallon (net of hedging)	\$	1.34	\$	1.52
Dried distillers grains average price per ton		120.00		123.09
Modified distillers grains average price per ton		58.49		49.83
Corn oil average price per pound		0.24		0.22
Primary Inputs:				
Corn ground (bushels)		21,768,549		19,259,081
Natural gas (MMBtu)		1,649,911		1,054,881
Costs of Primary Inputs:				
Corn average price per bushel (net of hedging)	\$	3.59	\$	3.38
Natural gas average price per MMBtu (net of hedging)		2.44		2.43
Other Costs (per gallon of ethanol sold):				
Chemical and additive costs	\$	0.087	\$	0.107
Denaturant cost		0.029		0.037
Electricity cost		0.041		0.052
Direct labor cost		0.056		0.064

Revenue

For our 2016 fiscal year, ethanol sales comprised approximately 78% of our revenues, distillers grains sales comprised approximately 19% of our revenues and corn oil sales comprised approximately 3% of our revenues. For our 2015 fiscal year, ethanol sales comprised approximately 81% of our revenues, distillers grains sales comprised approximately 17% of our revenues and corn oil sales comprised approximately 2% of our revenues.

Our total revenue for our 2016 fiscal year was greater compared to our 2015 fiscal year due to the net effect of increased production during the 2016 period, partially offset by lower ethanol and dried distillers grains prices. Operating margins were less favorable during our 2016 fiscal year compared to our 2015 fiscal year due to the spread between our raw material costs and the revenue we generated from our operations during the 2016 period.

Ethanol

The average price we received for our ethanol was approximately 12% less for our 2016 fiscal year compared to our 2015 fiscal year. Management attributes this decrease in the average price we received for our ethanol during our 2016 fiscal year with lower gasoline prices and increased ethanol production in the United States, both of which have an impact on the market price of ethanol. Further, management believes that ethanol prices were negatively impacted by the renewable volume obligations the EPA set for corn-based ethanol for 2014, 2015 and 2016 which were lower than the statutory requirements. In addition, in May 2016 the EPA proposed a renewable volume obligation for corn-based ethanol for 2017 which was also lower than the statutory requirement. Management believes these reductions negatively impacted ethanol demand and prices. This negative impact was especially pronounced due to low gasoline prices. In the past, many fuel blenders used ethanol because of the difference in price between gasoline and ethanol. This voluntary use of ethanol in excess of the requirements in the RFS decreased due to the fact that the spread between the price of ethanol and gasoline is smaller.

We sold approximately 13% more gallons of ethanol during our 2016 fiscal year compared our 2015 fiscal year due to increased ethanol production capacity due to our switch from coal as the fuel source for our ethanol plant to natural gas.

We experienced a loss of approximately \$124,000 in our ethanol derivative instruments which decreased our revenue during our 2016 fiscal year. We experienced a loss of approximately \$275,000 in our ethanol derivative instruments and a loss of approximately \$876,000 in our soybean oil derivative instruments during our 2015 fiscal year which both decreased our revenue.

Distillers Grains

The average price we received for our dried distillers grains during our 2016 fiscal year was approximately 3% less than the average price we received during our 2015 fiscal year primarily due to lower corn prices and the Chinese anti-dumping and countervailing duty investigation which negatively impacted the distillers grain export market during our 2016 fiscal year. The average price we received from our modified/wet distillers grains during our 2016 fiscal year was approximately 17% greater compared to our 2015 fiscal year due to improved local distillers grains demand. Modified/wet distillers grains are used in our local market because they are not cost effective to transport and cannot be stored for long periods of time. As a result, the Chinese trade investigation had much less of an impact on our local market which resulted in greater modified/wet distillers grains prices. Further, since distillers grains are typically used as an animal feed substitute for corn, when corn prices are lower and corn is more readily available in the market, it leads to a reduction in distillers grains demand and ultimately prices.

We produced approximately 11% more tons of dried distillers grains and approximately 15% more tons of modified distillers grains during our 2016 fiscal year compared to our 2015 fiscal year primarily because of our increased production of ethanol. We decide whether to produce dried distillers grains versus modified/wet distillers grains based on market conditions and the relative cost of producing each form of distillers grains.

Corn Oil

The average price we received for our corn oil was approximately 9% greater during our 2016 fiscal year compared to our 2015 fiscal year primarily due to higher corn oil demand. Corn oil demand was greater during our 2016 fiscal year due to increased biodiesel production since corn oil can be used as a feedstock to produce biodiesel. The biodiesel blenders' tax credit was renewed for 2016 which resulted in increased biodiesel production and as a result, increased corn oil demand.

Our corn oil sales increased by approximately 79% during our 2016 fiscal year compared to our 2015 fiscal year due to increased total production at the ethanol plant along with an increase in the amount of corn oil we extracted per ton of distillers grains produced during our 2016 fiscal year. In addition, during our 2015 fiscal year we experienced increased downtime for our corn oil extraction equipment which resulted in less corn oil production during our 2015 fiscal year.

Cost of Goods Sold

Our cost of goods sold is primarily made up of corn and energy expenses. During our 2015 fiscal year we completed the conversion of our ethanol plant from a coal fired plant to using natural gas as the fuel source for our plant. Our total cost of goods

sold was approximately 6% greater for our 2016 fiscal year compared to our 2015 fiscal year due primarily to higher corn costs during our 2016 fiscal year.

Corn Costs

Our cost of goods sold related to corn was approximately 20% greater during our 2016 fiscal year compared to our 2015 fiscal year due to higher market corn prices and increased corn consumption during our 2016 fiscal year. The average price we paid per bushel of corn was approximately 6% greater during our 2016 fiscal year compared to our 2015 fiscal year. Management attributes this increase in corn costs to higher corn contract pricing for basis contracts with a June 30, 2016 pricing deadline. CBOT prices and bid prices increased during the months the basis contracts were being priced.

From time to time we enter into forward purchase contracts for our commodity purchases and sales. At September 30, 2016, we had forward corn purchase contracts for various delivery periods through June 2017 for a total commitment of approximately \$6.7 million for a total of approximately 1.9 million bushels of corn. We had a gain of approximately \$6 million related to our corn derivative instruments which decreased our cost of goods sold during our 2016 fiscal year. We had a gain of approximately \$39,000 related to our corn derivative instruments during our 2015 fiscal year which decreased our cost of goods sold. We recognize the gains or losses that result from the changes in the value of our derivative instruments from corn in cost of goods sold as the changes occur. As corn prices fluctuate, the value of our derivative instruments is impacted, which affects our financial performance.

Energy Costs

For the first quarter of our 2015 fiscal year, we used coal as the fuel source for our ethanol plant. We purchased the coal needed to power our ethanol plant from a supplier under a long-term contract. However, during the second quarter of our 2015 fiscal year, we converted the energy source for our ethanol plant to natural gas. Our total energy costs to operate the ethanol plant were approximately \$892,000 less for our 2016 fiscal year compared to our 2015 fiscal year due primarily to the lower cost of using natural gas as the fuel source to operate our ethanol plant.

General and Administrative Expenses

Our general and administrative expense was slightly lower during our 2016 fiscal year compared to our 2015 fiscal year due primarily to fewer office equipment repairs needed and fewer legal fees paid in 2016.

Other Income/Expense

We had less interest income during our 2016 fiscal year compared to our 2015 fiscal year due to finance charges we agreed to reverse in order to settle certain outstanding accounts receivable. Our interest expense was lower during our 2016 fiscal year compared to our 2015 fiscal year due to having lower balances on our loans during the 2016 period. Our other income was significantly less during our 2016 fiscal year compared to our 2015 fiscal year because of a large capital account refund we received from RPMG during our 2015 fiscal year. The capital account refund we received from RPMG during our 2016 fiscal year was significantly less.

Changes in Financial Condition for the Year Ended September 30, 2017 and 2016

Current Assets. We had less cash and equivalents on our balance sheet at September 30, 2017 compared to September 30, 2016 due to corn inventory purchases which resulted in increased raw materials inventory at September 30, 2017 compared to September 30, 2016. We had more restricted cash at September 30, 2017 compared to September 30, 2016 as a result of having more cash deposited in our margin account with our commodities broker related to our risk management positions. We had more accounts receivable at September 30, 2017 compared to September 30, 2016 due primarily to higher ethanol prices at the end of our 2017 fiscal year compared to the end of our 2016 fiscal year.

Property, Plant and Equipment. The gross value of our property, plant and equipment was higher at September 30, 2017 compared to September 30, 2016 due primarily to the purchase of land adjacent to the plant site along with upgrades made to the cooling tower during our 2017 fiscal year. However, the net value of our property, plant and equipment was lower at September 30, 2017 compared to September 30, 2016 due to depreciation.

Other Assets. Our other assets were higher at September 30, 2017 than at September 30, 2016 with increased patronage equity related to our electric provider which is a cooperative.

Current Liabilities. Our accounts payable was higher at September 30, 2017 compared to September 30, 2016 due to increased payables related to capital expenditures. Our accrued expenses were lower at September 30, 2017 compared to September 30, 2016 due to having less corn payables at September 30, 2017 compared to September 30, 2016. We had a greater liability related to our corn derivative instruments which were in a loss position as of September 30, 2017 compared to September 30, 2016, primarily due to corn options we had outstanding at September 30, 2017.

Long-term Liabilities. Our long-term liabilities were lower at September 30, 2017 compared to September 30, 2016 due to loan payments we made during our 2017 fiscal year.

Critical Accounting Policies

Management uses estimates and assumptions in preparing our financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Of the significant accounting policies described in the notes to our financial statements, we believe that the following are the most critical.

Inventory

Corn is the primary raw material and, along with other raw materials and supplies, is stated at the lower of cost or market on a first-in, first-out (FIFO) basis. Work in process and finished goods, which consists of ethanol, distillers grains and corn oil produced, is stated at the lower of average cost or market. Spare parts inventory is valued at lower of cost or market on a FIFO basis.

Allowance for Doubtful Accounts

Management's estimate of the Allowance for Doubtful Accounts is based on management's estimate of the collectability of identified receivables, as well as the aging of customer accounts. A 10% change in management's estimate regarding the Allowance for Doubtful Accounts as of September 30, 2017 could impact net income by approximately \$27,000 for our 2018 fiscal year.

Revenue Recognition

The Company sells ethanol and related products pursuant to marketing agreements. Revenues are recognized when the customer has taken title, which occurs when the product is shipped, has assumed the risks and rewards of ownership, prices are fixed or determinable and collectability is reasonably assured. Revenues are shown net of any fees incurred under the terms of the Company's agreements for the marketing and sale of ethanol and related products.

Long Lived Assets

Property, plant, and equipment are stated at cost. Depreciation is provided over estimated useful lives by use of the straight line method. Maintenance and repairs are expensed as incurred. Major improvements and betterments are capitalized. The present values of capital lease obligations are classified as long-term debt and the related assets are included in property, plant and equipment. Amortization of equipment under capital leases is included in depreciation expense. Management does not believe it is reasonably likely that the valuation of its property, plant and equipment will change in any material manner in future estimates.

Liquidity and Capital Resources

Based on financial forecasts performed by our management, we anticipate that we will have sufficient cash from our current credit facilities and cash from our operations to continue to operate the ethanol plant for the next 12 months. Should we experience unfavorable operating conditions in the future, we may have to secure additional debt or equity sources for working capital or other purposes. We do not have any planned capital projects for which we anticipate requiring additional borrowing.

The following table shows cash flows for the years ended September 30, 2017 and 2016:

	2017	2016
Net cash provided by (used in) operating activities	\$ (160,460)	\$ 15,856,698
Net cash (used in) investing activities	(1,228,494)	(827,507)
Net cash (used in) financing activities	(5,661,870)	(9,845,687)
Net increase (decrease) in cash	\$ (7,050,824)	\$ 5,183,504
Cash and equivalents, end of period	\$ 3,223,342	\$ 10,274,166

Cash Flow from Operations

Our operations used more cash during our 2017 fiscal year compared to our 2016 fiscal year. Changes in our inventory, accounts payable and derivative instrument positions negatively impacted the cash generated by our operating activities during the 2017 period.

Cash Flow from Investing Activities

We used more cash for capital expenditures during our 2017 fiscal year compared to our 2016 fiscal year. During our 2017 fiscal year we had capital projects related to upgrading our cooling tower. During our 2016 fiscal year we had capital expenditures related to regular repair and replacement of equipment at the plant along with a project to expand the cooling capacity of our beer mash exchangers.

Cash Flow from Financing Activities

We used less cash for financing activities during our our 2017 fiscal year compared to our 2016 fiscal year due to the net effect of increased distributions during the 2017 period and minimal debt payments compared to the 2016 period. We used approximately \$5 million during our 2017 fiscal year for distributions to our members compared to approximately \$4 million during our 2016 fiscal year. We also used approximately \$3,000 for debt repayments during our 2017 fiscal year compared to approximately \$5.8 million during our 2016 fiscal year.

Our liquidity, results of operations and financial performance will be impacted by many variables, including the market price for commodities such as, but not limited to, corn, ethanol and other energy commodities, as well as the market price for any co-products generated by the facility and the cost of labor and other operating costs. Assuming future relative price levels for corn, ethanol and distillers grains remain consistent, we expect operations to generate adequate cash flows to maintain operations.

The following table shows cash flows for the years ended September 30, 2016 and 2015:

	2016	2015
Net cash provided by operating activities	\$ 15,856,698	\$ 10,109,102
Net cash (used in) investing activities	(827,507)	(3,838,623)
Net cash (used in) financing activities	(9,845,687)	(23,132,076)
Net increase (decrease) in cash	\$ 5,183,504	\$ (16,861,597)
Cash and equivalents, end of period	\$ 10,274,166	\$ 5,090,662

Cash Flow from Operations

Our operations provided more cash during our 2016 fiscal year compared to our 2015 fiscal year. Changes in our inventory, accounts payable and derivative instrument positions positively impacted the cash generated by our operating activities.

Cash Flow from Investing Activities

We used less cash for capital expenditures during our 2016 fiscal year compared to our 2015 fiscal year. During our 2015 fiscal year we had significant capital projects related to the conversion of the fuel source for our ethanol plant from coal to natural gas. During our 2016 fiscal year we had capital expenditures related to regular repair and replacement of equipment at the plant along with a project to expand the cooling capacity of our beer mash exchangers.

Cash Flow from Financing Activities

We used less cash for financing activities during our 2016 fiscal year compared to our 2015 fiscal year due to decreased debt payments and distributions during the 2016 period. We used approximately \$4 million during our 2016 fiscal year for distributions to our members compared to approximately \$14 million during our 2015 fiscal year primarily due to the profitability we experienced during our 2014 fiscal year. We also used approximately \$5.8 million for debt repayments during our 2016 fiscal year compared to approximately \$9.1 million during our 2015 fiscal year.

Capital Expenditures

The Company had approximately \$628,000 in construction in progress as of September 30, 2017. During the fiscal year ended September 30, 2017, the Company placed in service approximately \$3.9 million in capital projects with the majority of these costs related to the purchase of land adjacent to the plant site along with upgrades made to the cooling tower.

Capital Resources

On March 20, 2017, our \$10 million operating line-of-credit with First National Bank of Omaha matured. We entered into a new revolving loan with U.S. Bank National Association ("U.S. Bank") described below.

Revolving Loan

On March 17, 2017, we entered into a new \$10 million revolving loan (the "Revolving Loan") with U.S. Bank. The Revolving Loan replaced a similar revolving loan we had with First National Bank of Omaha. Interest accrues on any outstanding balance on the Revolving Loan at a rate of 1.77% in excess of the one-month London Interbank Offered Rate ("LIBOR"). The maturity date of the Revolving Loan is May 31, 2018. Our ability to draw funds on the Revolving Loan is subject to a borrowing base calculation as set forth in the Credit Agreement. At September 30, 2017, we had \$10 million available on the Revolving Loan, taking into account the borrowing base calculation. We had \$0 drawn on the Revolving Loan as of September 30, 2017. We are not allowed to draw \$687,597 on the Revolving Loan due to an agreement we executed related to our natural gas pipeline. Interest accrued on the Revolving Loan as of September 30, 2017 at a rate of 3.02%.

Restrictive Covenants

The Revolving Loan is subject to certain financial covenants as set forth in the Credit Agreement. The most significant financial covenants require us to maintain a fixed charge coverage ratio of no less than 1.25:1.00 and a current ratio of no less than 1.50:1.00. Our fixed charge coverage ratio measures our ability to pay our fixed expenses. Our current ratio measures our liquidity and ability to pay short-term and long-term obligations.

As of September 30, 2017, we were in compliance with our loan covenants.

Contractual Obligations and Commercial Commitments

We have the following contractual obligations as of September 30, 2017:

Contractual Obligations:	Total	Less than 1 Yr	1-3 Years	3-5 Years	More than 5 Yrs
Corn purchases *	6,022,916	6,022,916	—	—	—
Water purchases	3,604,000	424,000	1,272,000	1,272,000	636,000
Operating lease obligations	1,364,703	429,613	758,290	176,800	—
Capital leases	5,538	2,617	2,921	—	—
Total	\$ 10,997,157	\$ 6,879,146	\$ 2,033,211	\$ 1,448,800	\$ 636,000

* - Amounts determined assuming prices, including freight costs, at which corn had been contracted for cash corn contracts and current market prices as of September 30, 2017 for basis contracts that had not yet been fixed.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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

We are exposed to the impact of market fluctuations associated with commodity prices as discussed below. We have no exposure to foreign currency risk as all of our business is conducted in U.S. Dollars and we have no exposure to interest rate risk as we have no amounts outstanding on variable interest debt. We use derivative financial instruments as part of an overall strategy to manage market risk. We use cash, futures and option contracts to hedge changes to the commodity prices of corn and ethanol. We do not enter into these derivative financial instruments for trading or speculative purposes, nor do we designate these contracts as hedges for accounting purposes pursuant to the requirements of Generally Accepted Accounting Principles ("GAAP").

Commodity Price Risk

We expect to be exposed to market risk from changes in commodity prices. Exposure to commodity price risk results from our dependence on corn in the ethanol production process and the sale of ethanol.

We enter into fixed price contracts for corn purchases on a regular basis. It is our intent that, as we enter into these contracts, we will use various hedging instruments (puts, calls and futures) to maintain a near even market position. For example, if we have 1 million bushels of corn under fixed price contracts we would generally expect to enter into a short hedge position to offset our price risk relative to those bushels we have under fixed price contracts. Because our ethanol marketing company (RPMG) is selling substantially all of the gallons it markets on a spot basis we also include the corn bushel equivalent of the ethanol we have produced that is inventory but not yet priced as bushels that need to be hedged.

Although we believe our hedge positions will accomplish an economic hedge against our future purchases, they are not designated as hedges for accounting purposes, which would match the gain or loss on our hedge positions to the specific commodity purchase being hedged. We use fair value accounting for our hedge positions, which means as the current market price of our hedge positions changes, the gains and losses are immediately recognized in our cost of sales. The immediate recognition of hedging gains and losses under fair value accounting can cause net income to be volatile from quarter to quarter and year to year due to the timing of the change in value of derivative instruments relative to the cost of the commodity being hedged. However, it is likely that commodity cash prices will have the greatest impact on the derivatives instruments with delivery dates nearest the current cash price.

As of September 30, 2017, we had approximately 1 million bushels of corn under fixed price contracts. As of September 30, 2017 some of these contracts were priced above current market prices so an accrual for a loss on firm purchase commitments of \$5,000 was recorded.

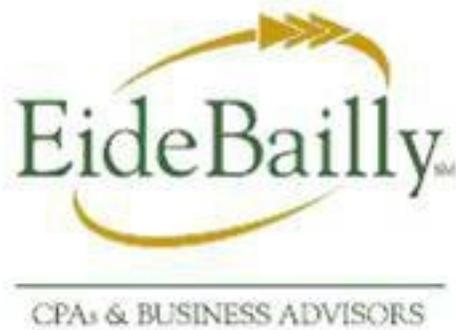
It is the current position of our ethanol marketing company, RPMG, that under current market conditions selling ethanol in the spot market will yield the best price for our ethanol. RPMG will, from time to time, contract a portion of the gallons they market with fixed price contracts.

We estimate that our expected corn usage will be between 21 million and 23 million bushels per calendar year for the production of approximately 59 million to 64 million gallons of ethanol. As corn prices move in reaction to market trends and information, our income statements will be affected depending on the impact such market movements have on the value of our derivative instruments.

A sensitivity analysis has been prepared to estimate our exposure to corn, natural gas and ethanol price risk. Market risk related to our corn, natural gas and ethanol prices is estimated as the potential change in income resulting from a hypothetical 10% adverse change in the average cost of our corn and natural gas, and our average ethanol sales price as of September 30, 2017, net of the forward and future contracts used to hedge our market risk for corn, natural gas and ethanol. The volumes are based on our expected use and sale of these commodities for a one year period from September 30, 2017. The results of this analysis, which may differ from actual results, are as follows:

	Estimated Volume Requirements for the next 12 months (net of forward and futures contracts)	Unit of Measure	Hypothetical Adverse Change in Price	Approximate Adverse Change to Income
Ethanol	63,900,000	Gallons	10%	\$ (7,668,000)
Corn	22,820,000	Bushels	10%	\$ (4,342,000)
Natural gas	1,664,000	MMBtu	10%	\$ (449,000)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA



Report of the Independent Registered Accounting Firm

Board of Governors
Red Trail Energy, LLC
Richardton, North Dakota

We have audited the accompanying balance sheets of Red Trail Energy, LLC (the Company) as of September 30, 2017, and 2016 and the related statements of operations, changes in members' equity, and cash flows for each of the years in the three-years ended September 30, 2017. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red Trail Energy, LLC as of September 30, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-years ended September 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Eide Bailly LLP'. The signature is written in a cursive, flowing style.

Minneapolis, Minnesota
December 15, 2017

RED TRAIL ENERGY, LLC
Balance Sheets

ASSETS	September 30, 2017	September 30, 2016
Current Assets		
Cash and equivalents	\$ 3,223,342	\$ 10,274,166
Restricted cash	5,906,666	2,661,331
Accounts receivable, primarily related party	4,059,227	3,639,317
Other receivables	8,764	64,872
Inventory	16,413,742	7,983,906
Prepaid expenses	33,364	57,812
Total current assets	<u>29,645,105</u>	<u>24,681,404</u>
Property, Plant and Equipment		
Land	1,342,381	836,428
Land improvements	4,266,953	4,266,953
Buildings	8,036,031	7,836,031
Plant and equipment	86,460,902	83,243,945
Construction in progress	628,454	4,800
	<u>100,734,721</u>	<u>96,188,157</u>
Less accumulated depreciation	53,592,985	48,963,454
Net property, plant and equipment	<u>47,141,736</u>	<u>47,224,703</u>
Other Assets		
Investment in RPMG	605,000	605,000
Patronage equity	3,270,279	3,040,304
Deposits	40,000	40,000
Total other assets	<u>3,915,279</u>	<u>3,685,304</u>
Total Assets	<u><u>\$ 80,702,120</u></u>	<u><u>\$ 75,591,411</u></u>

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
Balance Sheets

LIABILITIES AND MEMBERS' EQUITY	September 30, 2017	September 30, 2016
Current Liabilities		
Accounts payable	\$ 2,409,171	\$ 2,187,886
Accrued expenses	3,670,338	5,452,506
Commodities derivative instruments, at fair value	933,312	215,700
Accrued loss on firm purchase commitments (see note 4)	5,000	74,000
Current maturities of long-term debt	2,617	2,597
Total current liabilities	<u>7,020,438</u>	<u>7,932,689</u>
Long-Term Liabilities		
Notes payable	2,921	5,538
Commitments and Contingencies (Notes 5, 7, 9 and 13)		
Members' Equity (41,466,340 and 40,148,160 Class A Membership Units issued and outstanding on September 30, 2017 and 2016, respectively)		
	<u>73,678,761</u>	<u>67,653,184</u>
Total Liabilities and Members' Equity	<u>\$ 80,702,120</u>	<u>\$ 75,591,411</u>

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
Statements of Operations

	<u>Year Ended</u> <u>September 30, 2017</u>	<u>Year Ended</u> <u>September 30, 2016</u>	<u>Year Ended</u> <u>September 30, 2015</u>
Revenues, primarily related party	\$ 109,609,359	\$ 105,159,602	\$ 100,795,412
Cost of Goods Sold			
Cost of goods sold	101,887,309	96,757,473	91,633,726
Lower of cost or market inventory adjustment	169,624	583,392	304,439
Loss on firm purchase commitments	5,000	74,000	46,000
Total Cost of Goods Sold	<u>102,061,933</u>	<u>97,414,865</u>	<u>91,984,165</u>
Gross Profit	7,547,426	7,744,737	8,811,247
General and Administrative Expenses	<u>2,382,272</u>	<u>2,399,733</u>	<u>2,471,783</u>
Operating Income	5,165,154	5,345,004	6,339,464
Other Income (Expense)			
Interest income	119,713	(16,527)	23,911
Other income	3,093,011	689,868	2,559,077
Interest expense	(13,028)	(114,584)	(355,191)
Total other income (expense), net	<u>3,199,696</u>	<u>558,757</u>	<u>2,227,797</u>
Net Income	<u>\$ 8,364,850</u>	<u>\$ 5,903,761</u>	<u>\$ 8,567,261</u>
Weighted Average Units Outstanding			
Basic	<u>41,454,828</u>	<u>40,148,160</u>	<u>40,148,160</u>
Diluted	<u>41,454,828</u>	<u>40,148,160</u>	<u>40,148,160</u>
Net Income Per Unit			
Basic	<u>\$ 0.20</u>	<u>\$ 0.15</u>	<u>\$ 0.21</u>
Diluted	<u>\$ 0.20</u>	<u>\$ 0.15</u>	<u>\$ 0.21</u>

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
 Statements of Changes in Members' Equity
 Years Ended September 30, 2017, 2016 and 2015

	<u>Class A Member Units</u>			<u>Accumulated Deficit/ Retained Earnings</u>	<u>Treasury Units</u>		<u>Total Member Equity</u>
	<u>Units (a)</u>	<u>Amount</u>	<u>Additional Paid in Capital</u>		<u>Units</u>	<u>Amount</u>	
Balances - September 30, 2014	40,148,160	\$ 37,724,595	\$ 75,541	\$ 33,613,408	140,000	\$(159,540)	\$ 71,254,004
Distribution	—	—	—	(14,056,948)	—	—	(14,056,948)
Net Income	—	—	—	8,567,261	—	—	8,567,261
Balances - September 30, 2015	40,148,160	37,724,595	75,541	28,123,721	140,000	(159,540)	65,764,317
Distribution	—	—	—	(4,014,894)	—	—	(4,014,894)
Net Income	—	—	—	5,903,761	—	—	5,903,761
Balances - September 30, 2016	40,148,160	37,724,595	75,541	30,012,588	140,000	(159,540)	67,653,184
Units Issued	2,000,000	3,320,000	—	—	—	—	3,320,000
Units repurchased	(681,820)	(681,820)	—	—	—	—	(681,820)
Distribution	—	—	—	(4,977,453)	—	—	(4,977,453)
Net Income	—	—	—	8,364,850	—	—	8,364,850
Balances - September 30, 2017	<u>41,466,340</u>	<u>\$ 40,362,775</u>	<u>\$ 75,541</u>	<u>\$ 33,399,985</u>	<u>140,000</u>	<u>\$(159,540)</u>	<u>\$ 73,678,761</u>

(a) - Amounts shown represent member units outstanding.

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
Statements of Cash Flows

	<u>Year Ended</u> <u>September 30, 2017</u>	<u>Year Ended</u> <u>September 30, 2016</u>	<u>Year Ended</u> <u>September 30, 2015</u>
Cash Flows from Operating Activities			
Net income	\$ 8,364,850	\$ 5,903,761	\$ 8,567,261
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,629,531	4,511,215	4,594,074
Loss on disposal of fixed assets	1,930	—	7,305
Change in fair value of derivative instruments	717,613	(63,663)	3,894,514
Lower of cost or market inventory adjustment	169,624	583,392	304,439
Loss (gain) on firm purchase commitments	5,000	74,000	61,000
Noncash patronage equity	(229,975)	(137,396)	(37,468)
Change in operating assets and liabilities:			
Restricted cash - commodities derivatives account including settlements	(3,245,335)	(482,320)	(2,179,011)
Accounts receivable	(419,911)	(1,440,828)	(1,421,982)
Other receivables	56,108	1,725,899	(1,172,815)
Inventory	(8,604,460)	3,051,024	1,260,963
Prepaid expenses and deposits	24,448	12,669	36,531
Other assets	—	89,213	—
Accounts payable and accrued expenses	(1,560,883)	2,016,732	(596,709)
Accrued purchase commitment losses	(69,000)	13,000	(3,209,000)
Net cash provided by (used in) operating activities	(160,460)	15,856,698	10,109,102
Cash Flows from Investing Activities			
Proceeds from disposal of fixed assets	7,000	—	2,100
Capital expenditures	(1,235,494)	(827,507)	(3,840,723)
Net cash (used in) investing activities	(1,228,494)	(827,507)	(3,838,623)
Cash Flows from Financing Activities			
Dividends paid	(4,977,453)	(4,014,895)	(14,056,947)
Unit repurchases	(681,820)	—	—
Debt and capital lease repayments	(2,597)	(5,830,792)	(9,075,129)
Net cash (used in) financing activities	(5,661,870)	(9,845,687)	(23,132,076)
Net Increase (Decrease) in Cash and Equivalents	(7,050,824)	5,183,504	(16,861,597)
Cash and Equivalents - Beginning of Period	10,274,166	5,090,662	21,952,259
Cash and Equivalents - End of Period	\$ 3,223,342	\$ 10,274,166	\$ 5,090,662
Supplemental Disclosure of Cash Flow Information			
Interest paid	9,355	138,586	376,504
Noncash Investing and Financing Activities			
Units issued in exchange for property	\$ 3,320,000	\$ —	\$ —
Capital expenditures in accounts payable	\$ 99,953	\$ —	\$ 5,000

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Red Trail Energy, LLC, a North Dakota limited liability company (the "Company"), owns and operates a 50 million gallon annual name-plate production ethanol plant near Richardton, North Dakota (the "Plant"). The Plant commenced production on January 1, 2007. Fuel grade ethanol, distillers grains and corn oil are the Company's primary products. All products are marketed and sold primarily within the continental United States.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, inventory and allowance for doubtful accounts. Actual results could differ from those estimates.

Cash and Equivalents

The Company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and equivalents approximates fair value.

Accounts Receivable and Concentration of Credit Risk

The Company generates accounts receivable from sales of ethanol, distillers grains and corn oil. The Company has entered into agreements with RPMG, Inc. ("RPMG") for the marketing and distribution of the Company's ethanol, corn oil and dried distiller's grains. Under the terms of the marketing agreement, RPMG bears the risk of loss of nonpayment by their customers. The Company markets its modified distiller's grains internally.

For sales of modified distiller's grains, credit is extended based on evaluation of a customer's financial condition and collateral is not required. Accounts receivable are due 30 days from the invoice date. Accounts outstanding longer than the contractual payment terms are considered past due. Internal follow up procedures are followed accordingly. Interest is charged on past due accounts.

All receivables are stated at amounts due from customers net of any allowance for doubtful accounts. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's perceived current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Company has an allowance for doubtful accounts of approximately \$274,372 and \$307,784 at September 30, 2017 and 2016, respectively.

Inventory

Corn is the primary raw material and, along with other raw materials and supplies, is stated at the lower of cost or market on a first-in, first-out (FIFO) basis. Work in process and finished goods, which consists of ethanol, distillers grains and corn oil produced, is stated at the lower of average cost or market. Spare parts inventory is valued at lower of cost or market on a FIFO basis.

Patronage Equity

The Company receives, from certain vendors organized as cooperatives, patronage dividends, which are based on several criteria, including the vendor's overall profitability and the Company's purchases from the vendor. Patronage equity typically represents the Company's share of the vendor's undistributed current earnings which will be paid in either cash or equity interests to the Company at a future date. Investments in cooperatives are stated at cost, plus unredeemed patronage refunds received in the form of capital stock and are included in Other Assets on the Company's balance sheet.

RED TRAIL ENERGY, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017, 2016 and 2015

Derivative Instruments

The Company enters into derivative transactions to hedge its exposure to commodity and interest rate price fluctuations. The Company is required to record these derivatives in the balance sheet at fair value.

In order for a derivative to qualify as a hedge, specific criteria must be met and appropriate documentation maintained. Gains and losses from derivatives that do not qualify as hedges, or are undesignated, must be recognized immediately in earnings. If the derivative does qualify as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will be either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Changes in the fair value of undesignated derivatives related to corn are recorded in costs of goods sold within the statements of operations. Changes in the fair value of undesignated derivatives related to ethanol are recorded in revenue within the statements of operations.

Additionally the Company is required to evaluate its contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempted as “normal purchases or normal sales.” Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Certain corn, ethanol and distiller's grain contracts that meet the requirement of normal purchases or sales are documented as normal and exempted from the accounting and reporting requirements, and therefore, are not marked to market in our financial statements.

Firm Purchase Commitments

The Company typically enters into fixed price contracts to purchase corn to ensure an adequate supply of corn to operate its plant. The Company will generally seek to use exchange traded futures, options or swaps as an offsetting economic hedge position. The Company closely monitors the number of bushels hedged using this strategy to avoid an unacceptable level of margin exposure. Contract prices are analyzed by management at each period end and, if necessary, valued at the lower of cost or market in the balance sheets.

Allowance for Doubtful Accounts

Management's estimate of the Allowance for Doubtful Accounts is based on management's estimate of the collectability of identified receivables, as well as the aging of customer accounts.

Revenue Recognition

The Company generally sells ethanol and related products pursuant to marketing agreements. Revenues are recognized when the customer has taken title, which occurs when the product is shipped, has assumed the risks and rewards of ownership, prices are fixed or determinable and collectability is reasonably assured.

Revenues are shown net of any fees incurred under the terms of the Company's agreements for the marketing and sale of ethanol and related products.

Long-lived Assets

Property, plant, and equipment are stated at cost. Depreciation is provided over estimated useful lives by use of the straight line method. Maintenance and repairs are expensed as incurred. Major improvements and betterments are capitalized. The present values of capital lease obligations are classified as long-term debt and the related assets are included in property, plant and equipment. Amortization of equipment under capital leases is included in depreciation expense.

Depreciation is computed using the straight-line method over the following estimated useful lives:

RED TRAIL ENERGY, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017, 2016 and 2015

	Minimum Years	Maximum Years
Land improvements	15	30
Buildings	10	40
Plant and equipment	7	40

Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals.

Fair Value Measurements

The Company has adopted guidance for accounting for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company has adopted guidance for fair value measurement related to nonfinancial items that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Except for those assets and liabilities which are required by authoritative accounting guidance to be recorded at fair value in our balance sheets, the Company has elected not to record any other assets or liabilities at fair value. No events occurred during the fiscal years ended September 30, 2017 and 2016 that required adjustment to the recognized balances of assets or liabilities, which are recorded at fair value on a nonrecurring basis.

Grants

The Company recognizes grant proceeds as other income for reimbursement of expenses incurred upon complying with the conditions of the grant. For reimbursements of capital expenditures, the grants are recognized as a reduction of the basis of the asset upon complying with the conditions of the grant. In addition, the Company considers production incentive payments received to be economic grants and includes such amounts in other income when received, as this represents the point at which they are fixed and determinable.

Shipping and Handling

The cost of shipping products to customers is included in cost of goods sold. Amounts billed to a customer in a sale transaction related to shipping and handling is classified as revenue.

RED TRAIL ENERGY, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017, 2016 and 2015

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes and generally does not incur income taxes. Instead, its earnings and losses are included in the income tax returns of the members. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Differences between financial statement basis of assets and tax basis of assets is primarily related to depreciation, derivatives, inventory, compensation and capitalization and amortization of organization and start-up costs for tax purposes, whereas these costs are expensed for financial statement purposes.

The Company has evaluated whether it has any significant tax uncertainties that would require recognition or disclosure. Primarily due to its partnership tax status, the Company does not have any significant tax uncertainties that would require recognition or disclosure. The Company's policy is to recognize interest expense and penalties related to uncertain tax positions as incurred.

Net Income Per Unit

Net income per unit is calculated on a basic and fully diluted basis using the weighted average units outstanding during the period.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" which supersedes the guidance in "Revenue Recognition (Topic 605)" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period and is to be applied retrospectively, with early application not permitted. We have evaluated the new standard and anticipate a change in the reporting of revenue as enhanced disclosures will be required. We do not anticipate a significant impact on our financial statements due to the nature of our revenue streams and our revenue recognition policy.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurements of Inventory" regarding inventory that is measured using the first-in, first-out or average cost method. The guidance does not apply to inventory measured using the last-in, first-out or the retail inventory method. The guidance requires inventory within its scope to be measured at the lower of cost or net realizable value, which is the estimated selling price in the normal course of business less reasonable predictable costs of completion, disposal and transportation. These amendments more closely align GAAP with International Financial Reporting Standards (IFRS). ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and should be applied prospectively with early adoption permitted as of the beginning of an interim or annual reporting period. We have evaluated the new standard and anticipate no significant impact to our financial statements due to the current inventory measurement policy.

Lease Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, "Leases (topic 842)" which requires a lessee to recognize a right to use asset and a lease liability on its balance sheet for all leases with terms of twelve months or greater. This guidance is effective for fiscal years beginning after December 15, 2018, included interim periods within those years with early adoption permitted. We have evaluated the new standard and expect it will have a material impact on the financial statements as we will have to begin capitalizing leases on the balance sheet when the new standard is implemented. See note 7 for current operating lease commitments.

RED TRAIL ENERGY, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017, 2016 and 2015

Statement of Cash Flows; Restricted Cash

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Company has evaluated the new standard and anticipates a change in the presentation of restricted cash on the cash flow statement once the standard is adopted.

Environmental Liabilities

The Company's operations are subject to environmental laws and regulations adopted by various governmental entities in the jurisdiction in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its location. Accordingly, the Company has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material, environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities, if any, are recorded when the liability is probable and the costs can reasonably be estimated. The Company is not aware of any environmental liabilities identified as of September 30, 2017.

2. CONCENTRATIONS

Coal and Natural Gas

In previous years coal was an important input to our manufacturing process. During the second quarter of our 2015 fiscal year we converted the energy source for our ethanol plant to natural gas. As a result, we do not anticipate using coal to fire the ethanol plant in the future and changes in the price or availability of coal will not impact our operations. However, we maintain the equipment necessary to operate the ethanol plant using coal as the fuel source which management believes could benefit us in the future, especially if natural gas prices increase or natural gas is not available at the ethanol plant. The Company signed a sales agreement with Rainbow Gas Company to supply natural gas to the plant through October 2017. The Company's intentions are to run the plant on natural gas and renew the supply agreement with its current natural gas supplier.

Sales

We are substantially dependent upon RPMG for the purchase, marketing and distribution of our ethanol, DDGS and corn oil. RPMG purchases 100% of the ethanol, DDGS and corn oil produced at our plant, all of which is marketed and distributed to its customers. Therefore, we are highly dependent on RPMG for the successful marketing of our ethanol, DDGS and corn oil. In the event that our relationship with RPMG is interrupted or terminated for any reason, we believe that we could locate another entity to market the ethanol, DDGS and corn oil. However, any interruption or termination of this relationship could temporarily disrupt the sale and production of ethanol, DDGS and corn oil and adversely affect our business and operations and potentially result in a higher cost to the Company. Amounts due from RPMG represent approximately 84% and 84% of the Company's outstanding trade receivables balance at September 30, 2017 and 2016, respectively. Approximately 97%, 97%, and 96% of revenues are comprised of sales to RPMG for the year ended September 30, 2017, the year ended September 30, 2016 and the year ended September 30, 2015, respectively.

3. DERIVATIVE INSTRUMENTS

Commodity Contracts

As part of its hedging strategy, the Company may enter into ethanol, soybean oil, and corn commodity-based derivatives in order to protect cash flows from fluctuations caused by volatility in commodity prices in order to protect gross profit margins from potentially adverse effects of market and price volatility on ethanol sales, corn oil sales, and corn purchase commitments where the prices are set at a future date. These derivatives are not designated as effective hedges for accounting purposes. For derivative instruments that are not accounted for as hedges, or for the ineffective portions of qualifying hedges, the change in fair value is recorded through earnings in the period of change. Ethanol derivative and soybean oil derivative fair market value gains or losses

RED TRAIL ENERGY, LLC
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are included in the results of operations and are classified as revenue and corn derivative changes in fair market value are included in cost of goods sold.

As of: Contract Type	September 30, 2017			September 30, 2016		
	# of Contracts	Notional Amount (Qty)	Fair Value	# of Contracts	Notional Amount (Qty)	Fair Value
Corn futures	81	405,000 bushels	\$ 16,688	252	1,260,000 bushels	\$ (104,450)
Corn options	1,800	9,000,000 bushels	\$ (950,000)	2,000	10,000,000 bushels	\$ (111,250)
Total fair value			<u>\$ (933,312)</u>			<u>\$ (215,700)</u>

The following tables provide details regarding the Company's derivative financial instruments at September 30, 2017 and September 30, 2016:

Derivatives not designated as hedging instruments:

Balance Sheet - as of September 30, 2017	Asset	Liability
Commodity derivative instruments, at fair value	\$ —	\$ 933,312
Total derivatives not designated as hedging instruments for accounting purposes	<u>\$ —</u>	<u>\$ 933,312</u>

Balance Sheet - as of September 30, 2016	Asset	Liability
Commodity derivative instruments, at fair value	\$ —	\$ 215,700
Total derivatives not designated as hedging instruments for accounting purposes	<u>\$ —</u>	<u>\$ 215,700</u>

Statement of Operations Income/ (expense)	Location of gain (loss) in fair value recognized in income	Amount of gain (loss) recognized in income during the year ended September 30, 2017	Amount of gain (loss) recognized in income during the year ended September 30, 2016	Amount of gain (loss) recognized in income during the year ended September 30, 2015
Corn derivative instruments	Cost of Goods Sold	\$ 2,111,244	\$ 6,052,170	\$ 39,250
Ethanol derivative instruments	Revenue	306,180	(124,458)	(274,512)
Soybean oil derivative instruments	Revenue	70,518	(30)	(875,961)
Natural gas derivative instruments	Cost of Goods Sold	10,780	(184,540)	—
Total		<u>\$ 2,498,722</u>	<u>\$ 5,743,142</u>	<u>\$ (1,111,223)</u>

4. INVENTORY

Inventory is valued at lower of cost or market. Inventory values as of September 30, 2017 and September 30, 2016 were as follows:

As of	September 30, 2017	September 30, 2016
Raw materials, including corn, chemicals and supplies	\$ 11,952,560	\$ 3,295,435
Work in process	773,786	754,096
Finished goods, including ethanol and distillers grains	1,577,066	1,881,560
Spare parts	2,110,330	2,052,815
Total inventory	<u>\$ 16,413,742</u>	<u>\$ 7,983,906</u>

Lower of cost or market adjustments for the years ended September 30, 2017, and 2016 and 2015 were as follows:

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	For the year ended September 30, 2017	For the year ended September 30, 2016	For the year ended September 30, 2015
Loss on firm purchase commitments	\$ 5,000	\$ 74,000	\$ 46,000
Loss on lower of cost or market adjustment for inventory on hand	169,624	583,392	304,439
Total loss on lower of cost or market adjustments	\$ 174,624	\$ 657,392	\$ 350,439

The Company has entered into forward corn purchase contracts under which it is required to take delivery at the contract price. At the time the contracts were created, the price of the contract approximated market price. Subsequent changes in market conditions could cause the contract prices to become higher or lower than market prices. As of September 30, 2017 and 2016, the average price of corn purchased under certain fixed price contracts, that had not yet been delivered, was greater than approximated market price. Based on this information, the Company has an estimated loss on firm purchase commitments of \$5,000 and \$74,000 for the fiscal years ended September 30, 2017 and 2016, respectively. The loss is recorded in "Loss on firm purchase commitments" on the statements of operations. The amount of the loss was determined by applying a methodology similar to that used in the impairment valuation with respect to inventory. Given the uncertainty of future ethanol prices, this loss may or may not be recovered, and further losses on the outstanding purchase commitments could be recorded in future periods.

The Company recorded inventory valuation impairments of \$169,624 and \$583,392 for the fiscal years ended September 30, 2017 and 2016, respectively. The impairments, as applicable, were attributable primarily to decreases in market prices of corn and ethanol. The inventory valuation impairment was recorded in "Lower of cost or market adjustment" on the statements of operations.

5. BANK FINANCING

As of	September 30, 2017	September 30, 2016
Capital lease obligations (Note 7)	\$ 5,538	\$ 8,135
Total Long-Term Debt	5,538	8,135
Less amounts due within one year	2,617	2,597
Total Long-Term Debt Less Amounts Due Within One Year	\$ 2,921	\$ 5,538

The Company had a \$10 million operating line-of-credit with First National Bank of Omaha that matured on March 20, 2017.

On March 17 2017, we entered into a new \$10 million revolving loan (the "Revolving Loan") with U.S. Bank National Association ("U.S. Bank"). The Revolving Loan replaced the revolving loan we had with First National Bank of Omaha. The maturity date of the Revolving Loan is May 31, 2018. Our ability to draw funds on the Revolving Loan is subject to a borrowing base calculation as set forth in the Credit Agreement. At September 30, 2017, we had \$10 million available on the Revolving Loan, taking into account the borrowing base calculation. We had \$0 drawn on the Revolving Loan as of September 30, 2017. The variable interest rate on September 30, 2017 was 3.02%. Of the \$10 million revolving line-of-credit, the Company was not allowed to draw \$687,597 which is reserved as a source of funds to support a guaranteed payment the Company agreed to related to its natural gas pipeline. While the Company does not expect that it will be required to make a direct payment for the natural gas pipeline, the Company's agreement requires it to have funds available in the event the Company is required to make the guaranteed payment. See note 7 for the Company's additional future minimum lease commitments.

The Company's loans are secured by a lien on substantially all of the assets of the Company. As of September 30, 2017, the Company was in compliance with all of its debt covenants.

6. FAIR VALUE MEASUREMENTS

The following table provides information on those assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2017 and September 30, 2016, respectively.

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	Carrying Amount as of September 30, 2017	Fair Value as of September 30, 2017	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Liabilities					
Commodities derivative instruments	\$ 933,312	\$ 933,312	\$ 933,312	\$ —	\$ —

	Carrying Amount as of September 30, 2016	Fair Value as of September 30, 2016	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Liabilities					
Commodities derivative instruments	\$ 215,700	\$ 215,700	\$ 215,700	\$ —	\$ —

The fair value of the corn, ethanol and soybean oil derivative instruments is based on quoted market prices in an active market.

7. LEASES

The Company leases equipment under operating and capital leases through January 2023. The Company is generally responsible for maintenance, taxes, and utilities for leased equipment. Equipment under operating lease includes a locomotive and rail cars. Rent expense for operating leases was approximately \$637,000 for the year ended September 30, 2017, \$521,000 for the year ended September 30, 2016 and \$494,000 for the year ended September 30, 2015. Equipment under capital leases consists of office equipment and plant equipment.

Equipment under capital leases is as follows at:

As of	September 30, 2017	September 30, 2016
Equipment	\$ 483,488	\$ 483,488
Less accumulated amortization	(120,029)	(98,570)
Net equipment under capital lease	<u>\$ 363,459</u>	<u>\$ 384,918</u>

At September 30, 2017, the Company had the following minimum commitments, which at inception had non-cancelable terms of more than one year. Amounts shown below are for the years ending September 30:

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	Operating Leases	Capital Leases
2018	\$ 429,613	\$ 2,617
2019	338,700	2,921
2020	235,223	—
2021	184,367	—
2022	132,600	—
Thereafter	44,200	—
Total minimum lease commitments	\$ 1,364,703	5,538
Less amount representing interest		—
Present value of minimum lease commitments included in current maturities of long-term debt on the balance sheet		\$ 5,538

8. MEMBERS' EQUITY

The Company has one class of membership units outstanding (Class A) with each unit representing a pro rata ownership interest in the Company's capital, profits, losses and distributions. As of September 30, 2017 and 2016, there were 41,466,340 and 40,148,160 units issued and outstanding, respectively. The Company held a total of 140,000 and 140,000 treasury units as of September 30, 2017 and 2016, respectively.

Total units authorized are 42,373,973 as of September 30, 2017 and 2016.

Unregistered Units Sales by the Company.

On October 10, 2016, the Company issued two million of the Company's membership units to Bismarck Land Company, LLC as part of the consideration for the acquisition of 338 acres of land adjacent to the ethanol plant that the Company will use to expand its rail yard. The membership units were issued pursuant to the exemption from registration set forth in Regulation D, Rule 506(b), as Bismarck Land Company, LLC is an accredited investor.

Unit Purchases By the Company.

681,820 Units were purchased other than through a publicly announced plan or program, pursuant to a Membership Unit Repurchase Agreement, a private transaction between the Company and a Member.

9. COMMITMENTS AND CONTINGENCIES

Firm Purchase Commitments

Corn

To ensure an adequate supply of corn to operate the Plant, the Company enters into contracts to purchase corn from local farmers and elevators. At September 30, 2017, the Company had various fixed price contracts for the purchase of approximately 1 million bushels of corn. Using the stated contract price for the fixed price contracts, the Company had commitments of approximately \$3.3 million related to the 1 million bushels under contract. The Company also has various unpriced basis contracts for the purchase of approximately 530,000 bushels of corn that have been delivered to the plant. The purchase price of these bushels will be set at the time of pricing the contracts either at the December 2017 or July 2018 index price less basis. The estimated accrued payable for these bushels is \$2.72 million. The deadline for pricing 390,000 of the bushels was November 22, 2017 and the deadline for pricing the remaining 140,000 bushels is June 28, 2018.

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Water

To meet the plant's water requirements, we entered into a ten-year contract with Southwest Water Authority to purchase raw water. Our contract requires us to purchase a minimum of 160 million gallons of water per year. The minimum estimated liability for this contract is \$424,000 per year.

10. DEFINED CONTRIBUTION RETIREMENT PLAN

The Company established a 401k retirement plan for its employees effective January 1, 2011. The Company matches employee contributions to the plan up to 4% of employee's gross income. The Company contributed approximately \$138,000, \$131,000, and \$99,000 to the 401k plan for the years ended September 30, 2017 and 2016, and 2015, respectively.

11. RELATED-PARTY TRANSACTIONS

The Company has balances and transactions in the normal course of business with various related parties for the purchase of corn, sale of distillers grains and sale of ethanol. The related parties include unit holders, members of the board of governors of the Company, and RPMG, Inc. ("RPMG"). Significant related party activity affecting the financial statements is as follows:

	September 30, 2017	September 30, 2016
Balance Sheet		
Accounts receivable	\$ 4,027,061	\$ 3,472,359
Accounts Payable	1,569	—
Accrued Expenses	925,503	1,672,349

	For the year ended September 30, 2017	For the year ended September 30, 2016	For the year ended September 30, 2015
Statement of Operations			
Revenues	\$ 106,405,797	\$ 101,388,073	\$ 98,635,060
Realized gain on corn hedge	—	—	925,400
Cost of goods sold	41,589	154,492	100,814
General and administrative	75,732	128,070	78,565
Other income /expense	247,307	583,739	1,190,501
Inventory Purchases	\$ 45,202,152	\$ 20,864,977	\$ 13,377,243

12. SUBSEQUENT EVENTS

Management evaluated all other activity of the Company and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

13. UNCERTAINTIES IMPACTING THE ETHANOL INDUSTRY AND OUR FUTURE OPERATIONS

The Company has certain risks and uncertainties that it experiences during volatile market conditions, which can have a severe impact on operations. The Company's revenues are derived from the sale and distribution of ethanol and distillers grains to customers primarily located in the United States. Corn for the production process is supplied to the plant primarily from local agricultural producers and from purchases on the open market. The Company's operating and financial performance is largely driven by prices at which the Company sells ethanol and distillers grains and by the cost at which it is able to purchase corn for operations. The price of ethanol is influenced by factors such as prices, supply and demand, weather, government policies and programs, and unleaded gasoline and the petroleum markets, although since 2005 the prices of ethanol and gasoline began a divergence with ethanol selling for less than gasoline at the wholesale level. Excess ethanol supply in the market, in particular, puts downward pressure on the price of ethanol. The Company's largest cost of production is corn. The cost of corn is generally impacted by

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factors such as supply and demand, weather, government policies and programs. The Company's risk management program is used to protect against the price volatility of these commodities.

The Company's financial performance is highly dependent on the Federal Renewable Fuels Standard ("RFS") which requires that a certain amount of renewable fuels must be used each year in the United States. Corn based ethanol, such as the ethanol the Company produces, can be used to meet a portion of the RFS requirement. In November 2013, the EPA issued a proposed rule which would reduce the RFS for 2014, including the RFS requirement related to corn based ethanol. The EPA proposed rule was subject to a comment period which expired in January 2014. On November 30, 2015, the EPA released its final ethanol use requirements for 2014, 2015 and 2016 which are lower than the statutory requirements in the RFS. In addition, on May 31, 2016, the EPA issued a proposed renewable volume obligation for 2017 of 14.8 billion gallons of conventional biofuels, still lower than the statutory requirement in the RFS. However, the final RFS for 2017 equaled the statutory requirement which was also the case for the 2018 RFS final rule.

The Company anticipates that the results of operations during fiscal 2018 will be affected by volatility in the commodity markets. The volatility is due to various factors, including uncertainty with respect to the availability and supply of corn, increased demand for grain from global and national markets, speculation in the commodity markets, demand for corn from the ethanol industry and drought conditions currently being experienced by much of the United States.

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summary quarter results are as follows:

Year Ended September 30, 2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 30,004,460	\$ 27,074,946	\$ 28,536,654	\$ 23,993,299
Gross profit	2,876,530	189,431	2,403,856	2,077,609
Operating income (loss)	2,185,596	(558,381)	1,838,459	1,699,480
Net income (loss)	2,771,962	(463,068)	1,901,021	4,154,935
Net income (loss) per unit-basic and diluted	0.07	(0.01)	0.05	0.10

Year Ended September 30, 2016	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 25,439,795	\$ 26,015,741	\$ 26,789,485	\$ 26,914,581
Gross profit	1,161,135	1,050,120	3,946,808	1,586,674
Operating income	528,652	431,677	3,292,745	1,101,725
Net income	503,711	984,084	3,325,914	1,099,848
Net income per unit-basic and diluted	0.01	0.02	0.08	0.03

Year Ended September 30, 2015	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 29,612,851	\$ 16,991,326	\$ 28,571,787	\$ 25,635,027
Gross profit	1,831,271	1,544,009	274,491	5,177,055
Operating income (loss)	1,286,504	955,723	(196,778)	4,309,594
Net income	1,173,920	2,147,814	11,987	5,233,540
Net income per unit-basic and diluted	0.03	0.05	—	0.13

The above quarterly financial data is unaudited, but in the opinion of management, all material adjustments necessary for a fair presentation of the selected data for these periods presented have been included.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company has established disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and, as such, is accumulated and communicated to the Company's management, including our Chief Executive Officer ("CEO"), Gerald Bachmeier, and Chief Financial Officer ("CFO"), Jodi Johnson, as appropriate, to allow timely decisions regarding required disclosure. Management, together with our CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of September 30, 2017. Based on their evaluation, the CEO and CFO concluded that our disclosure controls and procedures were not effective as of September 30, 2017.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including the CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2017 based upon Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of September 30, 2017, we did not maintain effective monitoring and oversight of controls over the recognition of other income. Specifically, there was an error in the recognition of receipt of insurance proceeds from a claim paid before September 30th. These errors resulted in adjustments to our financial statements as of and for the year ended September 30, 2017.

The errors arising from the underlying deficiency are not material to the financial statements reported in any interim or annual period and therefore, did not result in a revision to previously filed financial statements. However, this control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected in a timely manner. Accordingly, we have determined that this control deficiency constitutes a material weakness.

Because of this material weakness, management concluded that we did not maintain effective internal control over financial reporting as of September 30, 2017, based on criteria described in Internal Control – Integrated Framework (2013) issued by COSO.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. As we are a non-accelerated filer, management's report is not subject to attestation by our registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002 that permits us to provide only management's report in this annual report.

Remediation of the Material Weakness

The Company is evaluating the material weakness and developing a plan of remediation to strengthen our overall internal control. The remediation plan will include the following actions:

- A review and updating of month-end standard operating procedures.
- An additional step was added for the CFO and CEO to review all unusual transactions prior to financial statement preparation.

The Company is committed to maintaining a strong internal control environment and believes that these remediation efforts will represent significant improvements in our controls. The Company has started to implement these steps. Additional controls may also be required over time. Until the remediation steps set forth above are fully implemented and tested, the material weakness described above will continue to exist.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The Company's management, including the Company's CEO and CFO, does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent or detect all error and all fraud. A control system, regardless of how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.
- Controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override.
- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. GOVERNOR, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference in the definitive proxy statement from our 2018 Annual Meeting of Members to be filed with the Securities and Exchange Commission within 120 days of our 2017 fiscal year end. This proxy statement is referred to in this report as the "2018 Proxy Statement."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to the 2018 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED MEMBER MATTERS.

The information required by this Item is incorporated by reference to the 2018 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND GOVERNOR INDEPENDENCE

The information required by this Item is incorporated by reference to the 2018 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is incorporated by reference to the 2018 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibits Filed as Part of this Report and Exhibits Incorporated by Reference.

The following exhibits and financial statements are filed as part of, or are incorporated by reference into, this report:

(1) **Financial Statements**

The financial statements appear beginning at page 30 of this report.

(2) **Financial Statement Schedules**

All supplemental schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

(3) **Exhibits**

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<u>Exhibit No.</u>	<u>Exhibit</u>	<u>Filed Herewith</u>	<u>Incorporated by Reference</u>
3.1	Articles of Organization, as filed with the North Dakota Secretary of State on July 16, 2003.		Filed as Exhibit 3.1 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
3.2	Amended and Restated Operating Agreement of Red Trail Energy, LLC.		Filed as exhibit 3.1 to our Current Report on Form 8-K on August 6, 2008. (000-52033) and incorporated by reference herein.
4.1	Membership Unit Certificate Specimen.		Filed as Exhibit 4.1 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
4.2	Member Control Agreement of Red Trail Energy, LLC.		Filed as Exhibit 4.2 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.1	The Burlington Northern and Santa Fe Railway Company Lease of Land for Construction/ Rehabilitation of Track made as of May 12, 2003 by and between The Burlington Northern and Santa Fe Railway Company and Red Trail Energy, LLC.		Filed as Exhibit 10.1 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.2	Agreement for Electric Service made the dated August 18, 2005, by and between West Plains Electric Cooperative, Inc. and Red Trail Energy, LLC.		Filed as Exhibit 10.10 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.3	Lump Sum Design-Build Agreement between Red Trail Energy, LLC, and Fagen, Inc. dated August 29, 2005.		Filed as Exhibit 10.12 to the registrant's registration statement on Form 10-12G/A-3 (000-52033) and incorporated by reference herein.
10.4	License Agreement between Red Trail Energy, LLC and ICM, Inc. dated September 9, 2005.		Filed as Exhibit 10.12 at Exhibit D to the registrant's registration statement on Form 10-12G/A-3 (000-52033) and incorporated by reference herein.
10.5	Security Agreement and Deposit Account Control Agreement made December 16, 2005, by and among First National Bank of Omaha, Red Trail Energy, LLC, and Bank of North Dakota.		Filed as Exhibit 10.19 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.6	Security Agreement given as of December 16, 2005, by Red Trail Energy, LLC, to First National Bank of Omaha.		Filed as Exhibit 10.20 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.7	Control Agreement Regarding Security Interest in Investment Property, made as of December 16, 2005, by and between First National Bank of Omaha, Red Trail Energy, LLC, and First National Capital Markets, Inc.		Filed as Exhibit 10.21 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.8	Southwest Pipeline Project Raw Water Service Contract, executed by Red Trail Energy, LLC, on March 8, 2006, by the Secretary of the North Dakota State Water Commission on March 31, 2006, and by the Chairman of the Southwest Water Authority on April 2, 2006.		Filed as Exhibit 10.28 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.9	Contract dated April 26, 2006, by and between the North Dakota Industrial Commission and Red Trail Energy, LLC.		Filed as Exhibit 10.29 to the registrant's second amended registration statement on Form 10-12G/A (000-52033) and incorporated by reference herein.
10.10	Subordination Agreement, dated May 16, 2006, among the State of North Dakota, by and through its Industrial Commission, First National Bank and Red Trail Energy, LLC.		Filed as Exhibit 10.30 to the registrant's second amended registration statement on Form 10-12G/A (000-52033) and incorporated by reference herein.
10.11	Firm Gas Service Extension Agreement, dated June 7, 2006, by and between Montana-Dakota Utilities Co. and Red Trail Energy, LLC.		Filed as Exhibit 10.31 to the registrant's second amended registration statement on Form 10-12G/A (000-52033) and incorporated by reference herein.

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10.12	<u>Security Agreement and Deposit Account Control Agreement effective August 16, 2006 by and among First National Bank of Omaha and Red Trail Energy, LLC.</u>	Filed as Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.13	<u>Option to Purchase 200,000 Class A Membership Units of Red Trail Energy, LLC by Red Trail Energy, LLC from North Dakota Development Fund and Stark County dated December 11, 2006.</u>	Filed as Exhibit 10.36 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.14	<u>Audit Committee Charter adopted April 9, 2007.</u>	Filed as Exhibit 10.37 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.15	<u>Senior Financial Officer Code of Conduct adopted March 28, 2007.</u>	Filed as Exhibit 10.38 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.16	<u>Member Ethanol Fuel Marketing agreement by and between Red Trail Energy, LLC and RPMG, Inc dated January 1, 2008.</u>	Filed as Exhibit 10.41 to our Annual Report on Form 10-K for the year ended December 31, 2007 (000-52033) and incorporated by reference herein.
10.17	<u>Contribution Agreement by and between Red Trail Energy, LLC and Renewable Products Marketing Group, LLC dated January 1, 2008.</u>	Filed as Exhibit 10.42 to our Annual Report on Form 10-K for the year ended December 31, 2007 (000-52033) and incorporated by reference herein.
10.18	<u>Distillers Grain Marketing Agreement by and between Red Trail Energy, LLC and CHS, Inc dated March 10, 2008.</u>	Filed as Exhibit 10.44 to our Annual Report on Form 10-K for the year ended December 31, 2007 (000-52033) and incorporated by reference herein.
10.19	<u>Assignment and Assumption Agreement dated April 1, 2008, by and between Commodity Specialist Company and Red Trail Energy, LLC.</u>	Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (000-52033) and incorporated by reference herein.
10.20	<u>Employment Agreement dated August 8, 2008 by and between Red Trail Energy, LLC and Mark Klimpel.</u>	Filed as exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on August 13, 2008 (000-52033) and incorporated by reference herein.
10.21	<u>Amended and Restated Member Control Agreement of Red Trail Energy, LLC.</u>	Filed as exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on June 1, 2009 (000-52033) and incorporated by reference herein.
10.22	<u>Amended and Restated Management Agreement made and entered into as of September 10, 2009 by and between Red Trail Energy, LLC, and Greenway Consulting, LLC.</u>	Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (000-52033) and incorporated by reference herein.
10.23	<u>Employment Agreement between Red Trail Energy, LLC and Gerald Bachmeier dated July 8, 2010.</u>	Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (000-52033) and incorporated by reference herein.
10.24	<u>Mediated Settlement Agreement between Red Trail Energy, LLC, Fagen, Inc. and Fagen Engineering, LLC, and ICM, Inc. dated November 8, 2010. +</u>	Filed as Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on December 20, 2010 (000-52033) and incorporated by reference herein.
10.25	<u>Letter Agreement between Greenway Consulting, LLC and Red Trail Energy, LLC dated January 13, 2011.</u>	Filed as Exhibit 10.56 to our Current Report on Form 10-K for the fiscal year ended December 31, 2010 (000-52033) and incorporated by reference herein.
10.26	<u>First Amended and Restated Revolving Promissory Note dated June 1, 2011 by and between Red Trail Energy, LLC and First National Bank of Omaha.</u>	Filed as Exhibit 99.2 to our Current Report on Form 8-K dated June 1, 2011 (000-52033) and incorporated by reference herein.
10.27	<u>Equity Grant Agreement between Kent Anderson and Red Trail Energy, LLC dated July 1, 2011.</u>	Filed as Exhibit 10.1 to our Current Report on Form 10-Q for the quarter ended June 30, 2011 (000-52033) and incorporated by reference herein.
10.28	<u>Corn Oil Separation System Agreement between Solution Recovery Services, LLC and Red Trail Energy, LLC dated October 6, 2011. +</u>	Filed as Exhibit 10.60 to our Current Report on Form 10-K for the transition period ended September 30, 2011 (000-52033) and incorporated by reference herein.

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10.29	First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Red Trail Energy, LLC dated April 16, 2012.		Filed as Exhibit 10.1 to our Current Report on Form 10-Q for the quarter ended March 31, 2012 (000-52033) and incorporated by reference herein.
10.30	Amended and Restated Ethanol Marketing Agreement between RPMG, Inc. and Red Trail Energy, LLC dated August 27, 2012. +		Filed as Exhibit 10.62 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (000-52033) and incorporated by reference herein.
10.31	Member Corn Oil Marketing Agreement between RPMG, Inc. and Red Trail Energy, LLC dated March 21, 2012. +		Filed as Exhibit 10.63 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (000-52033) and incorporated by reference herein.
10.32	First Amendment of First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Red Trail Energy, LLC dated October 31, 2012.		Filed as Exhibit 10.64 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (000-52033) and incorporated by reference herein.
10.33	Distillers' Grain Marketing Agreement between RPMG, Inc and Red Trail Energy, LLC dated October 1, 2013.+		Filed as Exhibit 10.31 to our Annual report on Form 10-K for the fiscal year ended September 30, 2013 (000-52033) and incorporated by reference herein.
10.34	Rainbow Gas Asset Management Agreement, Dated September 3, 2014		Filed as Exhibit 10.32 to our Annual report on Form 10-K for the fiscal year ended September 30, 2014 (000-52033) and incorporated by reference herein.
10.35	Fourth Amendment of First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Red Trail Energy, LLC dated March 7, 2015		Filed as Exhibit 10.1 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.36	First Amended and Restated Term Note between First National Bank of Omaha and Red Trail Energy, LLC dated March 20, 2015		Filed as Exhibit 10.2 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.37	Second Amendment of First Amended and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement between First National Bank of Omaha and Red Trail Energy, LLC dated March 20, 2015		Filed as Exhibit 10.3 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.38	Third Amended and Restated Revolving Credit Note between First National Bank of Omaha and Red Trail Energy, LLC dated March 20, 2015		Filed as Exhibit 10.4 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.39	Fifth Amendment of First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Red Trail Energy, LLC dated March 20, 2015		Filed as Exhibit 10.5 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.40	CEO Employment Agreement		Filed as Exhibit 10.1 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2017 and incorporated by reference herein.
31.1	Certificate Pursuant to 17 CFR 240.13a-14(a)	X	
31.2	Certificate Pursuant to 17 CFR 240.13a-14(a)	X	
32.1	Certificate Pursuant to 18 U.S.C. Section 1350	X	
32.2	Certificate Pursuant to 18 U.S.C. Section 1350	X	
101	The following financial information from Red Trail Energy, LLC's Annual Report on Form 10-K for the fiscal year ended September 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Balance Sheets as of September 30, 2017 and 2016, (ii) Statements of Operations for the fiscal years ended September 30, 2017, 2016 and 2015, (iii) Statement of Changes in Members' Equity; (iv) Statements of Cash Flows for the fiscal years ended September 30, 2017, 2016 and 2015, and (v) the Notes to Financial Statements.**		

(+) Confidential Treatment Requested.

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(X) Filed herewith.

(**) Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RED TRAIL ENERGY, LLC

Date: December 15, 2017

/s/ Gerald Bachmeier

Gerald Bachmeier
President and Chief Executive Officer
(Principal Executive Officer)

Date: December 15, 2017

/s/ Jodi Johnson

Jodi Johnson
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

Date: December 15, 2017

/s/ Gerald Bachmeier

Gerald Bachmeier, Chief Executive Officer and President
(Principal Executive Officer)

Date: December 15, 2017

/s/ Jodi Johnson

Jodi Johnson, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: December 15, 2017

/s/ Sid Mauch

Sid Mauch, Chairman and Governor

Date: December 15, 2017

/s/ Anthony Mock

Anthony Mock, Governor

Date: December 15, 2017

/s/ Ambrose Hoff

Ambrose Hoff, Secretary and Governor

Date: December 15, 2017

/s/ Ron Aberle

Ron Aberle, Governor

Date: December 15, 2017

/s/ Mike Appert

Mike Appert, Governor

Date: December 15, 2017

/s/ Frank Kirschenheiter

Frank Kirschenheiter, Governor

Date: December 15, 2017

/s/ William A. Price

William A. Price, Governor

CERTIFICATION PURSUANT TO 17 CFR 240.15(d)-14(a)
(SECTION 302 CERTIFICATION)

I, Gerald Bachmeier, certify that:

1. I have reviewed this annual report on Form 10-K of Red Trail Energy, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 15, 2017

/s/ Gerald Bachmeier
Gerald Bachmeier
Chief Executive Officer

CERTIFICATION PURSUANT TO 17 CFR 240.15(d)-14(a)
(SECTION 302 CERTIFICATION)

I, Jodi Johnson, certify that:

1. I have reviewed this annual report on Form 10-K of Red Trail Energy, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 15, 2017

/s/ Jodi Johnson
Jodi Johnson
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K in accordance with Rule 15(d)-14 of the Securities Exchange Act of 1934 of Red Trail Energy, LLC (the "Company") for the fiscal year ended September 30, 2017 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gerald Bachmeier, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gerald Bachmeier

Gerald Bachmeier

Chief Executive Officer

Dated: December 15, 2017

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K in accordance with Rule 15(d)-14 of the Securities Exchange Act of 1934 of Red Trail Energy, LLC (the “Company”) for the fiscal year ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jodi Johnson, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jodi Johnson

Jodi Johnson

Chief Financial Officer

Dated: December 15, 2017