

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, 2018

OR

☐ **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 000-53036

CARDINAL ETHANOL, LLC

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of
incorporation or organization)

20-2327916

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

1554 N. County Road 600 E., Union City, IN 47390

(Address of principal executive offices)

(765) 964-3137

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: 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 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 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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

As of March 31, 2018, the aggregate market value of the membership units held by non-affiliates (computed by reference to the most recent offering price of such membership units) was \$52,085,000. There is no established public trading market for our membership units. The aggregate market value was computed by reference to the price at which membership units were last sold by the registrant (\$5,000 per unit).

As of November 21, 2018, there were 14,606 membership units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required in Part III of this Annual Report is incorporated herein by reference to the Company's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days of the close of the fiscal year ended September 30, 2018.

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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 upon 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:

- Reduction or elimination of the Renewable Fuel Standard;
- Changes in the availability and price of corn and natural gas;
- Our inability to secure credit or obtain additional equity financing we may require in the future to continue our operations;
- Decreases in the price we receive for our ethanol, distillers grains and corn oil;
- Our ability to satisfy the financial covenants contained in our credit agreements with our lender;
- Our ability to profitably operate the ethanol plant and maintain a positive spread between the selling price of our products and our raw material costs;
- Negative impacts that our hedging activities may have on our operations;
- Ethanol and distillers grains supply exceeding demand and corresponding price reductions;
- Our ability to generate free cash flow to invest in our business and service any debt;
- Changes in the environmental regulations that apply to our plant operations;
- Changes in our business strategy, capital improvements or development plans;
- Changes in plant production capacity or technical difficulties in operating the plant;
- Changes in general economic conditions or the occurrence of certain events causing an economic impact in the agriculture, oil or automobile industries;
- Lack of transport, storage and blending infrastructure preventing our products from reaching high demand markets;
- Changes in federal and/or state laws;
- Changes and advances in ethanol production technology;
- Competition from alternative fuel additives;
- Changes in interest rates or the lack of credit availability;
- Changes in legislation benefiting renewable fuels;
- Our ability to retain key employees and maintain labor relations;
- Volatile commodity and financial markets;
- Limitations and restrictions contained in the instruments and agreements governing any indebtedness; and
- Decreases in export demand due to the imposition of tariffs by foreign governments on ethanol, distillers grains, and soybeans produced in the United States.

The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward-looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, 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.cardinalethanol.com, under "Financials and SEC Filing Information" which includes links to the 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

Cardinal Ethanol, LLC is an Indiana limited liability company formed on February 7, 2005 with the name of Indiana Ethanol, LLC. On September 27, 2005, we changed our name to Cardinal Ethanol, LLC. References to “we,” “us,” “our,” “Cardinal” and the “Company” refer to Cardinal Ethanol, LLC. We began producing ethanol, distillers grains and corn oil at the plant in November 2008 (the “Ethanol Division”). In addition, we in 2017 added a facility to allow us to procure, transport and sell grain commodities through our new grain operations (the “Trading Division”).

Reportable Operating Segments

Operating segments are defined as components of an enterprise for which separate financial information is available that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Based on the nature of the products, services and operations and the expected financial results, we review our operations within the following two separate operating segments: (1) ethanol production through our Ethanol Division; and (2) trading of agricultural grains through our Trading Division. We currently do not have or anticipate we will have any other lines of business or other significant sources of revenue other than the sale of ethanol, distillers’ grains, corn oil and the trading of agricultural grains.

Ethanol Division

In August 2010, we obtained a new Title V air permit allowing us to increase our annual ethanol production to 140 million gallons compared to 110 million gallons under our previous permit. Our annual ethanol production for the fiscal year ended September 30, 2018 increased to approximately 131 million gallons due to the completion of certain projects which added storage capacity, improved process efficiencies, and added an additional cooling tower cell and a beer-degasser.

Our revenues are primarily derived from the sale of our ethanol, distillers grains and corn oil. We market and sell ethanol and its co-products (distillers grains and corn oil) primarily in the continental United States using third party marketers. Murex, LLC markets all of our ethanol. Our distillers grains are marketed by CHS, Inc. We market and distribute all of the corn oil we produce directly to end users and third party brokers.

Principal Products

The principal products in our Ethanol Division are fuel-grade ethanol and distillers grains. In addition, we are extracting corn oil and capturing a portion of the raw carbon dioxide we produce for sale. The table below shows the approximate percentage of our total ethanol division revenue which is attributed to each of our products for each of our last three fiscal years.

Product	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Ethanol	77%	83%	78%
Distillers Grains	19%	14%	18%
Corn Oil	4%	4%	4%
Carbon Dioxide	< 1%	< 1 %	< 1%

Ethanol

Our primary product is ethanol. Ethanol is ethyl alcohol, a fuel component made primarily from corn and various other grains. The ethanol we produce is manufactured from corn. Although the ethanol industry continues to explore production technologies employing various feedstocks, such as biomass, corn-based production technologies remain the most practical and provide the lowest operating risks. Corn produces large quantities of carbohydrates, which convert into glucose more easily than most other kinds of biomass. The Renewable Fuels Association estimates current domestic ethanol production capacity of approximately 16.4 billion gallons with approximately 3% of that capacity idled as of September 20, 2018.

An ethanol plant is essentially a fermentation plant. Ground corn and water are mixed with enzymes and yeast to produce a substance called “beer,” which contains about 10% alcohol and 90% water. The “beer” is boiled to separate the water, resulting

in ethyl alcohol, which is then dehydrated to increase the alcohol content. This product is then mixed with a certified denaturant to make the product unfit for human consumption and commercially saleable.

Ethanol can be used as: (i) an octane enhancer in fuels; (ii) an oxygenated fuel additive for the purpose of reducing ozone and carbon monoxide emissions; and (iii) a non-petroleum-based gasoline substitute. Approximately 95% of all ethanol is used in its primary form for blending with unleaded gasoline and other fuel products. Used as a fuel oxygenate, ethanol provides a means to control carbon monoxide emissions in large metropolitan areas. The principal purchasers of ethanol are generally the wholesale gasoline marketer or blender. The principal markets for our ethanol are petroleum terminals in the northeastern United States.

Distillers Grains

The principal co-product of the ethanol production process is distillers grains, a high protein, high-energy animal feed supplement primarily marketed to the dairy, beef, poultry and swine industries. Dry mill ethanol processing creates three forms of distillers grains: Distillers Wet Grains with Solubles ("DWS"), Distillers Modified Wet Grains with Solubles ("DMWS") and Distillers Dried Grains with Solubles ("DDGS"). DWS is processed corn mash that contains approximately 70% moisture. DWS has a shelf life of approximately three days and can be sold only to farms within the immediate vicinity of an ethanol plant. DMWS is DWS that has been dried to approximately 50% moisture. DMWS have a slightly longer shelf life of approximately ten days and are often sold to nearby markets. DDGS is DWS that has been dried to 10% to 12% moisture. DDGS has an almost indefinite shelf life and may be sold and shipped to any market regardless of its vicinity to an ethanol plant.

Corn Oil

Since November 2008, we have been separating some of the corn oil contained in our distillers grains for sale. We have worked hard to improve corn oil production levels and continue to fine tune the operation of our equipment to further increase production rates. The corn oil that we produce is not food grade corn oil and therefore cannot be used for human consumption. However, corn oil can be used as the feedstock to produce biodiesel, as a feed ingredient and has other industrial uses.

Carbon Dioxide

Since March 2010, we have been selling some of the carbon dioxide gas produced at the plant.

Ethanol, Distillers Grains, Carbon Dioxide and Corn Oil Markets

As described below in "*Distribution Methods*," we market and distribute our ethanol and distillers grains through third parties. Our ethanol and distillers grains marketers make all decisions, in consultation with management, with regard to where our products are marketed. Our ethanol and distillers grains are predominately sold in the domestic market. Specifically, we ship a substantial portion of the ethanol we produce to the New York harbor. We expect our ethanol and distillers grains marketers to explore all markets for our products, including export markets, and believe that there is some potential for increased international sales of our products. 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.

Over the past year, exports of ethanol have increased with Brazil receiving the largest percentage of ethanol produced in the United States and Canada in second place. China, India, the Philippines and South Korea have also been top destinations. However, tariffs implemented by Brazil and China on ethanol imported from the United States and the potential for the imposition of tariffs by other countries due to trade disputes with the United States, may reduce overall ethanol export demand, which could have a negative effect on domestic ethanol prices. In addition, ethanol export demand is typically more unpredictable than domestic demand and tends to fluctuate over time as it is subject to monetary and political forces in other nations. For example, a strong U.S. Dollar is a force that may negatively impact ethanol exports from the United States.

Historically, the United States ethanol industry has exported a significant amount of distillers grains to China. The imposition of anti-dumping and anti-subsidy duties by China over the past two years has resulted in a significant decline in demand from China requiring United States producers to seek out alternative markets. Over the past year, export markets have become increasingly diversified with Turkey, Mexico and South Korea received the largest percentage of distillers grains produced in the United States and Thailand, Vietnam, Indonesia and Canada also receiving notable amounts. However, recent trade disputes with other countries have created additional uncertainty as to future export demand.

As described below in "*Distribution Methods*," we sell carbon dioxide to Air Products and Chemicals, Inc. ("Air Products") and we market and distribute all of the corn oil we produce directly to end users and third party brokers in the domestic market.

Distribution Methods

Our ethanol plant is located near Union City, Indiana in Randolph County. We selected the site because of its location to existing ethanol consumption and accessibility to road and rail transportation. Our site is in close proximity to rail and major highways that connect to major population centers such as Indianapolis, Cincinnati, Columbus, Cleveland, Toledo, Detroit, New York and Chicago.

Ethanol

We entered into an Ethanol Purchase and Sale Agreement with Murex, LLC ("Murex") for the purpose of marketing and distributing all of the ethanol we produce at the plant. The initial term of the agreement was five years commencing on the date of first delivery of ethanol with automatic renewal for one year terms thereafter unless otherwise terminated by either party. The agreement may be terminated due to the insolvency or intentional misconduct of either party or upon the default of one of the parties as set forth in the agreement.

Under the terms of the agreement, Murex markets all of our ethanol unless we choose to sell a portion at a retail fueling station owned by us or one of our affiliates. Murex pays to us the purchase price invoiced to the third-party purchaser less all resale costs, taxes paid by Murex and Murex's commission. Murex has agreed to purchase on its own account and at market price any ethanol which it is unable to sell to a third party purchaser. Murex has promised to use its best efforts to obtain the best purchase price available for our ethanol. In addition, Murex has agreed to promptly notify us of any and all price arbitrage opportunities. Under the agreement, Murex is responsible for all transportation arrangements for the distribution of our ethanol. This agreement provides for an annual cap on the commission paid to Murex. Effective November 18, 2018, we further amended our agreement to provide for the payment of the commission to Murex to be calculated on each net gallon of ethanol taken under the agreement. The amendment provides that Murex will handle all RIN activity, submit regulatory reports, and lease us a minimum number of tank cars for rail transportation and manage the tank car fleet in exchange for a monthly payment. The amendment also extends the term of the agreement until November 30, 2022, to be renewed thereafter automatically for one-year periods unless either party gives notice of non-renewal.

Distillers Grains

We have entered into an agreement with CHS, Inc. to market all distillers grains we produce at the plant. CHS, Inc. is a diversified energy, grains and foods company owned by farmers, ranchers and cooperatives. CHS, Inc. provides products and services ranging from grain marketing to food processing to meet the needs of its customers around the world. We receive a percentage of the selling price actually received by CHS, Inc. in marketing our distillers grains to its customers. The agreement remains in effect unless otherwise terminated by either party with 120 days notice. Under the agreement, CHS, Inc. is responsible for all transportation arrangements for the distribution of our distillers grains.

Corn Oil

We market and distribute all of the corn oil we produce directly to end users and third party brokers. Our corn oil is mainly used as an animal feed ingredient and as a feedstock in biodiesel production.

Carbon Dioxide

We have entered into an agreement with Air Products under which Air Products purchases a portion of the carbon dioxide gas produced at our plant. In addition, we entered into a Site Lease Agreement with Air Products under which Air Products leases a portion of our property, on which it is operating a carbon dioxide liquefaction plant. Under the amendment, Air Products pays us for a minimum of 98,700 tons each year or approximately \$493,500 annually.

Federal Ethanol Supports and Governmental Regulation

Federal Ethanol Supports

The ethanol industry is dependent on several economic incentives to produce ethanol. One significant federal ethanol support is 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 United States Environmental Protection Agency ("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 by statute 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 obligation. The statutory volumes and the EPA's volumes for 2014, 2015, 2016, 2017 and 2018 (in billion gallons) are as follows:

		Total Renewable Fuel Volume Requirement	Portion of Volume Requirement That Can Be Met By Corn-based Ethanol
2014	Statutory	18.15	14.40
	EPA Rule 11/30/2015	16.28	13.61
2015	Statutory	20.50	15.00
	EPA Rule 11/30/2015	16.93	14.05
2016	Statutory	22.25	15.00
	EPA Rule 11/30/2015	18.11	14.50
2017	Statutory	24.00	15.00
	EPA Rule 11/30/2016	19.28	15.00
2018	Statutory	26.00	15.00
	EPA Rule 11/30/2017	19.29	15.00

On June 26, 2018, the EPA released a proposed rule to set the renewable volume obligation for 2019. The EPA proposes to set the total volume obligation at 19.88 billion gallons of which 15.0 billion gallon could be met by corn-based ethanol. A public hearing on the proposed rule was held in July and the public comment period expired on August 17, 2018. The final rule is expected to be issued in November 2018. If the volume requirements of the RFS were to be reduced in the future, it could have an adverse effect on market prices and demand for ethanol. In addition, the EPA has recently expanded its use of waivers to small refineries. The effect of these waivers is that the refinery is no longer required to earn or purchase blending credits known as RINs. If the increase in discretionary waivers by the ERPA were to continue, it could negatively affect ethanol prices.

In February 2010, the EPA issued new regulations governing the RFS. These new regulations have been called RFS2. The most controversial part of RFS2 involves what is commonly referred to as the lifecycle analysis of green house gas emissions. Specifically, the EPA adopted rules to determine which renewable fuels provided sufficient reductions in green house gases, compared to conventional gasoline, to qualify under the RFS program. RFS2 establishes a tiered approach, where regular renewable fuels are required to accomplish a 20% green house gas reduction compared to gasoline, advanced biofuels and biomass-based biodiesel must accomplish a 50% reduction in green house gases, and cellulosic biofuels must accomplish a 60% reduction in green house gases. Any fuels that fail to meet this standard cannot be used by fuel blenders to satisfy their obligations under the RFS program. The scientific method of calculating these green house gas reductions has been a contentious issue. Many in the ethanol industry were concerned that corn based ethanol would not meet the 20% green house gas reduction requirement based on certain parts of the environmental impact model that many in the ethanol industry believed was scientifically suspect. However, RFS2 as adopted by the EPA provides that corn-based ethanol from modern ethanol production processes does meet the definition of a renewable fuel under the RFS program. Our ethanol plant was grandfathered into the RFS up to 115,000,000 gallons annually due to the fact that it was constructed prior to the effective date of the lifecycle green house gas requirement. Therefore, we are not required to prove compliance with the lifecycle green house gas reductions for a significant amount of our production. Certain provisions of RFS2 as adopted may disproportionately benefit ethanol produced from sugarcane. This could make sugarcane

based ethanol, which is primarily produced in Brazil, more competitive in the United States ethanol market. If this were to occur, it could reduce demand for the ethanol that we produce.

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. In 2016, gasoline demand in the United States was approximately 143 billion gallons. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum demand for ethanol is 14.3 billion gallons per year. This is commonly referred to as the “blending wall,” which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. This is a theoretical limit because it is believed that 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 possibility of additional ethanol used in higher percentage blends.

In June 2012, the EPA gave final approval for the sale of E15, gasoline which is blended at a rate of 15% ethanol and 85% gasoline, for use in vehicles manufactured in the model year 2001 and later. Although there have been significant steps towards introduction of E15 in the marketplace, there are still obstacles to meaningful market penetration by E15. Many states still have regulatory issues that hamper or prevent the sale of E15. In addition, sales of E15 may be limited because E15 is not approved for use in all vehicles, the EPA requires a label that may discourage consumers from using E15, and retailers may choose not to sell E15 due to concerns regarding liability. In addition, different gasoline blendstocks are currently required at certain times of the year due to federal regulations related to fuel evaporative emissions which prevent E15 from being used during certain times of the year in various states. Recently President Trump announced plans to change this policy. However, the EPA has not yet taken steps to enable the year-round sale of E15 and it is unclear when this might occur.

A blender pump is a gasoline pump that can dispense a variety of different ethanol/gasoline blends. Blender pumps typically can dispense E10, E20, E30, E40, E50 and E85. These blender pumps accomplish these different ethanol/gasoline blends by internally mixing ethanol and gasoline which are held in separate tanks at the retail gas stations. Many in the ethanol industry believe that increased use of blender pumps will increase demand for ethanol by allowing gasoline retailers to provide various mid-level ethanol blends in a cost effective manner and allowing consumers with flex-fuel vehicles to purchase more ethanol through these mid-level blends. However, the expense of blender pumps has delayed their availability in the retail gasoline market.

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 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. For example, changes in the environmental regulations regarding the required oxygen content of automobile emissions could have an adverse effect on the ethanol industry. Plant operations are governed by the Occupational Safety and Health Administration (“OSHA”). OSHA regulations may change such that the costs of operating the plant may increase. Any of these regulatory factors may result in higher costs or other adverse conditions affecting our operations, cash flows and financial performance.

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. On December 29, 2011, a federal district court in California ruled that the California LCFS was unconstitutional which halted implementation of the California LCFS. However, the California Air Resources Board (“CARB”) appealed this court ruling and on September 18, 2013, the federal appellate court reversed the federal district court finding the LCFS constitutional and remanding the case back to federal district court to determine whether the LCFS imposes a burden on interstate commerce that is excessive in light of the local benefits. On June 30, 2014, the United States Supreme Court declined to hear the appeal of the federal appellate court ruling and CARB recently re-adopted the LCFS with some slight modifications. 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.

We have obtained all of the necessary permits to operate the plant. In the fiscal year ended September 30, 2018, we incurred costs and expenses of approximately \$166,000 complying with environmental laws. 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.

Competition

Ethanol

We are in direct competition with numerous ethanol producers, many of whom have greater resources than we do. Following the significant growth during 2005 and 2006, the ethanol industry has grown at a much slower pace. As of September 20, 2018, the Renewable Fuels Association estimates that there are approximately 210 ethanol production facilities in the United States with capacity to produce approximately 16.4 billion gallons of ethanol and seven additional plants under expansion or construction with capacity to produce an additional 362 million gallons. However, the Renewable Fuels Association estimates that approximately 3% of the ethanol production capacity in the United States is idled.

Since ethanol is a commodity product, competition in the industry is predominantly based on price. We have also experienced increased competition from oil companies who have purchased ethanol production facilities. 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. Larger ethanol producers may be able to realize economies of scale that we are unable to realize. This could put us at a competitive disadvantage to other ethanol producers. The ethanol industry is continuing to consolidate where a few larger ethanol producers are increasing their production capacities and are controlling a larger portion of the United States ethanol production. 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 operation margins are unfavorable in the ethanol industry.

The largest ethanol producers include Archer Daniels Midland, Flint Hill Resources LP, Green Plains Renewable Energy, POET Biorefining and Valero Renewable Fuels, each of which are capable of producing significantly more ethanol than we produce.

The following table identifies the majority of 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 750
million gallons per year (mmgy) or more**

Company	Current Capacity (mmgy)
Archer Daniels Midland	1,716
POET Biorefining	1,711
Green Plains Renewable Energy	1,475
Valero Renewable Fuels	1,400
Flint Hill Resources LP	840

Updated: September 20, 2018

The ethanol industry in the United States experienced increased competition from ethanol produced outside of the United States during 2012 which was likely the result of the expiration of the tariff on imported ethanol which expired on December 31, 2011. Although ethanol imports have since decreased, if competition from ethanol imports were to increase again that could negatively impact demand for ethanol produced in the United States which could result in lower operating margins.

We also 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 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. Several companies and researchers have commenced pilot projects to study the feasibility of commercially producing cellulosic ethanol and are producing cellulosic ethanol on a small scale and a few companies in the United States have begun producing on a commercial scale. Additional commercial scale cellulosic ethanol plants could be completed in the near future. 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.

Our ethanol plant also competes with producers of other gasoline additives having similar octane and oxygenate values as ethanol. Alternative fuels, gasoline oxygenates and alternative ethanol production methods are also continually under development. The major oil companies have significantly greater resources than we have to market other additives, to develop alternative products, and to influence legislation and public perception of ethanol. These companies also have sufficient resources to begin production of ethanol should they choose to do so.

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 in the past there were a limited number of vehicle recharging stations, making electric cars not feasible for all consumers, there has been an increased focus on developing these recharging stations which have made electric car technology more widely available. This additional competition from alternate sources could reduce the demand for ethanol, which would negatively impact our profitability.

Distillers Grains

Ethanol plants in the Midwest produce the majority of distillers grains and primarily compete with other ethanol producers in the production and sales of distillers grains. Ethanol plants produced approximately 44 million metric tons of distillers grains in 2017.

The primary consumers of distillers grains are dairy and beef cattle. In recent years, an increasing amount of distillers grains have been used in the swine and poultry markets. Numerous feeding trials show advantages in milk production, growth, rumen health, and palatability over other dairy cattle feeds. With the advancement of research into the feeding rations of poultry and swine, we expect these markets to expand and create additional demand for distillers grains; however, no assurance can be given that these markets will in fact expand, or if they do, that we will benefit from it. The market for distillers grains is generally confined to locations where freight costs allow it to be competitively priced against other feed ingredients. Distillers grains compete with three other feed formulations: corn gluten feed, dry brewers grain and mill feeds. The primary value of these products as animal feed is their protein content. Dry brewers grain and distillers grains have about the same protein content, and corn gluten feed and mill feeds have slightly lower protein contents.

Sources and Availability of Raw Materials

The major raw material required for our ethanol plant to produce ethanol, distillers grain and corn oil is corn. To produce 135 million gallons of ethanol per year, our ethanol plant needs approximately 47 million bushels of corn per year, or approximately 129,000 bushels per day, as the feedstock for its dry milling process. Traditionally, corn grown in the area of the plant site has been fed locally to livestock or exported for feeding or processing and/or overseas export sales.

The price at which we purchase corn will depend on prevailing market prices. We are significantly dependent on the availability and price of corn. The price and availability of corn are subject to significant fluctuations depending upon a number of factors affecting grain commodity prices in general, including crop conditions, weather, governmental programs and foreign purchases. Because the market price of ethanol is not directly related to grain prices, ethanol producers are generally not able to compensate for increases in the cost of grain feedstock through adjustments in prices charged for their ethanol. We therefore anticipate that our plant's profitability will be negatively impacted during periods of high grain prices.

In an attempt to minimize the effects of the volatility of corn costs on operating profits, we take hedging positions in corn futures markets. Hedging means protecting the price at which we buy corn and the price at which we will sell our products in the future. It is a way to attempt to reduce the risk caused by price fluctuation. The effectiveness of hedging activities is dependent upon, among other things, the cost of corn and our ability to sell sufficient amounts of ethanol and distillers grains to utilize all of the corn subject to the futures contracts. Hedging activities can result in costs to us because price movements in grain contracts are highly volatile and are influenced by many factors beyond our control. These costs may be significant.

High corn prices have a negative effect on our operating margins unless the price of ethanol and distillers grains outpaces rising corn prices. Corn prices were lower during the fiscal year ended September 30, 2018, compared to the same period in 2017 due to increased supply resulting from a plentiful 2017 harvest in our corn supply region. On September 12, 2018, the United States Department of Agriculture ("USDA") released a report estimating the 2018 corn crop in the United States at approximately 14.8 billion bushels, up 2% from last year's production, with yields averaging 181.3 bushels per acre. The USDA forecasted area harvested for grain at 81.8 million acres, down 1% from 2017. The Indiana corn crop is estimated to be approximately 945 million bushels, up 1% from 2017. Yields in Indiana are expected to be approximately 192 bushels per acre, up 7% from 2017. Management will continue to monitor the availability of corn in our area.

Utilities

We engaged Capstone Energy Services, LLC ("Capstone") to provide us with on-going energy management services. Capstone manages the procurement and delivery of energy to our location. They assist with strategy development, cost analysis, risk management, supply management and reporting services in exchange for a monthly fee. The agreement commenced on June 1, 2015, and continues for one year unless earlier terminated due to an event of default. Following the expiration of the initial one-year term, the agreement will be on a month-to-month basis and may be terminated by either party upon sixty days prior written notice.

Natural Gas

Natural gas is also an important input commodity to our manufacturing process. Our natural gas usage for our fiscal year ended September 30, 2018 was approximately 3.3% more MMBTUs than for last fiscal year, constituting approximately 4.4% of our total costs of goods sold. We are using natural gas to produce process steam and to dry our distillers grain products to a moisture content at which they can be stored for long periods of time, and can be transported greater distances, so that we can market the product to broader livestock markets, including poultry and swine markets in the continental United States.

On March 20, 2007, we entered into a Long-Term Transportation Service Contract for Redelivery of Natural Gas with Ohio Valley Gas Corporation ("Ohio Valley"). Under the contract, Ohio Valley receives, transports and redelivers natural gas to us for all of our natural gas requirements up to a maximum of 100,000 therms per purchase gas day and our estimated annual natural gas requirements of 34,000,000 therms. For all gas received for and redelivered to us by Ohio Valley, we pay a throughput rate in the amount of \$0.0138 per therm for the first five years of the contract term, and \$0.0138 increased by the compounded inflation rate as established and determined by the U.S. Consumer Price Index - All Urban Consumers for Transportation for the following five years. In addition, we pay a service charge for all gas received for and redelivered to us by Ohio Valley in the amount of \$750 per delivery meter per billing cycle per month for the first five years of the contract term and \$750 increased by the compounded inflation rate over the initial rate as established and determined by the U.S. Consumer Price Index - All Urban Consumers for Transportation for the following five years. The initial term of the contract is ten years. Provided neither party terminates the contract, the contract will automatically renew for a series of not more than three consecutive one year periods.

Electricity

We require a significant amount of electrical power to operate the plant. On May 2, 2007, we entered into an agreement with Indiana Michigan Power Company to furnish our electric energy. The initial term of the contract was 30 months from the time service is commenced and continues thereafter unless terminated by either party with 12 months written notice. We pay Indiana Michigan Power Company monthly pursuant to their standard rates.

Water

We require a significant supply of water. Engineering specifications show our plant's water requirements to be approximately 774 gallons per minute, 1.1 million gallons per day, depending on the quality of water. We have assessed our water needs and available supply and have determined that we have an adequate supply. Union City Water Works is supplying the water necessary to operate our plant.

Much of the water used in our ethanol plant is recycled back into the process. There are, however, certain areas of production where fresh water is needed. Those areas include boiler makeup water and cooling tower water. Boiler makeup water is treated on-site to minimize all elements that will harm the boiler and recycled water cannot be used for this process. Cooling tower water is deemed non-contact water because it does not come in contact with the mash, and, therefore, can be regenerated back into the cooling tower process. The makeup water requirements for the cooling tower are primarily a result of evaporation. Much of the water can be recycled back into the process, which minimizes the discharge water. This will have the long-term effect of lowering wastewater treatment costs. Many new plants today are zero or near zero effluent discharge facilities. Our plant design incorporates the ICM/Phoenix Bio-Methanator wastewater treatment process resulting in a zero discharge of plant process water.

Patents, Trademarks, Licenses, Franchises and Concessions

We do not currently hold any patents, trademarks, franchises or concessions. We were granted a license by ICM, Inc. to use certain ethanol production technology necessary to operate our ethanol plant. The cost of the license granted by ICM, Inc. was included in the amount we paid to Fagen, Inc. to design and build our ethanol plant. In addition, we were granted a license by ICM, Inc. to use certain corn oil technologies necessary to extract corn oil during our plant operations.

Seasonality of Ethanol Sales

We experience some seasonality of demand for ethanol. Since ethanol is predominantly blended with conventional 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. In addition, we experience some increased ethanol demand during holiday seasons related to increased gasoline demand.

Dependence on One or a Few Major Customers

As discussed above, we have entered into a marketing agreement with Murex for the purpose of marketing and distributing our ethanol and have engaged CHS, Inc. for the purpose of marketing and distributing our distillers grains. We rely on Murex for the sale and distribution of our ethanol and CHS, Inc. for the sale and distribution of our distillers grains. Therefore, although there are other marketers in the industry, we are highly dependent on Murex and CHS, Inc. for the successful marketing of our products. Any loss of Murex or CHS, Inc. as our marketing agent for our ethanol and distillers grains respectively could have a significant negative impact on our revenues.

Trading Division

We procure, transport and sell grain commodities through our Trading Division which began operations at the end of our fourth fiscal quarter of 2017. To provide funding for the construction of this facility, we obtained a construction loan in the amount of \$10,000,000 which converted to term debt effective December 31, 2017 (the "Grain Loadout Facility Loan"). Please refer to **Item 8- Financial Statements, Note 8 - Bank Financing** for additional details.

Principal Products

We have and expect to continue to buy primarily soybeans and corn from producers relying principally on forward purchase contracts to ensure an adequate supply of grain. However, we occasionally also purchase grain the day of delivery. Grain prices are typically comprised of futures prices on the Chicago Mercantile Exchange ("CME") and local basis adjustments.

Grain Markets and Distribution Methods

Grain shipments are made by rail and truck. Our sales are made to grain processors and export markets in the southeastern United States. Our grain sales are generally made by contract for delivery in a future period. Income is expected to be earned on grain bought and sold, the appreciation or depreciation in the basis value of the grain held and the appreciation or depreciation between the futures contract months.

Competition

We primarily compete in the purchase of grain on a local or regional basis although there are some larger national and international companies that maintain regional grain purchase and storage facilities. We compete in the sale of grain with other public and private grain brokers, elevator operators and farmer owned cooperatives. Competition is based primarily on price, service and reliability.

Seasonality of Grain Purchases and Sales

Our grain operations are somewhat seasonal in nature in that the grain we procure is harvested in October and November. The largest portion of the grain is delivered by producers in the fall although we buy and sell a significant portion of our grain throughout the year.

Risk Management

We manage the futures price risk of changing commodity prices by entering into exchange-traded futures contracts on the CME. The CME is a regulated commodity futures exchange that maintains futures markets for the grain we trade. Futures prices are determined by worldwide supply and demand.

We entered into a Risk Management Agreement with John Stewart & Associates ("JS&A") under which JS&A provides risk management and related services pertaining to grain hedging, grain pricing information, aid in purchase of grain, and assistance in risk management as it pertains to ethanol, co-products and soybeans. In exchange for JS&A's risk management services, we

pay JS&A a fee of \$1,500 per month. We are currently on a month to month basis for this contract with JS&A. The agreement may be terminated by either party at any time upon written notice.

We also entered into an agreement with Advance Trading to assist us with hedging corn, ethanol, natural gas and soybeans. We pay them a fee of \$3,000 per month for these services. The term of the agreement is month-to-month and may be terminated by either party at any time upon proper notice.

We also entered into an agreement with Commodity & Ingredient Hedging, LLC to evaluate and provide marketing advice and margin management related to cash sales and purchases, forward contracts and exchange-traded futures and options. We pay an annual fee of \$12,000 in exchange for these services. The agreement automatically renews for additional one year terms unless either party gives written notice of non-renewal as provided in the agreement.

Employees

We have 56 full-time employees as of November 21, 2018.

Working Capital

We primarily use our working capital for purchases of raw materials necessary to operate the Ethanol Division and for purchases of grain commodities for the Trading Division. Our primary source of working capital is cash we generate from our operations along with our Declining Loan and our Revolving Credit Loan with our primary lender First National Bank of Omaha. The Declining Loan provides \$5,000,000 in total for us to use on capital projects allowing us to preserve our working capital at a sufficient level. At September 30, 2018, we have approximately \$15,000,000 available to draw on the Revolving Credit Loan to provide additional working capital. We will discuss the Declining Loan and Revolving Loan in more detail in "**Item 7-Management Discussion and Analysis of Financial Condition and Results of Operations**".

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

Our existing debt financing agreements contain, and our future debt financing agreements may contain, restrictive covenants that limit distributions and impose restrictions on the operation of our business. The use of debt financing makes it more difficult for us to operate because we must make principal and interest payments on the indebtedness and abide by covenants contained in our debt financing agreements. Although we have significantly reduced our level of debt, the restrictive covenants contained in our financing agreements may have important implications on our operations, including, among other things: (a) limiting our ability to obtain additional debt or equity financing; (b) subjecting all or substantially all of our assets to liens; and (c) limiting our ability to make business and operational decisions regarding our business, including, among other things making capital improvements and selling or purchasing assets or engaging in transactions we deem to be appropriate and in our best interest.

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 2019 fiscal year as a result of the net effect of changes in the price of gasoline and corn and increased ethanol supply offset by increased export demand. In addition, growing conditions in a particular season's harvest may cause the corn crop to be of poor quality resulting in corn shortages and a decrease in distillers grains prices. 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.

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. We seek to minimize the risks from fluctuations in the prices of corn and natural gas through the use of hedging instruments. However, these hedging transactions also involve risks to our business. See **“Risks Relating to Our Business - We engage in hedging transactions which involve risks that could harm our business.”** If we were to experience relatively higher corn and natural gas costs compared to the selling prices of our products for an extended period of time, the value of our units may be reduced.

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, 2018. Current management projections indicate that we will be in compliance with our loan covenants through September 30, 2019. However, unforeseen circumstances may develop which could result in violations of 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.

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. Exposure to commodity price risk results from our dependence on corn and natural gas in the ethanol production process. We seek to minimize the risks from fluctuations in the prices of corn, natural gas and ethanol through the use of hedging instruments. The effectiveness of our hedging strategies is dependent on the price of corn, natural gas and ethanol and our ability to sell sufficient products to use all of the corn and natural gas for which we have futures contracts. Our hedging activities may not successfully reduce the risk caused by price fluctuation which may leave us vulnerable to high corn and natural gas 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 corn and/or natural gas prices increase. Utilizing cash for margin calls has an impact on the cash we have available for our operations which could result in liquidity problems during times when corn prices rise or fall significantly.

Price movements in corn, natural gas and ethanol contracts are highly volatile and are influenced by many factors that are beyond our control. There are several variables that could affect the extent to which our derivative instruments are impacted by price fluctuations in the cost of corn or natural gas. 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. We may incur such costs and they may be significant which could impact our ability to profitably operate the plant and may reduce the value of our units.

Our business is not diversified. Our success depends largely on our ability to profitably operate our ethanol plant. We do not have any other significant sources of revenue if we are unable to operate our ethanol plant and manufacture ethanol, distillers grains, corn oil and carbon dioxide or if economic or political factors adversely affect the market for ethanol, distillers grains, corn oil or carbon dioxide. Our business would also be significantly harmed if the ethanol plant could not operate at full capacity for any extended period of time.

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.

We are subject to litigation involving our corn oil extraction technology. We have been sued by GS CleanTech Corporation asserting its intellectual property rights to certain corn oil extraction processes we obtained from ICM, Inc. in August 2008. GS CleanTech is seeking to enforce its patent rights against ICM and the Company. The court ruled that all of the patents claimed by GS CleanTech were invalid, that the Company had not infringed and that the patents were invalid due to inequitable conduct before the US Patent and Trademark Office by the inventors and their attorneys. However, these rulings are subject to appeal. If GS CleanTech is successful in its appeal and allowed to continue to pursue its claims against the Company, we may be forced to pay damages to GS CleanTech as a result of our use of such technology and cease our production of corn oil.

Our Trading Division business is affected by the supply and demand of commodities, and is sensitive to factors outside of our control. Adverse price movements could negatively affect our profitability and results of operations. Our Trading Division buys, sells and holds inventories of agricultural commodities, some of which are readily traded on commodity futures exchanges. Unfavorable weather conditions, both local and worldwide, as well as other factors beyond our control, can affect the supply and demand of these commodities and expose us to liquidity pressures to finance hedges in the grain business in rapidly rising markets. Increased costs of inventory and prices of raw material would decrease our profit margins and adversely affect our results of operations. While we attempt to manage the risk associated with commodity price changes for our grain inventory positions with derivative instruments, including purchase and sale contracts, we are unable to offset 100% of the price risk of each transaction due to timing, availability of futures and options contracts and third-party credit risk. Furthermore, there is a risk that the derivatives we employ will not be effective in offsetting all of the risks that we are trying to manage. This can happen when the derivative and the underlying value of grain inventories and purchase and sale contracts are not perfectly matched. Our grain derivatives, for example, do not perfectly correlate with the basis component of our grain inventory and contracts. (Basis is defined as the difference between the local cash price of a commodity and the corresponding exchange-traded futures price.) Differences can reflect time periods, locations or product forms. Although the basis component is smaller and generally less volatile than the futures component of our grain market price, basis moves on a large grain position can significantly impact the profitability of the Trading Division. Our futures, options and over-the-counter contracts are subject to margin calls. If there are large movements in the commodities market, we could be required to post significant levels of margin, which would impact our liquidity. There is no assurance that the efforts we have taken to mitigate the impact of the volatility of the prices of commodities upon which we rely will be successful and any sudden change in the price of these commodities could have an adverse effect on our business and results of operations.

We face intense competition in our Trading Division. We face significant competition in our Trading Division and we have numerous competitors, some of which are larger and have greater financial resources than we have. Competition could cause us to lose market share and talented employees, exit certain lines of business, increase marketing or other expenditures or reduce pricing, each of which could have an adverse effect on our business and profitability.

Our Trading Division uses derivative contracts to reduce volatility in the commodity markets. Non-performance by the counter-parties to those contracts could adversely affect our future results of operations and financial position. A significant amount of our commodity purchases and sales are done through forward contracting. In addition, we use exchange traded and to a lesser degree over-the-counter contracts to reduce volatility in changing commodity prices. A significant adverse change in commodity prices could cause a counter-party to one or more of our derivative contracts to not perform on their obligation.

If a substantial portion of our inventory becomes damaged or obsolete, its value would decrease and our profit margins would suffer. We may carry significant amounts of inventory in our Trading Division. The value of our inventories could decrease due to deterioration in the quality of our grain inventory due to damage, moisture, insects, disease or foreign material. If the quality of our grain were to deteriorate below an acceptable level, the value of our inventory could decrease significantly.

Failures of our information technology infrastructure could have a material adverse effect on operations. We utilize various software applications and other information technology that are critically important to our business operations. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic and financial information, to manage a variety of business processes and activities, including production, manufacturing, financial, logistics, sales, marketing and administrative functions. We depend on our information technology infrastructure to communicate internally and externally with employees, customers, suppliers and others. We also use information technology networks and systems to comply with regulatory, legal and tax requirements. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers or other cybersecurity risks, telecommunication failures, user errors, natural disasters, terrorist attacks or other catastrophic events. If any of our significant information technology systems suffer severe damage, disruption or shutdown, and our disaster recovery

and business continuity plans do not effectively resolve the issues in a timely manner, our product sales, financial condition and results of operations may be materially and adversely affected.

A cyber attack or other information security breach could have a material adverse effect on our operations and result in financial losses. We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. If we are unable to prevent cyber attacks and other information security breaches, we may encounter significant disruptions in our operations which could adversely impact our business, financial condition and results of operations or result in the unauthorized disclosure of confidential information. Such breaches may also harm our reputation, result in financial losses or subject us to litigation or other costs or penalties.

Risks Related to 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.

Changes and advances in ethanol production technology could require us to incur costs to update our 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 plant less desirable or obsolete. These advances could also allow our competitors to produce ethanol at a lower cost than we are able. 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 our 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.

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, the demand for ethanol may be reduced. Lower gasoline prices reduce the spread between the price of gasoline and the price of ethanol which can discourage discretionary blending, dampen the export market and result in a downwards market adjustment in the price of ethanol. If oil and gasoline prices were to remain low 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.

Demand for ethanol may not continue to grow unless ethanol can be blended into gasoline in higher percentage blends for conventional automobiles. Currently, ethanol is blended with conventional gasoline for use in standard (non-flex fuel) vehicles to create a blend which is 10% ethanol and 90% conventional gasoline. In order to expand demand for ethanol, higher percentage blends of ethanol must be utilized in conventional automobiles. Such higher percentage blends of ethanol have become a contentious issue with automobile manufacturers and environmental groups having fought against higher percentage ethanol blends. E15 is a blend which is 15% ethanol and 85% conventional gasoline. Although there have been significant developments towards the availability of E15 in the marketplace, there are still obstacles to meaningful market penetration by E15. As a result, the approval of E15 may not significantly increase demand for ethanol.

Technology advances in the commercialization of cellulosic ethanol may decrease demand for corn based ethanol which may negatively affect our profitability. Ethanol production research has worked to develop an efficient method of producing ethanol from cellulose-based biomass, such as agricultural waste, forest residue, municipal solid waste, and energy crops. Cellulose-based biomass is generally cheaper than corn, and producing ethanol from cellulose-based biomass would create opportunities to produce ethanol in areas which are unable to grow corn. The Energy Independence and Security Act of 2007 and the 2008 Farm Bill offer a very strong incentive to develop commercial scale cellulosic ethanol. The statutory volume requirement in the RFS requires that 16 billion gallons per year of advanced bio-fuels be consumed in the United States by 2022. Some companies have reportedly produced cellulosic ethanol on a commercial scale and other companies have begun construction on 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.

Decreasing ethanol prices could reduce our ability to operate profitably. Decreases in the price of ethanol reduce our revenue. Our profitability depends on a favorable spread between our corn and natural gas costs and the price we receive for our ethanol. If ethanol prices fall during times when corn and/or natural gas prices are high, we may not be able to operate our ethanol plant profitably.

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 planned and operating throughout the Midwest and elsewhere in the United States. In addition, we have seen increased competition from oil companies who have purchased ethanol production facilities. We also face competition from outside of the United States. The largest ethanol producers include Archer Daniels Midland, Flint Hill Resources LP, Green Plains Renewable Energy, POET Biorefining 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 will likely lead to a few companies which control a significant portion of the 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 affect our financial performance.

Competition from the advancement of alternative fuels may lessen the demand for ethanol. Alternative fuels, gasoline oxygenates and ethanol production methods are continually under development. Like ethanol, these emerging technologies offer an option to address worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns. If these alternative technologies continue to expand and gain broad acceptance and become readily available to consumers for motor vehicle use, we may not be able to compete effectively. This additional competition could reduce the demand for ethanol, resulting in lower ethanol prices that might adversely affect our results of operations and financial condition.

Increased use of fuel cells, plug-in hybrids and electric cars may lessen the demand for ethanol. 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, which has led to an increase in recharging stations which may make electric car technology more widely available in the future. This additional competition from alternate sources could reduce the demand for ethanol, resulting in lower ethanol prices which could negatively impact our results of operations and financial condition.

Consumer resistance to the use of ethanol based on the belief that ethanol is expensive, uses too much corn, adds to air pollution, harms engines and/or takes more energy to produce than it contributes may affect the demand for ethanol. Certain individuals believe that use of ethanol will have a negative impact on gasoline prices at the pump and that ethanol uses too much of the available corn supply. Many also believe that ethanol adds to air pollution and harms car and truck engines. Still other consumers believe that the process of producing ethanol actually uses more fossil energy, such as oil and natural gas, than the amount of energy that is produced. These consumer beliefs could potentially be wide-spread and may be increasing as a result of recent efforts to increase the allowable percentage of ethanol that may be blended for use in conventional automobiles. If consumers choose not to buy ethanol based on these beliefs, it would affect the demand for the ethanol we produce which could negatively affect our profitability and financial condition.

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 ethanol production and tax incentives, including 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 United States Environmental Protection Agency ("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 passes 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. In addition, the EPA has recently expanded its use of waivers to small refineries. The effect of these waivers is that the refinery is no longer required to earn or purchase blending credits known as RINs. If the EPA were to significantly reduce the volume requirements under the RFS 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.

Government policies and regulations, particularly those affecting the agricultural sector and related industries, could adversely affect our operations and profitability. Agricultural commodity production and trade flows are significantly affected

by government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, import and export restrictions on agricultural commodities and commodity products can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production, whether unprocessed or processed commodity products are traded and the volume and types of imports and exports. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions. Future governmental policies, regulations or actions affecting our industry may adversely affect the supply of, demand for and prices of our products, restrict our ability to do business and cause our financial results to suffer.

A reduction in distillers grains exports to China could have a negative effect on the price of distillers grains in the U.S. and negatively affect our profitability. China was the world's largest buyer of distillers grains produced in the United States. On January 12, 2016, the Chinese government began an antidumping and countervailing duty investigation related to distillers grains imported from the United States which contributed to a decline in distillers grains shipped to China. China began imposing anti-dumping and anti-subsidy duties during 2016 as a result of a preliminary ruling on its 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 has 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.

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.

A reduction in ethanol exports to Europe due to the imposition by the European Union of a tariff on U.S. ethanol could have a negative impact on ethanol prices. The European Union imposed a five-year tariff on ethanol which is produced in the United States and exported to Europe which has negatively impacted exports of ethanol to Europe. The decrease could negatively impact the market price of ethanol in the United States and our ability to profitably operate the ethanol plant.

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. This could result in a reduction of our revenues and could negatively impact our ability to profitably operate the ethanol plant.

ITEM 2. PROPERTIES

Our plant site is made up of two adjacent parcels which together total approximately 295 acres in east central Indiana near Union City, Indiana. The address of our plant is 1554 N. County Road 600 E., Union City, Indiana 47390. On October 31, 2016, we purchased approximately 64 acres of land adjacent to our property for a total purchase price of approximately \$646,000.

In November 2008, the plant was substantially completed and plant operations commenced. The plant consists of the following buildings:

- A grains area, fermentation area, distillation - evaporation area;
- A dryer/energy center area;

- A tank farm;
- An auxiliary area; and
- An administration building.

Our plant is in excellent condition and is capable of functioning at over 100% of its 100 million gallons per year nameplate production capacity.

In September 2017, we completed a construction project to add grain receiving and train loading facilities and additional rail spurs, track and grain storage to allow us to procure, transport and sell grain commodities.

All of our tangible and intangible property, real and personal, serves as the collateral for the debt financing with First National Bank of Omaha, which is described below under **"Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations."**

ITEM 3. LEGAL PROCEEDINGS

Patent Infringement

On June 27, 2008, we entered into a Tricanter Purchase and Installation Agreement with ICM, Inc. for the construction and installation of a Tricanter Oil Separation System. On February 12, 2010, GS CleanTech Corporation ("GS CleanTech") filed a lawsuit in the United States District Court for the Southern District of Indiana, claiming that the Company's operation of the oil recovery system manufactured and installed by ICM, Inc. infringes a patent claimed by GS CleanTech. GS CleanTech sought royalties and damages associated with the alleged infringement, as well as attorney's fees from the Company. GS CleanTech subsequently filed actions against at least fourteen other ethanol producing companies for infringement of its patent rights, adding several additional patents. GS CleanTech successfully petitioned for the cases to be joined in a multi-district litigation ("MDL") which was assigned to the United States District Court for the Southern District of Indiana (Case No. 1:10-md-02181). We subsequently answered and counterclaimed that the patent claims at issue are invalid and that the Company is not infringing.

Motions for summary judgment were filed by the defendants, including the Company, and GS CleanTech. Meanwhile, GS CleanTech filed suit against another group of defendants which were joined with the MDL. On October 23, 2014, the United States District Court granted summary judgment finding that all of the patents claimed by GS CleanTech were invalid and that the Company had not infringed. In addition, on September 15, 2016, the United States District Court granted summary judgment finding that the patents were invalid due to inequitable conduct before the US Patent and Trademark Office by the inventors and their attorneys. GS CleanTech and its attorneys filed a Notice of Appeal appealing the rulings on summary judgment. The defendants have since settled with the attorneys for GS CleanTech.

On February 16, 2010, ICM, Inc. agreed to indemnify the Company from and against all claims, demands, liabilities, actions, litigations, losses, damages, costs and expenses, including reasonable attorney's fees arising out of any claim of infringement of patents, copyrights or other intellectual property rights by reason of our purchase and use of the oil recovery system and agrees to defend the Company. Several of the other defendants also use equipment and processes provided by ICM, Inc. ICM, Inc. has, and we expect it will continue, to vigorously defend itself and the Company in this lawsuit and the appeal filed by GS CleanTech. If GS CleanTech were to be successful in the appeal filed and allowed to continue to pursue its claims, we estimate that damages, if awarded, would be based on a reasonable royalty to, or lost profits of, GS CleanTech. Because of its rulings, it seems unlikely that the District Court would deem the case exceptional. However, in the event it would be deemed to be exceptional, attorney's fees may be awarded and are likely to be \$1,000,000 or more. ICM, Inc. has also agreed to indemnify us. However, in the event that damages were to be awarded, if ICM, Inc. does not fully indemnify us for any reason, we could be liable and could also be required to cease use of our oil separation process and seek out a replacement or cease oil production altogether.

Air Permit

On January 4, 2018, we received a letter from the Indiana Department of Environmental Management, Office of Air Quality ("IDEM") alleging violations of our air permit. IDEM alleges that we (i) constructed and operated a fermenter without previous construction or operational approval; (ii) constructed and operated emission units (conveyors and legs) without the appropriate emission controls (two baghouses instead of one larger baghouse); (iii) constructed and operated emission units (steel bins) without emission controls; and (iv) operated emission units above the emission limits. IDEM indicates that it intends to refer this matter for formal enforcement action. We are currently reviewing the allegations and have provided IDEM with additional information. While we believe that we have certain defenses to these allegations, we are currently unable to determine with any certainty the outcome of this matter including the extent of any potential monetary sanctions that may result.

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

Market for Our Units

As of November 21, 2018, we had approximately 14,606 membership units outstanding and approximately 1,145 unit holders of record. There is no public trading market for our units. However, we have established through FNC Ag Stock, LLC a Unit Trading Bulletin Board, a private online matching service, in order to facilitate trading among our members. The Unit Trading Bulletin Board has been designed to comply with federal tax laws and IRS regulations establishing an “alternative trading service,” as well as state and federal securities laws. Our Unit Trading Bulletin Board consists of an electronic bulletin board that provides a list of interested buyers with a list of interested sellers, along with their non-firm price quotes. The Unit Trading Bulletin Board does not automatically affect matches between potential sellers and buyers and it is the sole responsibility of sellers and buyers to contact each other to make a determination as to whether an agreement to transfer units may be reached. We do not become involved in any purchase or sale negotiations arising from our Unit Trading Bulletin Board and have no role in effecting the transactions beyond approval, as required under our operating agreement, and the issuance of new certificates. We do not give advice regarding the merits or shortcomings of any particular transaction. We do not receive, transfer or hold funds or securities as an incident of operating the Unit Trading Bulletin Board. We do not receive any compensation for creating or maintaining the Unit Trading Bulletin Board. In advertising our alternative trading service, we do not characterize Cardinal as being a broker or dealer or an exchange. We do not use the Unit Trading Bulletin Board to offer to buy or sell securities other than in compliance with the securities laws, including any applicable registration requirements.

There are detailed timelines that must be followed under the Unit Trading Bulletin Board Rules and Procedures with respect to offers and sales of membership units. All transactions must comply with the Unit Trading Bulletin Board Rules, our operating agreement, and are subject to approval by our board of directors.

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.

The following table contains historical information by fiscal quarter for the past two fiscal years regarding the actual unit transactions that were completed by our unit-holders during the periods specified. We believe this most accurately represents the current trading value of the Company's units. The information was compiled by reviewing the completed unit transfers that occurred on our qualified matching service bulletin board during the quarters indicated.

Selling Quarter	Low Price	High Price	Average Price	# of Units Traded
2017 1 st	\$ 13,500	\$ 15,150	\$ 13,807	38
2017 2 nd	\$ 14,000	\$ 15,000	\$ 14,363	41
2017 3 rd	\$ 14,000	\$ 15,100	\$ 14,815	42
2017 4 th	\$ 15,500	\$ 15,600	\$ 15,591	22
2018 1 st	\$ 14,000	\$ 14,000	\$ 14,000	5
2018 2 nd	\$ 11,500	\$ 12,000	\$ 11,778	9
2018 3 rd	\$ —	\$ —	\$ —	—
2018 4 th	\$ 9,500	\$ 9,985	\$ 9,781	12

The following table contains the bid and asked prices that were posted on the Company's alternative trading service bulletin board and includes some transactions that were not completed. The Company believes the table above more accurately describes the trading value of its units as the bid and asked prices below include some offers that never resulted in completed transactions. The information was compiled by reviewing postings that were made on the Company's alternative trading service bulletin board.

Listing Quarter	Low Price	High Price	Average Price	# of Units Listed
2017 1 st	\$ 13,500	\$ 15,150	\$ 14,236	43
2017 2 nd	\$ 14,000	\$ 15,500	\$ 14,459	52
2017 3 rd	\$ 14,000	\$ 15,500	\$ 15,166	86
2017 4 th	\$ 15,400	\$ 17,000	\$ 16,000	47
2018 1 st	\$ 13,000	\$ 14,000	\$ 13,650	20
2018 2 nd	\$ 12,000	\$ 13,750	\$ 13,222	90
2018 3 rd	\$ 11,000	\$ 11,000	\$ 11,000	10
2018 4 th	\$ 9,985	\$ 11,800	\$ 11,354	9

Distributions

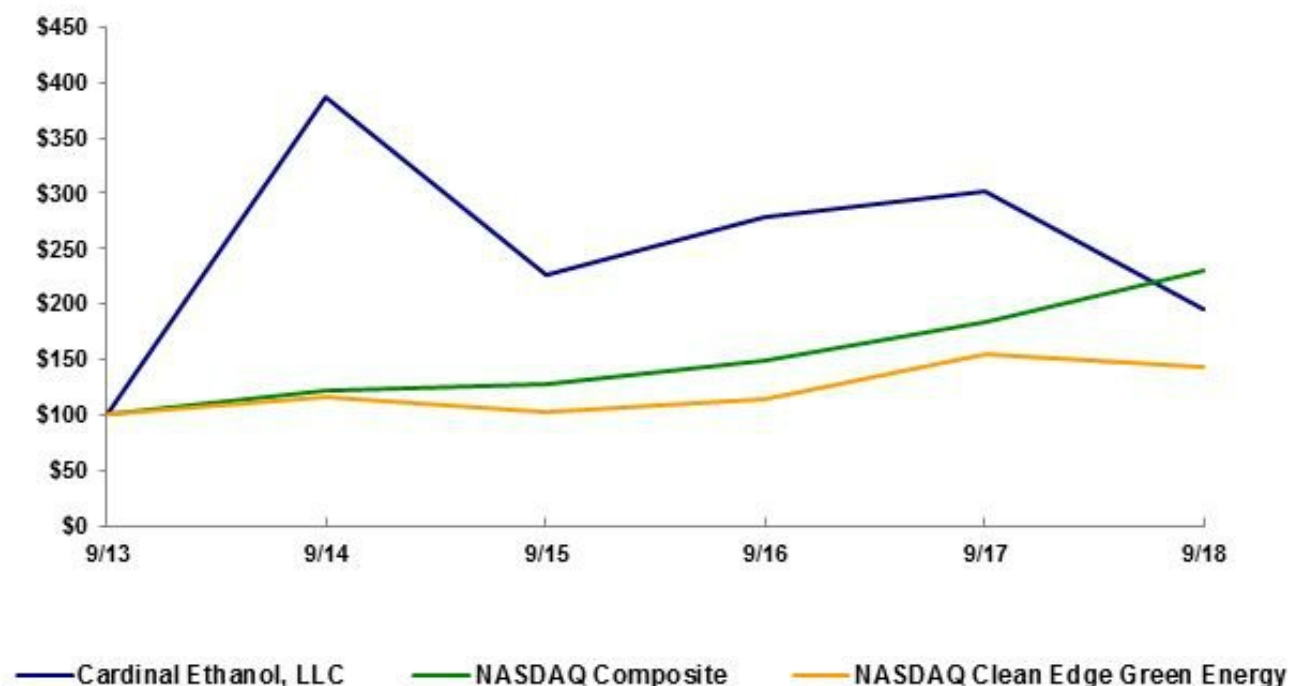
Our board of directors has complete discretion over the timing and amount of distributions to our members. Our expectations with respect to our ability to make future distributions are discussed in greater detail in "**Item 7 - Management Discussion and Analysis of Financial Condition and Results of Operations.**"

Performance Graph

The following graph shows a comparison of cumulative total member return since September 30, 2013, calculated on a dividend reinvested basis, for the Company, the NASDAQ Composite Index (the "Composite") and the NASDAQ Clean Edge Green Energy Index (the "CELS"). The graph assumes \$100 was invested in each of our units, the Composite and the CELS on September 30, 2013. 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 Cardinal Ethanol, LLC, the NASDAQ Composite Index
and the NASDAQ Clean Edge Green Energy Index



*\$100 invested on 9/30/13 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 the years ended September 30, 2016, 2015 and 2014 and the selected income statement data and other financial data for the years ended September 30, 2015 and 2014 have been derived from our audited financial statements that are not included in this Form 10-K. The selected balance sheet financial data for the years ended September 30, 2018 and 2017 and the selected income statement data and other financial data for the years ended September 30, 2018, 2017 and 2016 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:	2018	2017	2016	2015	2014
Revenues	\$ 266,858,452	\$ 228,496,827	\$ 222,895,449	\$ 240,695,293	\$ 337,355,515
Cost Goods Sold	251,670,473	209,241,617	204,014,877	197,305,291	244,414,762
Gross Profit	15,187,979	19,255,210	18,880,572	43,390,002	92,940,753
Operating Expenses	6,778,756	5,520,971	5,233,634	4,714,891	4,945,382
Operating Income	8,409,223	13,734,239	13,646,938	38,675,111	87,995,371
Other Income (Expense), Net	(778,158)	(309,615)	(125,143)	46,706	(733,697)
Net Income	<u>\$ 7,631,065</u>	<u>\$ 13,424,624</u>	<u>\$ 13,521,795</u>	<u>\$ 38,721,817</u>	<u>\$ 87,261,674</u>
Weighted Average Units Outstanding	14,606	14,606	14,606	14,606	14,606
Net Income Per Unit	\$ 522	\$ 919	\$ 926	\$ 2,651	\$ 5,974
Cash Distributions Per Unit	\$ 950	\$ 1,175	\$ 1,630	\$ 3,500	\$ 4,547
Balance Sheet Data:	2018	2017	2016	2015	2014
Current Assets	\$ 46,351,013	\$ 50,139,370	\$ 48,529,843	\$ 48,646,801	\$ 60,034,736
Net Property and Equipment	96,948,671	107,936,389	104,461,078	107,998,425	105,632,776
Other Assets	1,295,192	1,096,237	938,251	823,494	718,553
Total Assets	144,594,876	159,171,996	153,929,172	157,468,720	166,386,065
Current Liabilities	16,941,813	18,007,407	11,676,852	11,997,241	13,380,637
Long-Term Debt	7,314,867	14,581,758	11,932,063	4,865,236	—
Members' Equity	120,338,196	126,582,831	130,320,257	140,606,243	153,005,428

* 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

Overview

We produce ethanol, distillers grains and corn oil at our plant located near Union City, Indiana. In addition, we procure, transport and sell grain commodities.

Results of Operations for the Fiscal Years Ended September 30, 2018 and 2017

The following table shows the results of our operations and the percentage of revenues, cost of goods sold, operating expenses and other items to total revenues in our statement of operations for the fiscal years ended September 30, 2018 and 2017:

Statement of Operations Data	2018		2017	
	Amount	%	Amount	%
Revenues	\$ 266,858,452	100.0	\$ 228,496,827	100.0
Cost of Goods Sold	251,670,473	94.3	209,241,617	91.6
Gross Profit	15,187,979	5.7	19,255,210	8.4
Operating Expenses	6,778,756	2.5	5,520,971	2.4
Operating Income	8,409,223	3.2	13,734,239	6.0
Other Expense, net	(778,158)	(0.3)	(309,615)	(0.1)
Net Income	\$ 7,631,065	2.9	\$ 13,424,624	5.9

Revenues

We have two reportable segments-the Ethanol Division and the Trading Division. Our revenues from operations from our Ethanol Division come from three primary sources: sales of fuel ethanol, distillers grains and corn oil. Revenues from operations of our Trading Division are derived from procuring, transporting and selling grain commodities. Revenues in each division also include net gains or losses from derivatives related to products sold.

The following table shows the sources of our total revenue from the two segments and the approximate percentage of revenues to total revenues in our unaudited condensed consolidated statements of operations for the fiscal years ended September 30, 2018 and 2017:

Revenue:	2018		2017	
	Amount	% of Total Revenues	Amount	% of Total Revenues
Ethanol production	\$ 222,847,401	83.5%	\$ 228,496,827	100.0%
Grain trading	44,011,051	16.5	—	—
Total Revenue	\$ 266,858,452	100.0%	\$ 228,496,827	100.0%

Ethanol Division

Our revenues from operations come from three primary sources: sales of fuel ethanol, distillers grains and corn oil. The following table shows the sources of our ethanol division revenue for the fiscal years ended September 30, 2018 and 2017:

Revenue Source	2018		2017	
	Amount	% of Revenues	Amount	% of Revenues
Ethanol Sales	\$ 171,669,232	77.0%	\$ 188,860,886	82.7%
Distillers Grains Sales	42,422,819	19.1	30,886,518	13.5
Corn Oil Sales	8,020,761	3.6	8,010,124	3.5
CO2 Sales	477,355	0.2	481,893	0.2
Other Revenue	257,234	0.1	257,406	0.1
Total Revenues	\$ 222,847,401	100.0%	\$ 228,496,827	100.0%

Ethanol

Our revenues from ethanol decreased for our fiscal year ended September 30, 2018 as compared to our fiscal year ended September 30, 2017. This decrease in revenues is primarily the result of a lower average price per gallon of ethanol sold for the fiscal year ended September 30, 2018 as compared to the same period in 2017.

We experienced an increase in ethanol gallons sold of approximately 3.6% for the fiscal year ended September 30, 2018 as compared to the same period in 2017 resulting primarily from increased ethanol production rates. We are currently operating at approximately 35% above our nameplate capacity due to completion of certain improvements during our 2016 and 2017 fiscal years which increased our annual production rate. Management expects ethanol production will further increase for the fiscal year ended September 30, 2019 due to plans for completion of various projects which are expected to increase our annual ethanol production rate to approximately 140 million gallons.

Our average price per gallon of ethanol sold for the fiscal year ended September 30, 2018 was approximately 12.7% lower than our average price per gallon of ethanol sold for the same period in 2017. Ethanol prices were lower during the fiscal year ended September 30, 2018 due to increased industry-wide production which was in excess of demand. In addition, recent trade disputes with countries such as China, Mexico and the European Union and the potential for the imposition of tariffs on products produced in the United States have had a negative effect on ethanol prices. Finally, ethanol prices may have been negatively impacted by the increase in the number of waivers granted by the EPA exempting certain refiners from compliance with the RFS.

Management anticipates that ethanol prices will continue to change in relation to changes in corn and energy prices. If corn, crude oil and gasoline prices increase, that could have a significant negative impact on the market price of ethanol and our profitability, particularly should ethanol stocks grow because of expansion of production capacity in the industry. A decline in ethanol exports due to trade disputes resulting in tariffs imposed on ethanol produced in the United States would also likely contribute to higher ethanol stocks unless additional demand could be created domestically through the use of higher blends.

Distillers Grains

Our revenues from distillers grains increased in the fiscal year ended September 30, 2018 as compared to the same period in 2017. This increase in revenues is primarily the result of an increase in the average market price per ton of distillers grains sold for the period ended September 30, 2018 compared to the same period in 2017. The average price per ton of distillers grains sold for the fiscal year ended September 30, 2018 increased by approximately 42.4% compared to the average price per ton of distillers grains sold for the same period in 2017. This increase in the market price of distillers grains is due to increased export demand from nations other than China during the fiscal year ended September 30, 2018 as compared to the same period in 2017. In addition, poor corn quality from the 2016 corn crop had a negative effect on the price of distillers grains during our 2017 fiscal year.

China has been a significant consumer of exported distillers grains. However, an anti-dumping investigation beginning in January of 2016 into distillers grains produced in the United States led to the imposition by China of preliminary anti-dumping and anti-subsidy duties on imports of ethanol produced in the United States in the fall of 2016 and a final ruling imposing even higher duties in January 2017. The investigation and imposition of these duties resulted in a decline in demand from China. Recent trade disputes with countries such as China, Mexico and the European Union have created additional uncertainty as to future export demand. If export demand suffers, this could lead to lower distillers grains prices unless additional demand can be sustained from domestic or other foreign markets. Domestic demand for distillers grains could also decrease due to expansion of production capacity in the ethanol industry or if lower corn or soybean prices result in end-users switching to lower priced alternatives. In addition, growing conditions in a particular season's harvest may cause the corn crop to be of poor quality resulting in lower distillers grains prices.

We experienced a decrease of approximately 3.6% in distillers grains tons sold in the fiscal year ended September 30, 2018 as compared to the same period in 2017 due to higher ethanol and corn oil yields which decreased production of distillers grains. Management anticipates that our annual distillers grains production volume will increase for the fiscal year ended September 30, 2019 due to completion of various projects which are expected to increase our ethanol production rate to approximately 140 million gallons. However, this increase in production may be offset somewhat by a decrease in DDGS yield per bushel.

Corn Oil

Our revenues from corn oil sales increased by approximately 0.1% in the fiscal year ended September 30, 2018 as compared to the same period in 2017 which resulted from a 15.6% increase in the number of pounds sold despite a \$0.11 decrease

in the average selling price for the corn oil sold in the fiscal year ended September 30, 2018 as compared to the same period in 2017. The 15.6% increase in corn oil sold during the fiscal year ended September 30, 2018 as compared to the same period in 2017 was principally because of increased oil extraction rates per bushel of corn, which we attribute mostly to the higher quality of corn available and purchased during the fiscal year. The increased overall production rate of the plant in the fiscal year ended September 30, 2018 also contributed to higher corn oil sales.

The average price per pound of corn oil sold for the fiscal year ended September 30, 2018 decreased by approximately 10.7% as compared to the same period in 2017 due primarily to increased production by the ethanol industry and to uncertainty of biodiesel demand. Management anticipates that higher production and an over-supply will keep prices low into 2019. Corn oil prices may be negatively affected if the renewable volume obligations for biodiesel are reduced by the EPA or if the biodiesel tax credit which was retroactively extended for 2017 is not further extended by Congress. In addition, recent trade disputes have created additional uncertainty which could have a negative affect on corn oil prices. Management expects corn oil production will increase for the fiscal year ended September 30, 2019 due to completion of various projects which are expected to increase our ethanol production rate to approximately 140 million gallons which would also increase our corn oil production.

Trading Division

The following table shows the sources of our revenues from our Trading Division for the fiscal year ended September 30, 2018 and 2017:

Revenue Source	2018		2017	
	Amount	% of Revenues	Amount	% of Revenues
Soybean Sales	\$ 43,975,501	99.9%	\$ —	
Other Revenue	\$ 35,550	0.1		
Total Revenues	\$ 44,011,051	100.0%	\$ —	—%

We began operating the Trading Division in late September 2017. During the fiscal year ended September 30, 2018 our revenues were derived primarily from transporting and selling soybeans. The average price per bushel of soybeans sold was \$9.61 based on sales of approximately 4,582,000 bushels for the fiscal year ended September 30, 2018.

Cost of Goods Sold

Ethanol Division

Our Ethanol Division cost of goods sold as a percentage of its revenues was approximately 94.1% for the fiscal year ended September 30, 2018 as compared to approximately 91.5% for the same period in 2017. This increase in cost of goods sold as a percentage of revenues was the result of decreased ethanol prices relative to the price of corn for the fiscal year ended September 30, 2018 as compared to the same period in 2017. Our two largest costs of production are corn and natural gas. Cost of goods sold also includes net gains or losses from derivatives related to commodities purchased.

Corn

Our largest cost associated with the production of ethanol, distillers grains and corn oil is corn cost. During the fiscal year ended September 30, 2018, the bushels of corn we used to produce our ethanol, distillers grains and corn oil increased by approximately 1.9% as compared to the same period in 2017. More bushels were used in production because we produced more gallons of ethanol during the fiscal year ended September 30, 2018 compared to the same period in 2017. During the fiscal year ended September 30, 2018, our average price paid per bushel of corn decreased approximately 2.9% as compared to the same period in 2017 due primarily to a plentiful 2017 harvest which kept corn prices low until concerns related to planting conditions and domestic corn stocks led to increased volatility in corn prices in the late spring and early summer months. Better growing conditions in July and August relieved those concerns.

Weather, world supply and demand, current and anticipated stocks, agricultural policy and other factors can contribute to volatility in corn prices. If corn prices rise, it will have a negative effect on our operating margins unless the price of ethanol and distillers grains out paces rising corn prices. Volatility in the price of corn could significantly impact our cost of goods sold.

Natural Gas

Our natural gas cost was lower during our fiscal year ended September 30, 2018 as compared to the fiscal year ended September 30, 2017. This decrease in the cost of natural gas for the fiscal year ended September 30, 2018 as compared to the same period in 2017 was primarily the result of a decrease of approximately 5.4% in the average price per MMBTU of natural gas due to an increase in natural gas stocks. We also used approximately 3.3% more natural gas for the fiscal year ended September 30, 2018 as compared to the same period in 2017 because of higher ethanol production.

Management expects that natural gas prices will be dependent upon the severity of the coming winter weather. If the nation were to experience a catastrophic weather event causing problems related to the supply of natural gas, this could result in higher natural gas prices.

Trading Division

The following table shows the costs incurred to procure various agricultural commodities for our Trading Division for the fiscal year ended September 30, 2018 and 2017:

	2018		2017	
	Amount	% of Revenues	Amount	% of Revenues
Soybeans	\$ 42,062,458	95.6%	\$ —	—%
Total Cost of Goods Sold	\$ 42,062,458	95.6%	\$ —	—%

We began operating the Trading Division in late September 2017. During the fiscal year ended September 30, 2018 our cost was primarily the procurement of soybeans for sale.

Derivatives

We enter into hedging instruments to minimize price fluctuations in the prices of our finished products and inputs. As the current market price of our hedge positions changes, the realized or unrealized gains and losses are immediately recognized in our revenues and our cost of goods sold. These commodity-based derivatives are not designated as effective hedges for accounting purposes. Please refer to "**Item 7A - Quantitative and Qualitative Disclosures About Market Risk-Commodity Price Risk**" for information on our derivatives.

Operating Expense

Operating expenses include salaries and benefits of administrative employees, insurance, taxes, professional fees, depreciation of trading division fixed assets, property taxes and other general administrative costs. Our efforts to optimize efficiencies and maximize production may result in a decrease in our operating expenses on a per gallon basis. The increase was due primarily to the depreciation of Trading Division assets of approximately \$770,000 for the year ended September 30, 2018. However, because these expenses generally do not vary with the level of production at the plant, we expect our operating expenses to remain consistent with 2018 into and throughout our 2019 fiscal year.

Operating Income

Our income from operations for the fiscal year ended September 30, 2018 was approximately 3.2% of our revenues compared to operating income of approximately 6.0% of revenues for the same period in 2017. The decrease in operating income for the fiscal year ended September 30, 2018 was primarily the result of decreased ethanol prices relative to the cost of corn.

Other Expense

We had other expense of approximately 0.3% of revenues for the fiscal year ended September 30, 2018 compared to other income of approximately 0.1% of revenues for the same period in 2017. This increase in other expense for the fiscal year ended September 30, 2018, was primarily due to drawing additional funds on our debt facilities which increased our interest expense for our fiscal year ended September 30, 2018.

Subsequent Event

On November 6, 2018, we experienced an explosion in one of our DDGS silos. There were no injuries related to the incident and the damage was limited to the DDGS silos and the associated materials handling equipment. Operations at the plant were temporarily suspended pending an evaluation and assessment of the situation. The plant resumed operations within a few days of the incident. The extent of monetary damages related to the incident has not yet been fully determined. We are presently working with our insurance carrier and other experts to assess the amount of the damages.

Results of Operations for the Fiscal Years Ended September 30, 2017 and 2016

The following table shows the results of our operations and the percentage of revenues, cost of goods sold, operating expenses and other items to total revenues in our statement of operations for the fiscal years ended September 30, 2017 and 2016:

Statement of Operations Data	2017		2016	
	Amount	%	Amount	%
Revenues	\$ 228,496,827	100.0	\$ 222,895,449	100.0
Cost of Goods Sold	209,241,617	91.6	204,014,877	91.5
Gross Profit	19,255,210	8.4	18,880,572	8.5
Operating Expenses	5,520,971	2.4	5,233,634	2.3
Operating Income	13,734,239	6.0	13,646,938	6.2
Other Expense, net	(309,615)	(0.1)	(125,143)	(0.1)
Net Income	\$ 13,424,624	5.9	\$ 13,521,795	6.1

Revenues

The Trading Division began operations at the end of our fourth fiscal quarter of 2017. Although we bought soybeans and entered into forward purchase contracts for soybean purchases and sales, we determined that the Trading Division was not material to our business at September 30, 2017 and therefore, was not a reportable, separate business segment at that time and all operations were included in what is now the ethanol production segment. For the fiscal years ended September 30, 2017 and 2016, revenues come from three primary sources: sales of fuel ethanol, distillers grains and corn oil. The following table shows the sources of our revenue for the fiscal years ended September 30, 2017 and 2016:

Ethanol

Our revenues from ethanol increased for our fiscal year ended September 30, 2017 as compared to our fiscal year ended September 30, 2016. This increase in revenues was primarily the result of an increase in the average price per gallon of ethanol sold for the fiscal year ended September 30, 2017 as compared to the same period in 2016.

Revenue Source	2017		2016	
	Amount	% of Revenues	Amount	% of Revenues
Ethanol Sales	\$ 188,860,886	82.7%	\$ 173,252,481	77.7%
Distillers Grains Sales	30,886,518	13.5	40,709,845	18.3
Corn Oil Sales	8,010,124	3.5	8,226,924	3.7
CO2 Sales	481,893	0.2	514,937	0.2
Other Revenue	257,406	0.1	191,262	0.1
Total Revenues	\$ 228,496,827	100%	\$ 222,895,449	100%

We experienced an increase in ethanol gallons sold of approximately 4.8% for the fiscal year ended September 30, 2017 as compared to the same period in 2016 resulting primarily from increased ethanol production rates.

Our average price per gallon of ethanol sold for the fiscal year ended September 30, 2017 was approximately 4.2% more than our average price per gallon of ethanol sold for the same period in 2016. Ethanol prices were higher during the fiscal year ended September 30, 2017 due to increased export demand which offset increased industry-wide production. In addition, lower corn, crude oil and gasoline prices during the 2016 fiscal year had a negative affect on ethanol prices for that period.

Distillers Grains

Our revenues from distillers grains decreased in the fiscal year ended September 30, 2017 as compared to the same period in 2016. This decrease in revenues was primarily the result of a decrease in the average market price per ton of distillers grains sold for the period ended September 30, 2017 compared to the same period in 2016. The average price per ton of distillers grains sold for the fiscal year ended September 30, 2017 was approximately 25.3% lower than the average price per ton of distillers grains sold for the same period in 2016. This decline in the market price of distillers grains was due to increased industry-wide production along with lower export demand during the fiscal year ended September 30, 2017 as compared to the same period in 2016 which resulted in a decline in the price of distillers grains as a percentage of corn values. In addition, poor corn quality from the 2016 corn crop had a negative effect on the price of distillers grains during our 2017 fiscal year.

China was historically a significant consumer of exported distillers grains particularly since December of 2014 following the resolution of a dispute related to China's objection to the presence of an unapproved genetically modified organism in some U.S. shipments. However, an anti-dumping investigation began in January of 2016 into distillers grains produced in the United States led to the imposition by China of preliminary anti-dumping and anti-subsidy duties on imports of ethanol produced in the United States in the fall of 2016 and a final ruling imposing even higher duties in January 2017. The investigation and imposition of these duties resulted in a decline in demand from China resulting in lower distillers grains prices.

We experienced an increase of approximately 1.5% in distillers grains tons sold in the fiscal year ended September 30, 2017 as compared to the same period in 2016 due primarily to timing of shipments.

Corn Oil

Our revenues from corn oil sales decreased by approximately 2.6% in the fiscal year ended September 30, 2017 as compared to the same period in 2016 which was primarily a result of a decrease of gallons of corn oil sold in the fiscal year ended September 30, 2017 as compared to the same period in 2016. We sold approximately 10.3% less corn oil in the fiscal year ended September 30, 2017 as compared to the same period in 2016 due primarily to decreased oil extraction rates per bushel of corn, which was primarily attributed to the the quality of corn purchased.

The average price per pound of corn oil was approximately 7.7% higher for the fiscal year ended September 30, 2017 as compared to the same period in 2016 due primarily to higher demand from the biodiesel industry during our first fiscal quarter of 2017 and from the feed industry during our second fiscal quarter of 2017 which positively impacted the market price of corn oil. However, corn oil demand was lower during the last half of our fiscal year.

Cost of Goods Sold

Our cost of goods sold of the Ethanol Division as a percentage of its revenues was approximately 91.5% for the fiscal year ended September 30, 2017 as compared to approximately 91.5% for the same period in 2016. While the cost of goods sold was virtually the same in 2017 and 2016, the total cost of goods sold increased from \$204,015,000 in 2016 to \$209,138,000 in 2017. This dichotomy arose from the increased production in 2017 over 2016 and because the price of corn decreased by 1.6%. Another contributor was the price of natural gas, which increased 19.2% in 2017 compared to 2016.

Corn

Our largest cost associated with the production of ethanol, distillers grains and corn oil is corn cost. During the fiscal year ended September 30, 2017, we used approximately 3.4% more bushels of corn to produce our ethanol, distillers grain and corn oil as compared to the same period in 2016. More bushels were used in production because we produced more gallons of ethanol during the fiscal year ended September 30, 2017 compared to the same period in 2016. During the fiscal year ended September 30, 2017, our average price paid per bushel of corn increased approximately 1.6% as compared to the same period in 2016 due primarily to market concerns in the late spring and early summer months about wet conditions in our area of the corn belt. Better growing conditions in July and August relieved those concerns but the higher prices earlier caused the average annual price to be higher.

Natural Gas

Our natural gas cost was higher during our fiscal year ended September 30, 2017 as compared to the fiscal year ended September 30, 2016. This increase in the cost of natural gas for the fiscal year ended September 30, 2017 as compared to the same period in 2016 was primarily the result of an increase of approximately 19.2% in the average price per MMBTU of natural gas due to lower production and increased demand which used up natural gas stocks built up in 2015. We also used approximately

3.1% more natural gas for the fiscal year ended September 30, 2017 as compared to the same period in 2016 because of higher ethanol production.

Derivatives

We enter into hedging instruments to minimize price fluctuations in the prices of our finished products and inputs. As the current market price of our hedge positions changes, the realized or unrealized gains and losses are immediately recognized in our revenues and our cost of goods sold. These commodity-based derivatives are not designated as effective hedges for accounting purposes. Please refer to "**Item 7A - Quantitative and Qualitative Disclosures About Market Risk-Commodity Price Risk**" for information on our derivatives.

Operating Expense

Our operating expenses as a percentage of revenues were approximately 2.4% and 2.3% for the fiscal years ended September 30, 2017 and 2016, respectively. Operating expenses include salaries and benefits of administrative employees, insurance, taxes, professional fees and other general administrative costs.

Operating Income

Our income from operations for the fiscal year ended September 30, 2017 was approximately 6.0% of our revenues compared to operating income of approximately 6.2% of revenues for the same period in 2016. The decrease in operating income for the fiscal year ended September 30, 2017 was primarily the result of decreased ethanol prices relative to the cost of corn.

Other Expense

We had other expense of approximately 0.1% of revenues for the fiscal year ended September 30, 2017 compared to other income of approximately 0.1% of revenues for the same period in 2016. This increase in other expense for the fiscal year ended September 30, 2017, was primarily due to drawing additional funds on our debt facilities which increased our interest expense for our fiscal year ended September 30, 2017.

Changes in Financial Condition for the Fiscal Year Ended September 30, 2018

The following table highlights the changes in our financial condition for the fiscal years ended September 30, 2018 and 2017:

	September 30, 2018	September 30, 2017
Current Assets	\$ 46,351,013	\$ 50,139,370
Current Liabilities	16,941,813	18,007,407
Long-term Liabilities	7,314,867	14,581,758
Members' Equity	120,338,196	126,582,831

We experienced a decrease in our current assets at September 30, 2018 as compared to September 30, 2017. This decrease was primarily driven by a decrease in our trade accounts receivable at September 30, 2018 compared to September 30, 2017 because of the shorter payment terms under the amended marketing agreement with our ethanol marketer.

We experienced a decrease in our current liabilities at September 30, 2018 compared to September 30, 2017. This decrease is primarily due to the lower current portion of long-term debt at September 30, 2018 as compared to September 30, 2017 which resulted from paying the outstanding balance of the Term Loan in August 2018. This decrease was partially offset by an increase in our commodity derivative instrument liability positions at September 30, 2018.

We experienced a decrease in our long-term liabilities as of September 30, 2018 compared to September 30, 2017. This decrease resulted from paying the outstanding balance of the Term Loan in August 2018.

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. We do not anticipate seeking additional equity financing during our 2019 fiscal year. However, should we experience unfavorable operating

conditions in the ethanol industry that prevent us from profitably operating the ethanol plant, we could have difficulty maintaining our liquidity and may need to rely on our revolving lines of credit for operations.

Comparison of Cash Flows for Fiscal Years Ended September 30, 2018 and 2017

The following table shows cash flows for the fiscal year ended September 30, 2018 and 2017:

	2018	2017
Net cash provided by operating activities	\$ 25,369,114	\$ 21,535,242
Net cash used for investing activities	(2,064,437)	(12,950,173)
Net cash used for financing activities	(23,463,846)	(13,650,819)
Net decrease in cash & restricted cash	(159,169)	(5,065,750)
Cash & restricted cash, beginning of period	19,397,161	24,462,911
Cash & restricted cash, end of period	<u>\$ 19,237,992</u>	<u>\$ 19,397,161</u>

Cash Flow from Operations

We experienced an increase in our cash flow from operations for the fiscal year ended September 30, 2018 as compared to the same period in 2017. This increase was due to a decrease in payment time from the point of sale from our ethanol marketer during the fiscal year ended September 30, 2018 as compared with the same period in 2017.

Cash Flow used for Investing Activities

We used less cash in investing activities for the fiscal year ended September 30, 2018 as compared to the same period in 2017. This decrease was primarily the result of decreased payments for construction in progress because the construction of the grain receiving and loading facility for our Trading Division was finished at the beginning of 2018 and no new large capital projects were in progress during our 2018 fiscal year.

Cash Flow used for Financing Activities

We used more cash for financing activities for the fiscal year ended September 30, 2018 as compared to the same period in 2017. This increase was the result of paying the outstanding balance on the Term Loan in August 2018. This increase was partially offset by a decrease in distributions to our members during the fiscal year ended September 30, 2018 as compared with the same period in 2017.

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, soybeans 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, distillers grains and soybeans remain consistent with the relative price levels as of September 30, 2018, we expect operations to generate adequate cash flows to maintain operations.

Comparison of Cash Flows for Fiscal Years Ended September 30, 2017 and 2016

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

	2017	2016
Net cash provided by operating activities	\$ 21,535,242	\$ 23,207,492
Net cash used for investing activities	(12,950,173)	(6,931,007)
Net cash used for financing activities	(13,650,819)	(13,852,664)
Net increase (decrease) in cash & restricted cash	(5,065,750)	2,423,821
Cash & restricted cash, beginning of period	24,462,911	22,039,090
Cash & restricted cash, end of period	<u>\$ 19,397,161</u>	<u>\$ 24,462,911</u>

Cash Flow from Operations

We experienced a decrease in our cash flow from operations for the fiscal year ended September 30, 2017 as compared to the same period in 2016. This decrease was primarily the result of decreased ethanol and distillers grain prices relative to the cost of corn and the impact these prices had on inventory and other working capital components for the fiscal year ended September 30, 2017 as compared with the same period in 2016.

Cash Flow used for Investing Activities

We used more cash in investing activities for the fiscal year ended September 30, 2017 as compared to the same period in 2016. This increase was primarily the result of an increase in payments for construction in progress due to construction of the grain receiving and loading facility for our Trading Division.

Cash Flow used for Financing Activities

We used less cash for financing activities for the fiscal year ended September 30, 2017 as compared to the same period in 2016. This decrease was the result of paying less distributions to our members during the fiscal year ended September 30, 2017 as compared to the same period in 2016. This was partially offset by net additional borrowing of approximately \$3.5 million from our debt facilities.

Short and Long Term Debt Sources

We have a loan agreement consisting of four loans, the Term Loan, the Declining Revolving Loan ("Declining Loan"), the Revolving Credit Loan and a Grain Loadout Facility Loan (formerly the Construction Loan). In exchange for these loans, we granted liens on all property (real and personal, tangible and intangible) which include, among other things, a mortgage on the property, a security interest on commodity trading accounts, and an assignment of material contracts. Please refer to **"Item 8 - Financial Statements, Note 8 - Bank Financing"** for additional details regarding the Amendment. On August 22, 2018, we paid the outstanding balance on the Term Loan and we have no ability to borrow additional funds against the Term Loan.

Term Loan

The interest rate on the Term Loan was formerly based on the 3-month London Interbank Offered Rate ("LIBOR") plus two hundred ninety basis points. The Term Loan required monthly installment payments of approximately \$282,700 commencing on September 1, 2016, with a final maturity date of February 28, 2021. The outstanding balance on the Term Loan was repaid in August 2018 and as such, there was \$0 outstanding on September 30, 2018 and approximately \$11,856,000 outstanding on the Term Loan at September 30, 2017.

Declining Loan

The maximum availability of the Declining Loan is \$5,000,000 with such amount to be available for working capital purposes. The interest rate on the Declining Loan is based on the 3-month LIBOR plus two hundred ninety basis points. The interest rate at September 30, 2018 was 5.24%. There was no borrowings outstanding on the Declining Loan at September 30, 2018 or September 30, 2017.

Revolving Credit Loan

The Revolving Credit Loan has a limit of \$15,000,000 supported by a borrowing base made up of our corn, ethanol, dried distillers grain and corn oil inventories reduced by accounts payable associated with those inventories having a priority over FNBO. It is also supported by the eligible accounts receivable and commodity trading account excess margin funds. The interest rate on the Revolving Credit Loan is the 1-month LIBOR plus two hundred ninety basis points. The interest rate at September 30, 2018 was 5.01%. There were no borrowings outstanding on the Revolving Credit Loan at September 30, 2018 or September 30, 2017.

Grain Loadout Facility Loan

The Grain Loadout Facility Loan (formerly construction loan) has a limit of \$10,000,000. The interest rate on the Grain Loadout Facility Loan is based on the 3-month LIBOR plus two hundred ninety basis points and at September 30, 2018 was 5.23%. There were borrowings in the amount of approximately \$8,743,000 outstanding on the Grain Loadout Facility Loan at September 30, 2018 and \$6,476,000 outstanding on the Grain Loadout Facility Loan at September 30, 2017. The principal balance on the Construction Loan of \$10,000,000 was converted to term debt effective December 31, 2017. The Grain Loadout Facility Loan

requires monthly installment payments of principal of approximately \$119,000 plus interest accrued in arrears from the date of the last payment, such payments commenced on February 1, 2018, with a final maturity date of February 28, 2023. During the fiscal year ended September 30, 2018, we have capitalized approximately \$15,000 of interest related to the various improvement and construction projects. This compares with approximately \$263,000 capitalized in the same period ended September 30, 2017.

Covenants

During the term of the loans, we will be subject to certain financial covenants. Our minimum working capital is \$15,000,000, which is calculated as our current assets plus the amount available for drawing under our long term revolving note, less current liabilities. Our minimum fixed charge coverage ratio is no less than 1.15:1.0 measured on a rolling four quarter average basis. However, for any reporting period, if our working capital is equal to or more than \$25,000,000, we will be subject to maintaining a debt service charge coverage ratio of no less than 1.25:1.0 in lieu of the fixed charge coverage ratio.

Our loan agreement also requires us to obtain prior approval from our lender before making, or committing to make, capital expenditures exceeding an aggregate amount of \$5,000,000.

We are meeting our liquidity needs and complying with our financial covenants and the other terms of our loan agreements at September 30, 2018. Based on current management projections, we anticipate that future operations will be sufficient to generate enough cash flow to maintain operations, service any new debt and comply with our financial covenants and other terms of our loan agreements through September 30, 2019. Should market conditions deteriorate in the future, circumstances may develop which could result in us violating the financial covenants or other terms of our loan agreements. Should we violate the terms or covenants of our loan or fail to obtain a waiver of any such term or covenant, our primary lender could deem us in default of our loans and require us to immediately repay a significant portion or possibly the entire outstanding balance of our loans if we have a balance outstanding. In that event, our lender could also elect to proceed with a foreclosure action on our plant.

Development Agreement

In September 2007, the Company entered into a development agreement with Randolph County Redevelopment Commission ("the Commission") to promote economic development in the area. Under the terms of this agreement, beginning in January 2008 through December 2028, the money the Company pays toward property tax expense is allocated to an expense and an acquisition account. The funds in the acquisition account can be used by the Commission to purchase equipment, at the Company's direction, for the plant. The Company does not have title to or control over the funds in the acquisition account, no amounts have been recorded in the balance sheet relating to this account.

Tax Abatement

In October 2006, the real estate on which our plant was constructed was determined to be an economic revitalization area, which qualified us for tax abatement. The abatement period is for a ten year term, with an effective date beginning calendar year end 2009 for the property taxes payable in calendar year 2010. The program allows for 100% abatement of property taxes beginning in year 1, and then decreases on a ratable scale so that in year 11 the full amount of property taxes are due and payable. We must apply annually and meet specified criteria to qualify for the abatement program.

Capital Improvements

We completed a construction project to add grain receiving and train loading facilities and additional rail spurs, track and grain storage to allow us to procure, transport and sell grain commodities through our new Trading Division. This project was substantially complete at September 30, 2017 for a total cost of approximately \$9,300,000. To provide funding for this construction project, we executed a Tenth Amendment of First Amended and Restated Construction Loan Agreement with our primary lender, First National Bank of Omaha. Please refer to "**Item 1 - Financial Statements, Note 8 - Bank Financing**" for additional details regarding the terms of our construction financing.

The board of directors has approved various capital projects for the 2019 fiscal year in order to make certain improvements to our ethanol plant. These improvements are expected to allow us to increase our annual ethanol production rate to approximately 140 million gallons. We have not yet received bids for construction of these projects. However, we expect to use funds from operations and our existing debt facilities to fund these improvements.

Contractual Cash Obligations

In addition to our long-term debt obligations, we have certain other contractual cash obligations and commitments. The following tables provide information regarding our contractual obligations and approximate commitments as of September 30, 2018:

Contractual Cash Obligations	Payment Due By Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	After Five Years
Long-Term Debt Obligations	\$10,017,575	\$ 1,851,163	\$ 5,099,955	\$ 3,066,457	\$ —
Operating Lease Obligations	10,115,700	2,676,660	7,103,880	335,160	
Purchase Obligations	29,153,614	26,916,526	2,063,488	173,600	—
Total Contractual Cash Obligations	<u>\$49,286,889</u>	<u>\$31,444,349</u>	<u>\$14,267,323</u>	<u>\$ 3,575,217</u>	<u>\$ —</u>

The long-term debt obligations in the table above include both estimated principal and interest payments applicable to the obligations incurred as a result of the borrowings against the Term Loan for our expansion projects (discussed above). The operating lease obligations in the table above include our hopper and tank railcars and forklift lease obligations as of September 30, 2018. Purchase obligations consist of forward contracted corn and soybean deliveries and forward contracted natural gas purchases.

Critical Accounting Estimates

Management uses various 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. Accounting estimates that are the most important to the presentation of our results of operations and financial condition, and which require the greatest use of judgment by management, are designated as our critical accounting estimates. We have the following critical accounting estimates:

We enter into derivative instruments to hedge the variability of expected future cash flows related to commodity markets. We do not typically enter into derivative instruments other than for economic hedging purposes. All derivative instruments are recognized on the September 30, 2018 balance sheet at their fair market value. Changes in the fair value of a derivative instrument that is designated as and meets all of the required criteria for a cash flow hedge are recorded in accumulated other comprehensive income and reclassified into earnings as the underlying hedged items affect earnings.

As of September 30, 2018, we have open short (selling) positions for 10,611,000 bushels of corn and long (buying) positions for 3,795,000 bushels of corn on the Chicago Board of Trade, open short (selling) positions of 2,310,000 gallons of ethanol and long (buying) positions of 3,150,000 gallons of ethanol on the Chicago Board of Trade. We also have open short (selling) positions for 1,235,000 bushels of soybeans and long (buying) positions of 320,000 bushels of soybeans on the Chicago Board of Trade. These derivatives have not been designated as an effective hedge for accounting purposes. Corn, ethanol and soybean positions are forecasted to settle through December 2019, March 2019 and July 2019, respectively. There may be offsetting positions that are not shown on a net basis that could lower the notional amount of positions outstanding as disclosed above.

We carry our long-lived assets at the original acquisition cost as required by current generally accepted accounting principles. Due to business conditions and the business environment in which our industry operates, the fair market value of those assets could, theoretically, fall below the amount which we carry them in our financial statements. In such cases, those assets would be known as impaired. Thus, we periodically perform an assessment of the fair value of these assets. Given the significant assumptions required and the possibility that actual conditions will differ, we consider the assessment of the useful lives of property and equipment to be a critical accounting estimate. Our assessment shows us that the fair value of our long-lived assets as a group is substantially in excess of its carrying value.

Inventories consist of raw materials, work in process, finished goods, grain inventory and parts. Corn is the primary raw material. Finished goods consist of ethanol, dried distiller grains and corn oil. We, other than for our Trading Division, state inventories at the lower of weighted average cost or net realizable value. For our Trading Division, we state our grain inventories at market price less estimated disposition costs. Net realizable value is the estimated selling prices in the normal course of business, less reasonably predictable costs. Our estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions which do not reflect unanticipated events and circumstances that may occur. In our analysis, we consider future corn costs and ethanol prices, break-even points for our plant and our risk management strategies in place through our derivative instruments and forward contracts. Given the significant

assumptions required and the possibility that actual conditions will differ, we consider the valuation of the lower of cost or net realizable value on inventory to be a critical accounting estimate.

We enter into forward contracts for grain purchases and natural gas to supply the two divisions. These contracts represent firm purchase commitments which must be evaluated for potential losses. We have determined that there are no losses that are required to be recognized on these firm purchase commitments related to contracts in place at September 30, 2018. Our estimates include various assumptions including the future prices of ethanol, distillers grains, corn, natural gas and soybeans.

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 interest rates and commodity prices as discussed below. We have no exposure to foreign currency risk as all of our business is conducted in U.S. Dollars. 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 natural gas. 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.

Interest Rate Risk

We are exposed to market risk from changes in interest rates. Exposure to interest rate risk results primarily from our Declining Loan, Revolving Credit Loan and Grain Loadout Facility Loan (formerly Construction Loan) which bear variable interest rates. The interest rate on the Declining Loan is the 3-month LIBOR plus 290 basis points with no minimum. There were no borrowings outstanding on the Declining Loan and the applicable interest rate was 5.24% at September 30, 2018. The interest rate for the Revolving Credit Note is the 1-month LIBOR rate plus 290 basis points with no minimum. There were no outstanding balances on the Revolving Credit Note at September 30, 2018 and the applicable interest rate was 5.01%. The interest rate on the Grain Loadout Facility Loan is the 3-month LIBOR plus 290 basis points with no minimum. There were borrowings in the amount of approximately \$8,743,000 outstanding on the Grain Loadout Facility Loan and the applicable interest rate was 5.23% at September 30, 2018. The specifics of the Term Loan, Declining Loan, the Revolving Credit Loan and the Grain Loadout Facility Loan are discussed in greater detail above. If we were to experience a 10% adverse change in LIBOR, the annual effect such change would have on our statement of operations, based on the amount we had outstanding on our variable interest rate loans at September 30, 2018, would be approximately \$46,000.

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 seek to minimize the risks from fluctuations in the prices of raw material inputs, such as corn and natural gas, and finished products, such as ethanol and distillers grains, through the use of hedging instruments. In practice, as markets move, we actively manage our risk and adjust hedging strategies as appropriate. Although we believe our hedge positions accomplish an economic hedge against our future purchases and sales, management has chosen not to use hedge accounting, which would match the gain or loss on our hedge positions to the specific commodity purchase being hedged. We are using fair value accounting for our hedge positions, which means as the current market price of our hedge positions changes, the realized or unrealized gains and losses are immediately recognized in our cost of goods sold or as an offset to revenues. The immediate recognition of hedging gains and losses can cause net income to be volatile from quarter to quarter due to the timing of the change in value of the derivative instruments relative to the cost and use of the commodity being hedged.

We enter into forward contracts for our commodity purchases and sales on a regular basis. It is our intent that, as we enter in to these contracts, we will use various hedging instruments 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 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.

At September 30, 2018, we had a net long position of 840,000 gallons of ethanol under derivative contracts used to hedge our future ethanol sales for various delivery periods through March 2019, a net short position of 6,816,000 bushels of corn under derivative contracts used to hedge our forward corn contracts, corn inventory and ethanol sales for various delivery periods through December 2019. At September 30, 2018, we had a net short (selling) position of 915,000 bushels of soybeans under derivative contracts used to hedge its forward soybean purchase contracts that it had entered into for its new Trading Division. These derivatives have not been designated as an effective hedge for accounting purposes. There may be offsetting positions that are not shown on a net basis that could lower the notional amount of positions outstanding as disclosed above. At September 30, 2018, we also had entered into certain forward purchase contracts at fixed prices for which we elected to account for as derivatives. The following table provides details regarding the gains and (losses) from our derivative instruments in the statements of operations, none of which are designated as hedging instruments for the fiscal years ended September 30, 2018, September 30, 2017 and September 30, 2016:

	Fiscal Year Ended September 30, 2018	Fiscal Year Ended September 30, 2017	Fiscal Year Ended September 30, 2016
Corn Derivative Contracts	\$ 1,994,778	\$ 2,003,473	\$ 6,134,582
Ethanol Derivative Contracts	(700,074)	1,640,292	(218,066)
Natural Gas Derivative Contracts	165,590	205,523	(90,442)
Soybean Derivative Contracts	3,495,818	223,409	—
Soybean Forward Purchase and Sales Contracts Derivatives	(1,344,332)	(327,005)	—
Totals	\$ 3,611,780	\$ 3,745,692	\$ 5,826,074

At September 30, 2018, we had forward corn purchase contracts at various fixed prices for various delivery periods through March 2020 for approximately 5.7% of our expected production needs for the next 18 months. At September 30, 2018, we also had forward dried distiller grains sales contracts at various fixed prices for various delivery periods through January 2019 for approximately 18.6% of expected production for the next 4 months and forward corn oil contracts at various prices for various delivery periods through December 2018 for approximately 48.4% of expected production for the next 3 months. Also, at September 30, 2018, we had forward natural gas contracts for approximately 34.2% of expected purchases for the next 25 months at various prices for various delivery periods through October 2020. We had no forward ethanol sales contracts at fixed prices as of September 30, 2018.

We began operating our Trading Division in late September 2017. In preparation for beginning those operations, we entered into forward purchases contracts for soybeans. At September 30, 2018, the Company had soybean forward purchase and sales contracts at various fixed prices for various delivery periods through July 2019 for approximately 32.33% of its anticipated trading volume of that commodity for the next 10 months.

As contracts are delivered, any gains or losses realized will be recognized in our gross margin. Due to the volatility and risk involved in the commodities market, we cannot be certain that these gains or losses will be realized.

As corn prices move in reaction to market trends and information, our income statement will be affected depending on the impact such market movements have on the value of our derivative instruments. Depending on market movements, crop prospects and weather, these price protection positions may cause immediate adverse effects, but are expected to produce long-term positive growth for us.

A sensitivity analysis has been prepared to estimate our exposure to ethanol, distillers grains, corn oil, corn, natural gas and soybeans price risk. Market risk related to these factors 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 average ethanol, distillers grains, corn oil and soybeans prices as of September 30, 2018 net of the forward and future contracts used to hedge our market risk. The volumes are based on our expected use, purchase and sale of these commodities for a one year period from September 30, 2018. The results of this analysis, which may differ from actual results, are approximately as follows:

	Estimated Volume Requirements for the next 12 months (net of forward and futures contracts)	Unit of Measure	Hypothetical Adverse Change in Price as of September 30, 2018	Approximate Adverse Change to Income
Natural Gas	945,000	MMBTU	10%	\$ 279,578
Ethanol	135,000,000	Gallons	10%	\$ 17,010,000
Corn	39,459,275	Bushels	10%	\$ 12,676,292
DDGs	303,665	Tons	10%	\$ 4,099,478
Corn Oil	27,658,328	Pounds	10%	\$ 732,946
Soybeans- Purchase	3,653,888	Bushels	10%	\$ 2,833,590
Soybeans-Sale	4,861,473	Bushels	10%	\$ 3,842,994

For comparison purposes, the results of our sensitivity analysis as of September 30, 2017 were approximately as follows:

	Estimated Volume Requirements for the next 12 months (net of forward and futures contracts)	Unit of Measure	Hypothetical Adverse Change in Price as of September 30, 2017	Approximate Adverse Change to Income
Natural Gas	1,262,500	MMBTU	10%	\$ 367,009
Ethanol	130,000,000	Gallons	10%	\$ 19,760,000
Corn	40,710,063	Bushels	10%	\$ 14,146,747
DDGs	295,837	Tons	10%	\$ 3,195,040
Corn Oil	23,165,660	Pounds	10%	\$ 671,804
Soybeans - purchase	8,445,899	Bushels	10%	\$ 7,766,004

Our Trading Division did not begin operations until the end of the fourth fiscal quarter of September 2017.

Liability Risk

We participate in a captive reinsurance company (the “Captive”). The Captive reinsures losses related to worker's compensation, commercial property and general liability. Premiums are accrued by a charge to income for the period to which the premium relates and is remitted by our insurer to the captive reinsurer. The Captive reinsures catastrophic losses in excess of a predetermined amount. Our premiums are structured such that we have made a prepaid collateral deposit estimated for losses related to the above coverage. The Captive insurer has estimated and collected an amount in excess of the estimated losses but less than the catastrophic loss limit insured by the Captive. We cannot be assessed in excess of the amount in the collateral fund.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Members of Cardinal Ethanol, LLC

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Cardinal Ethanol, LLC (the Company) as of September 30, 2018 and 2017, and the related statements of operations, changes in members' equity, and cash flows for each of the years in the three-year period ended September 30, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2005.

/s/ Boulay PLLP

Minneapolis, Minnesota
November 21, 2018

CARDINAL ETHANOL, LLC
Balance Sheets

ASSETS	September 30, 2018	September 30, 2017
Current Assets		
Cash	\$ 17,989,013	\$ 18,995,755
Restricted cash	1,248,979	401,406
Trade accounts receivable	9,539,007	15,006,093
Miscellaneous receivables	519,721	384,508
Inventories	16,552,600	14,604,975
Prepaid and other current assets	170,953	253,791
Futures & Options Derivatives	281,438	489,531
Forward Purchase/Sales Derivatives	49,302	3,311
Total current assets	46,351,013	50,139,370
Property, Plant, and Equipment		
Land and land improvements	22,507,849	22,454,661
Plant and equipment	158,084,612	156,035,099
Building	7,018,061	7,018,061
Office equipment	814,842	814,842
Vehicles	31,928	31,928
Construction in process	48,429	1,522,246
	188,505,721	187,876,837
Less accumulated depreciation	(91,557,050)	(79,940,448)
Property, Plant, and Equipment, Net	96,948,671	107,936,389
Other Assets		
Investment	1,295,192	1,096,237
Total other assets	1,295,192	1,096,237
Total Assets	\$ 144,594,876	\$ 159,171,996

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

CARDINAL ETHANOL, LLC
Balance Sheets

LIABILITIES AND MEMBERS' EQUITY	September 30, 2018	September 30, 2017
Current Liabilities		
Accounts Payable	\$ 2,711,578	\$ 3,983,923
Accounts Payable - Grain	9,597,822	8,378,095
Accrued Expenses	1,289,929	1,381,734
Futures & Options Derivatives	274,118	264,357
Forward Purchase/Sales Derivatives	1,639,795	249,472
Current maturities of long-term debt	1,428,571	3,749,826
Total current liabilities	16,941,813	18,007,407
Long-term debt, net of current maturities	7,314,867	14,581,758
Commitments and Contingencies		
Members' Equity		
Member contributions net of cost of raising capital, 14,606 units authorized, issued and outstanding	70,912,213	70,912,213
Retained earnings	49,425,983	55,670,618
Total members' equity	120,338,196	126,582,831
Total Liabilities and Members' Equity	<u>\$ 144,594,876</u>	<u>\$ 159,171,996</u>

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

CARDINAL ETHANOL, LLC
Statements of Operations

	Fiscal Year Ended September 30, 2018	Fiscal Year Ended September 30, 2017	Fiscal Year Ended September 30, 2016
Revenues	\$ 266,858,452	\$ 228,496,827	\$ 222,895,449
Cost of Goods Sold	251,670,473	209,241,617	204,014,877
Gross Profit	15,187,979	19,255,210	18,880,572
Operating Expenses	6,778,756	5,520,971	5,233,634
Operating Income	8,409,223	13,734,239	13,646,938
Other Income (Expense)			
Interest income	—	—	250
Interest expense	(858,725)	(362,188)	(185,870)
Miscellaneous income	80,567	52,573	60,477
Total	(778,158)	(309,615)	(125,143)
Net Income	<u>\$ 7,631,065</u>	<u>\$ 13,424,624</u>	<u>\$ 13,521,795</u>
Weight Average Units Outstanding - basic and diluted	<u>14,606</u>	<u>14,606</u>	<u>14,606</u>
Net Income Per Unit - basic and diluted	<u>\$ 522</u>	<u>\$ 919</u>	<u>\$ 926</u>
Distributions Per Unit	<u>\$ 950</u>	<u>\$ 1,175</u>	<u>\$ 1,630</u>

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

CARDINAL ETHANOL, LLC
Statements of Cash Flows

	Fiscal Year Ended September 30, 2018	Fiscal Year Ended September 30, 2017	Fiscal Year Ended September 30, 2016
Cash Flows from Operating Activities			
Net income	\$ 7,631,065	\$ 13,424,624	\$ 13,521,795
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	11,624,076	10,876,179	9,698,309
Change in fair value of commodity derivative instruments	1,562,186	(305,963)	258,471
Gain on disposal of fixed asset	(9,560)	(6,600)	—
Non-cash dividend income	(198,955)	(157,986)	(114,757)
Change in operating assets and liabilities:			
Trade accounts receivables	5,467,086	(3,431,246)	387,510
Miscellaneous receivable	(135,213)	(248,991)	249,188
Inventories	(1,947,625)	(2,511,506)	1,660,983
Prepaid and other current assets	82,838	(4,792)	257,198
Accounts payable	165,294	1,511,712	(1,144,090)
Accounts payable-corn	1,219,727	3,616,548	(1,995,627)
Accrued expenses	(91,805)	(1,226,737)	428,512
Net cash provided by operating activities	25,369,114	21,535,242	23,207,492
Cash Flows from Investing Activities			
Capital expenditures	(118,953)	(571,366)	(6,452,884)
Payments for construction in process	(1,955,484)	(12,385,407)	(478,123)
Proceeds from sale of equipment	10,000	6,600	—
Net cash used for investing activities	(2,064,437)	(12,950,173)	(6,931,007)
Cash Flows from Financing Activities			
Distributions paid	(13,875,700)	(17,162,050)	(23,807,781)
Proceeds from line of credit	10,349,708	—	—
Repayment on line of credit	(10,349,708)	—	—
Proceeds from long-term debt	3,524,048	6,475,952	10,134,764
Payments on long-term debt	(13,112,194)	(2,964,721)	(179,647)
Net cash used for financing activities	(23,463,846)	(13,650,819)	(13,852,664)
Net Increase (Decrease) in Cash and Restricted Cash	(159,169)	(5,065,750)	2,423,821
Cash and Restricted Cash – Beginning of Period	19,397,161	24,462,911	22,039,090
Cash and Restricted Cash – End of Period	\$ 19,237,992	\$ 19,397,161	\$ 24,462,911

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

CARDINAL ETHANOL, LLC
Statements of Cash Flows

	Fiscal Year Ended September 30, 2018	Fiscal Year Ended September 30, 2017	Fiscal Year Ended September 30, 2016
Reconciliation of Cash and Restricted Cash			
Cash - Balance Sheet	\$ 17,989,013	\$ 18,995,755	\$ 23,002,139
Restricted Cash - Balance Sheet	1,248,979	401,406	1,460,772
Cash and Restricted Cash	<u>\$ 19,237,992</u>	<u>\$ 19,397,161</u>	<u>\$ 24,462,911</u>
Supplemental Cash Flow Information			
Interest paid	<u>\$ 883,972</u>	<u>\$ 613,856</u>	<u>\$ 320,323</u>
Supplemental Disclosure of Noncash Investing and Financing Activities			
Construction costs included in accrued expenses and accounts payable	<u>\$ 23,643</u>	<u>\$ 1,461,282</u>	<u>\$ 66,564</u>
Construction period interest capitalized in property, plant and equipment	<u>\$ 14,912</u>	<u>\$ 263,261</u>	<u>\$ 174,594</u>

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

CARDINAL ETHANOL, LLC
Statements of Changes in Members' Equity

	Member Contributions	Retained Earnings
Balance - September 30, 2015	\$ 70,912,213	\$ 69,694,030
Net income for year ended September 30, 2016	—	13,521,795
Members Distributions	—	(23,807,781)
Balance - September 30, 2016	70,912,213	59,408,044
Net income for year ended September 30, 2017	—	13,424,624
Members Distributions	—	(17,162,050)
Balance - September 30, 2017	70,912,213	55,670,618
Net income for year ended September 30, 2018	—	7,631,065
Members Distributions	—	(13,875,700)
Balance - September 30, 2018	\$ 70,912,213	\$ 49,425,983

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

CARDINAL ETHANOL, LLC
Notes to Audited Financial Statements
September 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Cardinal Ethanol, LLC, (the “Company”) is an Indiana limited liability company currently producing fuel-grade ethanol, distillers grains, corn oil and carbon dioxide near Union City, Indiana and sells these products throughout the continental United States. During the fiscal years ended September 30, 2018, 2017 and 2016, the Company produced approximately 130,500,000, 125,400,000 and 119,800,000 gallons of ethanol, respectively.

During 2017 we completed a construction project to add grain receiving and train loading facilities and additional rail spurs, track and grain storage to allow us to procure, transport and sell grain commodities through our grain operations (the "Trading Division").

Fiscal Reporting Period

The Company has adopted a fiscal year ending September 30 for reporting financial operations and a year ending December 31 for tax return purposes.

Reportable Segments

Accounting Standards Codification (“ASC”) 280, “Segment Reporting,” establishes the standards for reporting information about segments in financial statements. Operating segments are defined as components of an enterprise for which separate financial information is available that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Based on the related business nature and expected financial results criteria set forth in ASC 280, the Company has two reportable operating segments for financial reporting purposes.

- Ethanol Production Division. Based on the nature of the products and production process and the expected financial results, the Company’s operations at its ethanol plant, including the production and sale of ethanol and its co-products, are aggregated into one financial reporting segment.
- Trading Division. During 2017, the Company constructed a grain loading facility within our single site to buy, hold and sell inventories of agricultural grains, primarily soybeans. We perform no additional processing of these grains, unlike the corn inventory we hold and use in ethanol production. The activities of buying, selling and holding of grains other than for ethanol and co-product production comprise this financial reporting segment.

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. The Company uses estimates and assumptions in accounting for the following significant matters, among others; the useful lives of fixed assets, the valuation of inventory purchase and sale commitments derivatives, inventory, patronage dividends, long-lived assets and inventory purchase commitments. Actual results may differ from previously estimated amounts, and such differences may be material to the financial statements. The Company periodically reviews estimates and assumptions, and the effects of revisions are reflected in the period in which the revision is made.

Cash

The Company maintains its accounts primarily at two financial institutions. At times throughout the year the Company's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

Restricted Cash

As a part of its commodities hedging activities, the Company is required to maintain cash balances with our commodities trading companies for initial and maintenance margins on a per futures contract basis. Changes in the market value of contracts may increase these requirements. As the futures contracts expire, the margin requirements also expire. Accordingly, we record the

CARDINAL ETHANOL, LLC
Notes to Audited Financial Statements
September 30, 2018 and 2017

cash maintained with the traders in the margin accounts as restricted cash. Since this cash is immediately available to us upon request when there is a margin excess, we consider this restricted cash to be a current asset.

Trade Accounts Receivable

Credit terms are extended to customers in the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral. Accounts receivable are recorded at their estimated net realizable value. Accounts are considered past due if payment is not made on a timely basis in accordance with the Company's credit terms. Amounts considered uncollectible are written off. The Company's estimate of the allowance for doubtful accounts is based on historical experience, its evaluation of the current status of receivables, and unusual circumstances, if any. At September 30, 2018 and 2017, the Company determined that an allowance for doubtful accounts was not necessary.

Inventories

Ethanol Division (see Reportable Segments) inventories consist of raw materials, work in process, finished goods and parts. Corn is the primary raw material. Finished goods consist of ethanol, dried distiller grains and corn oil. Inventories are stated at the lower of weighted average cost or net realizable value. Net realizable value is the estimated selling prices in the normal course of business, less reasonably predictable selling costs.

Trading Division (see Reportable Segments) inventories consist of grain. Soybeans were the only grains held and traded at September 30, 2018 and 2017. These inventories are stated at market value, which may include reductions for quality.

Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Depreciation is provided over estimated useful lives by use of the straight line depreciation method. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized. Construction in process expenditures will be depreciated using the straight-line method over their estimated useful lives once the assets are placed into service.

	Minimum years	Maximum years
Land improvements	15	20
Office building	10	40
Office equipment	5	5
Process and grain handling equipment	10	20
Plant buildings	15	40

Long-Lived Assets

The Company reviews its long-lived assets, such as property, plant and equipment and financing costs, subject to depreciation and amortization, 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 discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Investments

Investments consist of the capital stock and patron equities of the Company's distillers grains marketer. The investments are stated at the lower of cost or fair value and adjusted for non cash patronage equities received. Patronage dividends are recognized when received and included within revenue in the statements of operations.

CARDINAL ETHANOL, LLC
Notes to Audited Financial Statements
September 30, 2018 and 2017

Revenue Recognition

The Ethanol Division generally sells ethanol and related products pursuant to marketing agreements. Revenues from the production of ethanol and the related products are recorded when the customer has taken title and assumed the risks and rewards of ownership, prices are fixed or determinable and collectability is reasonably assured. The Company may sell a portion of its ethanol to its marketer at an interim or provisional price. The Company's products are sold Free on Board (FOB) shipping point.

In accordance with the Company's agreements for the marketing and sale of ethanol and related products, marketing fees, commissions and freight due to the marketers are deducted from the gross sales price at the time incurred. Commissions were approximately \$2,191,000, \$2,279,000 and \$2,352,000 for the years ended September 30, 2018, 2017 and 2016, respectively. Freight was approximately \$12,643,000, \$10,027,000 and \$8,637,000 for the years ended September 30, 2018, 2017 and 2016, respectively. Revenue is recorded net of these commissions and freight as they do not provide an identifiable benefit that is sufficiently separable from the sale of ethanol and related products.

The Trading Division buys, holds and sells inventories of agricultural grains, primarily soybeans, under contracts with other grain dealers or processors. Revenue is recognized when transportation and delivery has occurred under the terms of the sales agreement, the final price for the contract is fixed or determinable and collectability is reasonably assured.

Cost of Goods Sold

Cost of goods sold include corn, trading division grains, natural gas and other components which includes processing ingredients, electricity, depreciation of ethanol production fixed assets and wages, salaries and benefits of production personnel.

Operating Expense

Operating expenses include wages, salaries and benefits of administrative employees at the plant, insurance, professional fees, depreciation of trading division fixed assets, property taxes and similar costs.

Derivative Instruments

From time to time the Company enters into derivative transactions to hedge its exposures to commodity 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 are recorded in the statement of operations, depending on the item being hedged.

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. Contracts that meet the requirements of normal purchases or sales are documented as normal and exempted from accounting and reporting requirements, and therefore, are not marked to market in our financial statements. The Company has elected for its Ethanol Division to apply the normal purchase and normal sale exemption to all forward commodity contracts. For the Trading Division, the Company has elected not to apply the normal purchase normal sale exemption to its forward purchase and sales contracts and therefore marks these derivative instruments to market.

Fair Value of Financial Instruments

The Company follows 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 and nonrecurring basis. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to

CARDINAL ETHANOL, LLC
Notes to Audited Financial Statements
September 30, 2018 and 2017

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 used to measure fair values to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

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.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximates fair value at September 30, 2018 and 2017 due to the short maturity nature of these instruments. The fair value of derivative instruments, Trading Division inventory, and debt is disclosed in Note 7.

Except for those assets and liabilities, which are required by authoritative accounting guidance to be recorded at fair value on 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, 2018, 2017, or 2016 that required adjustment to the recognized balances of assets or liabilities, which are recorded at fair value on a nonrecurring basis.

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 are recorded when the liability is probable and the costs can be reasonably estimated. No liabilities were recorded at September 30, 2018 or 2017.

Net Income per Unit

Basic net income per unit is computed by dividing net income by the weighted average number of members' units outstanding during the period. Diluted net income per unit is computed by dividing net income by the weighted average number of members' units and members' unit equivalents outstanding during the period. There were no member unit equivalents outstanding during the periods presented; accordingly, the Company's basic and diluted net income per unit are the same.

Income Taxes

Cardinal Ethanol LLC is treated as a partnership for federal and state income tax purposes and generally does not incur income taxes. Instead, income or losses are included in the income tax returns of the members and partners. Accordingly, no provision or liability for federal or state income taxes has been included in these financial statements. The Company had no significant uncertain tax positions as of September 30, 2018 or 2017. Differences between the financial statement basis of assets and tax basis of assets is related to capitalization and amortization of organization and start-up costs for tax purposes, whereas these costs are expensed for financial statement purposes. In addition, the Company uses the modified accelerated cost recovery system method (MACRS) for tax depreciation instead of the straight-line method that is used for book depreciation, which also causes temporary differences. For years before 2014, the Company is no longer subject to U.S. Federal income tax examinations.

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Recently Issued or Adopted Accounting Pronouncements

Revenue Recognition (Evaluated)

In May 2014, and amended in August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 which amended the Revenue from Contracts with Customers (Topic 606) of the Accounting Standards Codification. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Company beginning in October 2018. We have evaluated the impact of the standard on the financial statements and believe there will be no material effect aside for additional disclosure.

Accounting for Leases (Evaluating)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for the Company beginning in October 2019. It is to be adopted using a modified retrospective approach. The Company is currently evaluating the impact that the adoption of this guidance will have on the Company's financial statements and anticipates the new guidance will significantly impact its financial statements given the Company leases a significant number of rail cars for transporting ethanol and dried distillers grains with solubles (DDGS) to its end customers.

2. CONCENTRATIONS

Two major customers accounted for approximately 87% and 95% of the outstanding accounts receivable balance at September 30, 2018 and September 30, 2017, respectively. These same two customers also accounted for approximately 80% of revenue for the year ended September 30, 2018 and 96% of revenue for each of the years ended September 30, 2017, and 2016.

3. INCOME TAXES

The differences between financial statement basis and tax basis of assets and liabilities at September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Financial statement basis of assets	\$ 144,594,876	\$ 159,171,996
Organization and start-up costs	1,976,610	1,976,610
Book to tax depreciation and amortization	(78,383,631)	(83,107,561)
Book to tax derivative instruments	(330,740)	(492,842)
Capitalized inventory	(518,738)	71,000
Income tax basis of assets	<u>\$ 67,338,377</u>	<u>\$ 77,619,203</u>
Financial statement basis of liabilities	\$ 24,256,680	\$ 32,589,165
Book to tax derivative instruments	(1,913,913)	(513,829)
Accrued employee benefits	(511,753)	(507,866)
Income tax basis of liabilities	<u>\$ 21,831,014</u>	<u>\$ 31,567,470</u>

4. MEMBERS' EQUITY

The Company has one class of membership units, which include certain transfer restrictions as specified in the operating agreement and pursuant to applicable tax and securities laws. Income and losses are allocated to all members based upon their respective percentage of units held.

Distribution dates and amounts for the fiscal year ended September 30, 2016 are listed in the table below:

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Date Declared	Distribution Declared Per Unit	Total Distribution Amount	Month Distribution Paid
November 17, 2015	\$ 500	\$ 7,303,000	November 2015
February 9, 2016	300	4,381,800	February 2016
May 17, 2016	230	3,359,380	June 2016
August 16, 2016	600	8,763,601	August 2016
Totals	\$ 1,630	\$ 23,807,781	

Distribution dates and amounts for the fiscal year ended September 30, 2017 are listed in the table below:

Date Declared	Distribution Declared Per Unit	Total Distribution Amount	Month Distribution Paid
November 15, 2016	\$ 600	\$ 8,763,600	December 2016
February 14, 2017	200	2,921,200	February 2017
May 16, 2017	275	4,016,650	May 2017
August 14, 2017	100	1,460,600	August 2017
Totals	\$ 1,175	\$ 17,162,050	

Distribution dates and amounts for the fiscal year ended September 30, 2018 are listed in the table below:

Date Declared	Distribution Declared Per Unit	Total Distribution Amount	Month Distribution Paid
November 21, 2017	\$ 400	\$ 5,842,400	December 2017
February 20, 2018	200	2,921,200	February 2018
May 15, 2018	100	1,460,600	June 2018
August 21, 2018	250	3,651,500	August 2018
Totals	\$ 950	\$ 13,875,700	

5. INVENTORIES

Inventories consist of the following as of September 30, 2018 and 2017.

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	September 30, 2018	September 30, 2017
<i>Ethanol Division:</i>		
Raw materials	\$ 7,053,371	\$ 5,754,084
Work in progress	1,299,716	1,354,346
Finished goods	1,929,177	2,722,869
Spare parts	2,927,438	2,633,371
Ethanol Division Subtotal	\$ 13,209,702	\$ 12,464,670
<i>Trading Division:</i>		
Grain inventory	\$ 3,342,898	\$ 2,140,305
Trading Division Subtotal	\$ 3,342,898	\$ 2,140,305
<i>Total Inventories</i>	<u>\$ 16,552,600</u>	<u>\$ 14,604,975</u>

The Company had a net realizable value write-down of ethanol inventory of approximately \$113,000 for the year ended September 30, 2018.

In the ordinary course of its ethanol business, the Company enters into forward purchase contracts for its commodity purchases and sales. At September 30, 2018, the Company had forward corn purchase contracts at various fixed prices for various delivery periods through March 2020 for approximately 5.7% of expected production needs for the next 18 months. Given the uncertainty of future ethanol and corn prices, the Company could incur a loss on the outstanding corn purchase contracts in future periods. Management has evaluated these forward contracts and its inventories using the lower of cost or net realizable value evaluation, and has determined that no impairment existed at September 30, 2018 and September 30, 2017. At September 30, 2018, the Company has forward natural gas purchase contracts for approximately 34.2% of expected usage for the next 25 months at various prices for various delivery periods through October 2020. The Company has no forward ethanol sales contracts at fixed prices at September 30, 2018. It did have dried distiller grains sales contracts for approximately 18.6% through January 2019 and forward corn oil sales contracts for approximately 48.4% of expected production for the next 3 months at various fixed prices for various delivery periods through December 2018. Also, the Company purchased corn from a related party during the year totaling approximately \$435,000.

At September 30, 2018, the Company had soybean forward purchase contracts at various fixed prices for various delivery periods through July 2019 for approximately 32.3% of its anticipated trading volume of that commodity for the next 10 months. Also, the Company purchased soybeans from a related party during the year totaling approximately \$120,000.

6. DERIVATIVE INSTRUMENTS

The Company enters into corn, ethanol, natural gas and soybean derivative instruments, which are required to be recorded as either assets or liabilities at fair value in the balance sheet. Derivatives qualify for treatment as hedges when there is a high correlation between the change in fair value of the derivative instrument and the related change in value of the underlying hedged item. The Company must designate the hedging instruments based upon the exposure being hedged as a fair value hedge, a cash flow hedge or a hedge against foreign currency exposure. The Company formally documents, designates, and assesses the effectiveness of transactions that receive hedge accounting initially and on an on-going basis.

Commodity Contracts

The Company enters into commodity-based derivatives, for corn, ethanol, soybeans and natural gas in order to protect cash flows from fluctuations caused by volatility in commodity prices and to protect gross profit margins from potentially adverse effects of market and price volatility on commodity based 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. The changes in the fair market value of ethanol derivative instruments are included as a component of revenue. The changes in the fair market value of corn, natural gas and soybean derivative instruments are included as a component of cost of goods sold. At September 30, 2018, the Ethanol Division had a net short (selling) position of 6,816,000 bushels of corn under derivative contracts used to hedge its forward corn contracts, corn inventory and ethanol sales. The Ethanol Division had a net short (selling) position of 1,710,000 bushels of corn under derivative contracts as of September 30, 2017. Most of these corn derivatives are

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traded on the Chicago Board of Trade and are forecasted to settle for various delivery periods through December 2019 as of September 30, 2018. The Ethanol Division had a net long (buying) position of 840,000 gallons of ethanol under derivative contracts used to hedge its future ethanol sales. The Ethanol Division had a net long (buying) position of 210,000 gallons of ethanol under derivative contracts as of September 30, 2017. These ethanol derivatives are traded on the New York Mercantile Exchange and are forecasted to settle for various delivery periods through March 2019, as of September 30, 2018. At September 30, 2018, the Ethanol Division uses natural gas derivative contracts used to hedge its forward natural gas purchases. The Ethanol Division had no natural gas under derivative contracts as of September 30, 2018. These natural gas derivatives are traded on the New York Mercantile Exchange. These derivatives have not been designated as effective hedges for accounting purposes.

At September 30, 2018, the Trading Division had a net short (selling) position of 915,000 bushels of soybeans under derivative contracts used to hedge its forward soybean purchase contracts that it had entered into for its new Trading Division. The Trading Division had a short (selling) position of 750,000 bushels of soybeans under derivative contracts as of September 30, 2017.

The following table provides balance sheet details regarding the Company's derivative financial instruments at September 30, 2018:

Instrument	Balance Sheet Location	Assets		Liabilities	
Ethanol futures and options contracts	Commodity Derivative Instruments - Current	\$	—	\$	118,062
Corn futures and options contracts	Commodity Derivative Instruments - Current	\$	—	\$	156,056
Soybean futures and options contracts	Commodity Derivative Instruments - Current	\$	281,438	\$	—
Soybean forward purchase and sales contracts	Commodity Derivative Instruments - Current	\$	49,302		1,639,795

As of September 30, 2018 the Company had approximately \$1,249,000 of cash collateral (restricted cash) related to ethanol, corn, and soybean derivatives held by two brokers.

The following table provides balance sheet details regarding the Company's derivative financial instruments at September 30, 2017:

Instrument	Balance Sheet Location	Assets		Liabilities	
Ethanol futures and options contracts	Commodity Derivative Instruments - Current	\$	—	\$	89,019
Corn futures and options contracts	Commodity Derivative Instruments - Current	\$	489,531	\$	—
Soybean futures and options contracts	Commodity Derivative Instruments - Current	\$	—	\$	175,338
Soybean forward purchase contracts	Commodity Derivative Instruments - Current	\$	3,311	\$	249,473

As of September 30, 2017 the Company had approximately \$401,000 of cash collateral (restricted cash) related to ethanol, corn, and soybean derivatives held by two brokers.

The following table provides details regarding the gains and (losses) from the Company's derivative instruments in the statements of operations, none of which are designated as hedging instruments for the fiscal year ended September 30, 2018:

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Instrument	Statement of Operations Location	Amount
Corn Futures and Options Contracts	Cost of Goods Sold	\$ 1,994,778
Ethanol Futures and Options Contracts	Revenues	(700,074)
Natural Gas Futures and Options Contracts	Cost of Goods Sold	165,590
Soybean Futures and Options Contracts	Cost of Goods Sold	3,495,818
Soybean Forward Purchase and Sales Contracts	Cost of Goods Sold	(1,344,332)
Totals		\$ 3,611,780

The following table provides details regarding the gains and (losses) from the Company's derivative instruments in the statements of operations, none of which are designated as hedging instruments for the fiscal year ended ended September 30, 2017:

Instrument	Statement of Operations Location	Amount
Corn Futures and Options Contracts	Cost of Goods Sold	\$ 2,003,473
Ethanol Futures and Options Contracts	Revenues	1,640,292
Natural Gas Futures and Options Contracts	Cost of Goods Sold	205,523
Soybean Futures and Options Contracts	Cost of Goods Sold	223,409
Soybean Forward Purchase Contracts	Cost of Goods Sold	(327,005)
Totals		\$ 3,745,692

The following table provides details regarding the gains and (losses) from the Company's derivative instruments in the statements of operations, none of which are designated as hedging instruments for the fiscal year ended ended September 30, 2016:

Instrument	Statement of Operations Location	Amount
Corn Futures and Options Contracts	Cost of Goods Sold	\$ 6,134,582
Ethanol Futures and Options Contracts	Revenues	(218,066)
Natural Gas Futures and Options Contracts	Cost of Goods Sold	(90,442)
Totals		\$ 5,826,074

7. FAIR VALUE MEASUREMENTS

The following table provides information on those assets and liabilities measured at fair value on a recurring basis as of September 30, 2018:

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Derivatives	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Corn Futures and Options Contracts	\$ (156,056)	\$ (156,056)	(164,625) \$	8,569 \$	—
Ethanol Futures and Options Contracts	\$ (118,062)	(118,062) \$	(118,062) \$	— \$	—
Soybean Futures and Options Contracts	\$ 281,438	281,438 \$	281,438 \$	— \$	—
Soybean Forward Purchase Contracts	\$ (1,590,493)	(1,590,493) \$	— \$	(1,590,493) \$	—
Soybean Inventory	\$ 3,342,898	3,342,898 \$	— \$	3,342,898 \$	—

The following table provides information on those assets and liabilities measured at fair value on a recurring basis as of September 30, 2017:

Derivatives	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Corn Futures and Options Contracts	\$ 489,351	\$ 489,351	489,351	\$	—
Ethanol Futures and Options Contracts	\$ (89,019)	(89,019) \$	(89,019) \$	— \$	—
Soybean Futures and Options Contracts	\$ (175,338)	(175,338) \$	(175,338) \$	— \$	—
Soybean Forward Purchase Contracts	\$ (246,162)	(246,162) \$	— \$	(246,162) \$	—
Soybean Inventory	\$ 2,140,305	2,140,305 \$	— \$	2,140,305 \$	—

We determine the fair value of commodity derivative instruments by obtaining fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes and live trading levels from the Chicago Board of Trade market and New York Mercantile Exchange.

We determine the fair value of corn futures and options level 2 instruments by model-based techniques in which all significant inputs are observable in the markets noted above. Soybean forward purchase and sale contracts are reported at fair value using Level 2 inputs from current contract prices that are being issued by the Company.

Soybean inventory held in the trading division is reported at fair value using level 2 inputs which are based on purchases and sales transactions that occurred on or near September 30, 2018.

The Company believes the fair value of its long-term debt at September 30, 2018 and September 30, 2017 approximated the carrying value of approximately \$8,743,000 and \$11,856,000, respectively. Fair value was estimated using estimated market interest rates at September 30, 2018 and 2017, which considered to be level 2 inputs. The fair values and carrying values consider the terms of the related debt and exclude the impacts of discounts and derivative/hedging activity.

8. BANK FINANCING

The Company has a loan agreement consisting of four loans, the Term Loan, Declining Revolving Loan (Declining Loan), the Revolving Credit Loan and the Grain Loadout Facility Loan (formerly the Construction Loan) in exchange for liens on all property (real and personal, tangible and intangible) which include, among other things, a mortgage on the property, a security interest on commodity trading accounts and assignment of material contracts. The loan agreement assigns an interest rate of LIBOR plus 290 basis points (2.9%) to each of the individual loans. The Revolving Credit Loan is assigned the one month LIBOR rate which changes on the first day of every month. The Term Loan, the Revolving Loan and the Grain Loadout Facility Loan each have interest charged based on the ninety day (three month) LIBOR rate. The interest rate is assigned at the beginning of the ninety day period and not all of the loans have the same interest rate beginning and ending dates. On August 22, 2018, the Company paid the outstanding balance of the Term Loan. The Term Loan is now closed.

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On February 28, 2018, the Company executed a Thirteenth Amendment of First Amended and Restated Construction Loan Agreement (the "Thirteenth Amendment") extending the termination date of the Revolving Credit Loan from February 28, 2018 to February 28, 2019 and modifying the definition of "Borrowing Base" to include soybean inventory.

Declining Note

The maximum availability of the Declining Loan is \$5,000,000 and such amount is available for working capital purposes. There were no borrowings outstanding on the Declining Loan at September 30, 2018 or at September 30, 2017. The interest rate on the Term Loan is based on the 3-month LIBOR plus two hundred ninety basis points. The interest rate on the Declining Loan at September 30, 2018 and 2017 were 5.24% and 4.20%, respectively.

Term Loan

The interest rate on the Term Loan is based on the 3-month LIBOR plus two hundred ninety basis points. The interest rate on the Term Loan at September 30, 2018 and 2017 was 5.24% and 4.20%, respectively. On August 22, 2018, the company paid the outstanding balance of this loan. There were no borrowings outstanding on the Term Loan at September 30, 2018 and \$11,856,000 at September 30, 2017.

Revolving Credit Loan

The Revolving Credit Loan has a limit of \$15,000,000 supported by a borrowing base made up of the Company's corn, ethanol, dried distillers grain and corn oil inventories reduced by accounts payable associated with those inventories having a priority. It is also supported by the eligible accounts receivable and commodity trading account excess margin funds. The interest rate on the Revolving Credit Loan is based on the 1-month LIBOR plus two hundred ninety basis points. The interest rates at September 30, 2018 and 2017 were 5.01% and 4.14%, respectively. There were no borrowings outstanding on the Revolving Credit Loan at September 30, 2018 or September 30, 2017.

Grain Loadout Facility Loan

The Grain Loadout Facility Loan (formerly Construction Loan) had a limit of \$10,000,000. The interest rate on the Grain Loadout Facility Loan is based on the 3-month LIBOR plus two hundred ninety basis points and at September 30, 2018 was 5.23%. There were borrowings in the amount of approximately \$8,743,000 outstanding on the Grain Loadout Facility Loan at September 30, 2018 and \$6,476,000 borrowings on the Grain Loadout Facility Loan at September 30, 2017. During the fiscal year ended September 30, 2018, the Company has capitalized \$15,000 of interest related to the various improvement and construction projects. This compares with \$263,000 capitalized in the same period ended September 30, 2017.

These loans are subject to protective covenants, which require the Company to maintain various financial ratios. The covenants include a working capital requirement of \$15,000,000, and a capital expenditures covenant that allows the Company \$5,000,000 of expenditures per year without prior approval. There is also a requirement to maintain a minimum fixed charge coverage ratio of no less than 1.15:1.0 measured quarterly.

Long-term debt, as discussed above, consists of the following at September 30, 2018:

Grain Load Out Facility Loan	\$ 8,743,438
Less amounts due within one year	1,428,571
Net long-term debt	<u>\$ 7,314,867</u>

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The estimated maturities of long-term debt at September 30, 2018 are as follows:

October 1, 2018 to September 30, 2019	\$ 1,428,571
October 1, 2019 to September 30, 2020	1,428,571
October 1, 2020 to September 30, 2021	1,428,571
October 1, 2021 to September 30, 2022	1,428,571
October 1, 2022 to September 30, 2023	3,029,154
Total long-term debt	<u>\$ 8,743,438</u>

9. LEASES

At September 30, 2018, the Company had entered into an agreement with its ethanol marketer to lease 225 tank cars needed for ethanol rail transportation at a rate up to current market rates per tank car per month through November 2022. The ethanol purchase and sale agreement was amended from the previous agreement which charged the Company a fixed price per gallon of ethanol through July 27, 2018. This amendment results in a commitment classified as an operating lease as reported in the table below.

At September 30, 2018, the Company had the following commitments for payments of rentals under operating leases which at inception had a non-cancellable term of more than one year:

	Total
October 1, 2018 to September 30, 2019	\$ 2,676,660
October 1, 2019 to September 30, 2020	2,928,960
October 1, 2020 to September 30, 2021	2,163,960
October 1, 2021 to September 30, 2022	2,010,960
October 1, 2022 to September 30, 2023	335,160
Total minimum lease commitments	<u>\$ 10,115,700</u>

Rent expense for operating leases was approximately \$1,167,000 for 2018 and 2017.

10. COMMITMENTS AND CONTINGENCIES

Marketing Agreement

The Company entered into an agreement with an unrelated company for the purpose of marketing and selling all the distillers grains the Company is expected to produce. The buyer agrees to remit a fixed percentage rate of the actual selling price to the Company for distillers dried grain solubles and wet distiller grains. The agreement may be terminated by either party at its unqualified option, by providing written notice of not less than 120 days to the other party.

The Company entered into an agreement with an unrelated company to sell all of the ethanol the Company produces at the plant. The Company agrees to pay a commission of a fixed percent of the net purchase price for marketing and distribution. In July 2009, the initial term of the agreement was extended to eight years and the commission increased in exchange for reducing the payment terms from 20 days to 7 days after shipment. In November, 2012, the Company amended this agreement to extend the initial term of the agreement to eleven years, expiring in 2019, in exchange for capping the commissions at \$1,750,000 per year. Effective November 18, 2018, the two companies amended the marketing agreement. The amendment added a renewal term to the initial agreement that extends the contract until November 30, 2022. It provided for the payment of the commission to Murex to be calculated on each net gallon of ethanol taken under the agreement. It modified how the cost of rail car shipments are charged to the Company, moving from a per gallon fee to requiring that the marketer provide a minimum 225 rail cars to the Company on a per car per month lease basis as described in Note 9. Finally, it reduced the delivery to payment period.

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Utility Agreement

The Company entered into a natural gas services contract with an initial term of ten years and automatic renewals for up to three consecutive one year periods. Under the contract, the Company agrees to pay a fixed transportation charge per therm delivered for the first five years. For the remaining contract term, the fixed transportation charge will be increased by the compounded inflation rate (as determined by the Consumer Price Index). The contract commenced in November 2008 when plant operations began.

The Company has a commitment to buy electricity from a utility. The Company pays the utility company monthly pursuant to their standard rates.

Development Agreement

In September 2007, the Company entered into a development agreement with Randolph County Redevelopment Commission ("the Commission") to promote economic development in the area. Under the terms of this agreement, beginning in January 2008 through December 2028, the money the Company pays toward property tax expense is allocated to an expense and an acquisition account. The funds in the acquisition account can be used by the Commission to purchase equipment, at the Company's direction, for the plant. The Company does not have title to or control over the funds in the acquisition account, no amounts have been recorded in the balance sheet relating to this account.

Tax abatement

In October 2006, the real estate that the plant was developed on was determined to be an economic revitalization area, which qualified the Company for tax abatement. The abatement period is for a 10 year term, with an effective date beginning calendar year end 2009 for the property taxes payable in calendar year 2011.

Carbon Dioxide Agreement

In March 2010, the Company entered into an agreement with an unrelated party to sell the raw carbon dioxide gas produced as a byproduct at the Company's ethanol production facility. As part of the agreement, the unrelated company leased a portion of the Company's property to construct a carbon dioxide liquefaction plant. The Company shall supply raw carbon dioxide to the plant at a rate sufficient for production of 150 tons of liquid carbon dioxide per day and will receive a price of \$5.00 per ton of liquid carbon dioxide shipped, with price incentives for increased production levels specified in the contract. The Company shall be paid for a minimum of 40,000 tons each year or approximately \$200,000 annually. In November 2011, the Company amended this agreement to allow for an expansion of the carbon dioxide liquefaction plant. Under the amendment, the Company shall be paid for a new minimum of 98,700 tons each year or approximately \$493,500 annually..

Legal Proceedings and Contingencies

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. While the ultimate outcome of these matters is not presently determinable, it is in the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the financial position or results of operations of the Company. Due to the uncertainties in the settlement process, it is at least reasonably possible that management's view of outcomes will change in the near term.

Patent Infringement

In February 2010, a lawsuit against the Company was filed by an unrelated party claiming the Company's operation of the oil separation system infringed its patent. In connection with the lawsuit, in February 2010, the agreement for the construction and installation of the tricanter oil separation system was amended. In this amendment the manufacturer and installer of the tricanter oil separation system indemnifies the Company against all claims of infringement of patents, copyrights or other intellectual property rights from the Company's purchase and use of the tricanter oil system and agrees to defend the Company in the lawsuit filed at no expense to the Company. On October 23, 2014, the court granted summary judgment finding that all of the patents claimed were invalid and that the Company had not infringed. In addition, on September 15, 2016, the United States District Court granted summary judgment finding that the patents were invalid due to inequitable conduct before the US Patent and Trademark Office by the inventors and their attorneys. However, these rulings have been appealed. The defendants have since settled with

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the attorneys for GS CleanTech. The manufacturer has, and the Company expects it will continue to, vigorously defend itself and the Company in these lawsuits and the appeal.

If the ruling was to be successfully appealed, the Company estimates that damages sought in this litigation if awarded would be based on a reasonable royalty to, or lost profits of, the plaintiff. If the court deems the case exceptional, attorney's fees may be awarded and are likely to be \$1,000,000 or more. The manufacturer has also agreed to indemnify the Company for these fees. However, in the event that damages are awarded, if the manufacturer does not fully indemnify the Company for any reason, the Company could be liable. In addition, the Company may need to cease use of its current oil separation process and seek out a replacement or cease oil production altogether.

Air Permit

On January 4, 2018, the Company received a letter from the Indiana Department of Environmental Management, Office of Air Quality ("IDEM") alleging violations of the Company's air permit. While the Company believes it has certain defenses to these allegations, it is currently unable to determine with any certainty the outcome of this matter including the extent of any potential monetary sanctions that may result.

Subsequent Event

On November 6, 2018, the Company experienced an explosion in one of its DDGS silos. There were no injuries related to the incident and the damage was limited to the DDGS silos and the associated materials handling equipment. Operations at the plant were temporarily suspended pending an evaluation and assessment of the situation. The plant resumed operations within a few days of the incident. The extent of monetary damages related to the incident has not yet been fully determined. The Company is presently working with its insurance carrier and other experts to assess the amount of the damages.

11. EMPLOYEE BENEFIT PLAN

The Company has a defined contribution plan available to all of its qualified employees. The Company contributes 100% of employee contributions up to 3% of the eligible wages of each employee and an additional 50% of employee contributions up to 5%, for a total contribution by the Company of 4% of eligible wages. The plan is a safe harbor plan where the Company match is guaranteed prior to the beginning of the year. Employees are eligible after six months of service. The Company contributed approximately \$119,000, \$113,000 and \$121,000 to the defined contribution plan during the years ended September 30, 2018, 2017 and 2016, respectively.

12. 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, distillers grains and corn oil to customers primarily located in the U.S. Corn for the production process is supplied to the plant primarily from local agricultural producers and from purchases on the open market. Ethanol sales average approximately 64% of total revenues and corn costs average 65% of total cost of goods sold.

The Company's operating and financial performance is largely driven by prices at which the Company sells ethanol, distillers grains and corn oil, and the related cost of corn. The price of ethanol is influenced by factors such as supply and demand, weather, government policies and programs, and the unleaded gasoline markets 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 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.

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13. BUSINESS SEGMENTS

Based on the operations of the Company's Trading Division during fiscal 2018, the Company has determined it now has two reportable operating segments. Segment reporting is intended to give financial statement users a better view of how the Company manages and evaluates its businesses. The accounting policies for each segment are the same as those described in the summary of significant accounting policies. Segment income or loss does not include any allocation of shared-service costs. Segment assets are those that are directly used in or identified with segment operations. Inter-segment balances and transactions have been eliminated.

The following tables summarize financial information by segment and provide a reconciliation of segment revenue, gross profit, grain inventories, operating income, and total assets:

	Fiscal Year Ended	
	September 30, 2018	September 30, 2017
Revenue:		
Ethanol production	\$ 222,847,401	\$ 228,496,827
Grain trading	\$ 44,011,051	\$ —
Total Revenue	<u>\$ 266,858,452</u>	<u>\$ 228,496,827</u>

	Fiscal Year Ended	
	September 30, 2018	September 30, 2017
Gross Profit:		
Ethanol production	\$ 13,239,386	\$ 19,255,210
Grain trading	\$ 1,948,593	\$ —
Total Gross Profit	<u>\$ 15,187,979</u>	<u>\$ 19,255,210</u>

	Fiscal Year Ended	
	September 30, 2018	September 30, 2017
Operating Income:		
Ethanol production	\$ 7,234,593	\$ 13,734,239
Grain trading	\$ 1,174,630	\$ —
Total Operating Income	<u>\$ 8,409,223</u>	<u>\$ 13,734,239</u>

	September 30, 2018	September 30, 2017
Grain Inventories:		
Ethanol production	\$ 7,053,371	\$ 5,754,084
Grain trading	\$ 3,342,898	\$ 2,140,305
Total Grain Inventories	<u>\$ 10,396,269</u>	<u>\$ 7,894,389</u>

	September 30, 2018	September 30, 2017
Total Assets:		
Ethanol production	\$ 128,960,169	\$ 156,548,789
Grain trading	\$ 15,634,707	\$ 2,623,207
Total Assets	<u>\$ 144,594,876</u>	<u>\$ 159,171,996</u>

CARDINAL ETHANOL, LLC
Notes to Audited Financial Statements
September 30, 2018 and 2017

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summary quarterly results are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal year ended September 30, 2018				
Revenues	\$ 55,855,489	\$ 65,712,336	\$ 71,197,328	\$ 74,093,297
Gross profit	3,401,352	3,142,752	4,112,343	4,531,533
Operating income	1,762,604	1,455,485	2,245,623	2,945,516
Net income	1,604,508	1,248,869	2,013,668	2,764,025
Basic and diluted earnings per unit	\$ 110	\$ 85	\$ 138	\$ 189

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal year ended September 30, 2017				
Revenues	\$ 58,054,764	\$ 59,473,502	\$ 50,900,700	\$ 60,067,861
Gross profit	8,604,588	4,455,502	253,179	5,941,941
Operating income (Loss)	7,417,831	3,020,636	(1,258,167)	4,553,939
Net income (Loss)	7,298,037	2,901,298	(1,237,591)	4,462,880
Basic and diluted earnings (loss) per unit	\$ 500	\$ 199	\$ (85)	\$ 305

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal year ended September 30, 2016				
Revenues	\$ 57,545,036	\$ 51,589,923	\$ 53,951,547	\$ 59,808,943
Gross profit	3,150,962	2,989,165	4,464,503	8,275,942
Operating income	1,781,357	1,502,959	3,237,759	7,124,863
Net income	1,744,134	1,422,174	3,254,249	7,101,238
Basic and diluted earnings per unit	\$ 119	\$ 97	\$ 223	\$ 487

The above quarterly financial data is unaudited, but in the opinion of management, all 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

Boulay PLLP has been our independent auditor since the Company's inception and is the Company's independent auditor at the present time. We have had no disagreements with our auditor.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management is responsible for maintaining disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits 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 Securities and Exchange Commission's rules and forms. In addition, the disclosure controls and procedures must ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

Our management, including our Chief Executive Officer (the principal executive officer), Jeff Painter, along with our Chief Financial Officer (the principal financial officer), William Dartt, have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of September 30, 2018. Based on this review and evaluation, these officers have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods required by the forms and rules of the Securities and Exchange Commission; and to ensure that the information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Inherent Limitations Over Internal Controls

Our internal control over financial reporting is 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. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of September 30, 2018.

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(b) of the Sarbanes-Oxley Act of 2002 that permit us to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of our 2018 fiscal year, which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference from the definitive proxy statement for our 2019 Annual Meeting of Members to be filed with the Securities and Exchange Commission within 120 days after the end of our 2018 fiscal year. This proxy statement is referred to in this report as the 2019 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the 2019 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 from the 2019 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the 2019 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from the 2019 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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 41 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**

<u>Exhibit No.</u>	<u>Exhibit</u>	<u>Filed Herewith</u>	<u>Incorporated by Reference</u>
3.1	Articles of Organization		Exhibit 3.1 to the registrant's registration statement on Form SB-2 (Commission File 333-131749) filed on February 10, 2006.
3.1A	Name Change Amendment		Exhibit 3.1A to the registrant's registration statement on Form SB-2 (Commission File 333-131749) filed on February 10, 2006.
3.2	Second Amended and Restated Operating Agreement of the registrant		Exhibit 3.2 to the registrant's registration statement on Form SB-2 (Commission File 333-131749) filed on February 10, 2006.
4.1	Form of Membership Unit Certificate.		Exhibit 4.2 to the registrant's registration statement on Form SB-2 (Commission File 333-131749) filed on February 10, 2006.
10.1	Distiller's Grain Marketing Agreement dated December 13, 2006 between Cardinal Ethanol, LLC and Commodity Specialist Company.		Exhibit 10.19 to the registrant's Form 10-KSB filed with the Commission on December 22, 2006.
10.2	Ethanol Purchase and Sale Agreement dated December 18, 2006 between Cardinal Ethanol, LLC and Murex N.A., Ltd.		Exhibit 10.21 to the registrant's Form 10-KSB filed with the Commission on December 22, 2006.
10.3	Letter of Credit Promissory Note and Continuing Letter of Credit Agreement dated December 19, 2006 between Cardinal Ethanol, LLC and First National Bank of Omaha.		Exhibit 10.25 to the registrant's Form 10-KSB filed with the Commission on December 22, 2006.
10.4	Employment Agreement dated January 22, 2007 between Cardinal Ethanol, LLC and Jeff Painter.		Exhibit 10.29 to the registrant's Form 10-QSB filed with the Commission on February 14, 2007.
10.5	Long Term Transportation Service Contract for Redelivery of Natural Gas between Ohio Valley Gas Corporation and Cardinal Ethanol, LLC dated March 20, 2007.		Exhibit 10.32 to the registrant's Form 10-QSB filed with the Commission on May 15, 2007.
10.6	Agreement between Indiana Michigan Power Company and Cardinal Ethanol, LLC dated April 18, 2007.		Exhibit 10.33 to the registrant's Form 10-QSB filed with the Commission on May 15, 2007.
10.7	Risk Management Agreement entered into between Cardinal Ethanol, LLC and John Stewart & Associates, Inc. dated July 16, 2007.		Exhibit 10.34 to the registrant's Form 10-QSB filed with the Commission on August 3, 2007.
10.8	Consent to Assignment and Assumption of Marketing Agreement between Commodity Specialists Company and Cardinal Ethanol, LLC dated August 28, 2007.		Exhibit 10.37 to the registrant's Form 10-KSB filed with the Commission on December 17, 2007.

10.9	<u>Tricanter Installation and Purchase Agreement between ICM, Inc. and Cardinal Ethanol, LLC dated June 27, 2008.</u>	Exhibit 10.1 to the registrant's Form 10-QSB filed with the Commission on August 14, 2008
10.10	<u>Amendment No 1 to Ethanol Purchase and Sale Agreement between Murex N.A., LTD and Cardinal Ethanol, LLC dated July 2, 2009.</u>	Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on July 7, 2009.
10.11	<u>Results Guarantee Agreement between Pavilion Technologies and Cardinal Ethanol, LLC dated September 30, 2009.</u>	Exhibit 10.6 to the registrant's Form 10-K filed with the Commission on December 28, 2009.
10.12	<u>Amendment to Tricanter Purchase and Installation Agreement between ICM, Inc. and Cardinal Ethanol, LLC dated February 16, 2010.</u>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on May 14, 2010.
10.13	<u>Carbon Dioxide Purchase and Sale Agreement between EPCO Carbon Dioxide Products, Inc. and Cardinal Ethanol, LLC dated March 8, 2010.</u>	Exhibit 10.2 to the registrant's Form 10-Q filed with the Commission on May 14, 2010.
10.14	<u>Non-Exclusive Co2 Facility Site Lease Agreement between EPCO Carbon Dioxide Products, Inc and Cardinal Ethanol, LLC dated August 11, 2010.</u>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on August 12, 2010.
10.15	<u>Amendment No. 2 to Ethanol Purchase and Sale Agreement between Cardinal Ethanol, LLC and Murex N.A., LTD. dated November 22, 2011.</u>	Exhibit 10.35 to the registrant's Form 10-K filed with the Commission on December 13, 2011
10.16	<u>First Amendment to Carbon Dioxide Purchase and Sale Agreement between EPCO Carbon Dioxide Products, Inc. and Cardinal Ethanol, LLC dated November 22, 2011.</u>	Exhibit 10.36 to the registrant's Form 10-K filed with the Commission on December 13, 2011
10.17	<u>First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Cardinal Ethanol, LLC dated June 10, 2013.</u>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on August 7, 2013
10.18	<u>Second Amended and Restated Security Agreement between First National Bank of Omaha and Cardinal Ethanol, LLC dated June 10, 2013.</u>	Exhibit 10.2 to the registrant's Form 10-Q filed with the Commission on August 7, 2013
10.19	<u>First Amended and Restated Security Agreement and Assignment of Hedging Accounts between First National Bank of Omaha and Cardinal Ethanol, LLC dated June 10, 2013.</u>	Exhibit 10.3 to the registrant's Form 10-Q filed with the Commission on August 7, 2013
10.20	<u>First Amended and Restated Security Agreement and Assignment of Hedging Accounts between First National Bank of Omaha and Cardinal Ethanol, LLC dated June 10, 2013.</u>	Exhibit 10.4 to the registrant's Form 10-Q filed with the Commission on August 7, 2013
10.21	<u>Revolving Credit Note between First National Bank of Omaha and Cardinal Ethanol, LLC dated June 10, 2013.</u>	Exhibit 10.6 to the registrant's Form 10-Q filed with the Commission on August 7, 2013

10.22	<u>First Amended and Restated Construction Loan Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement between First National Bank of Omaha and Cardinal Ethanol, LLC dated June 10, 2013.</u>	Exhibit 10.7 to the registrant's Form 10-Q filed with the Commission on August 7, 2013
10.23	<u>Termination Agreement between First National Bank of Omaha and Cardinal Ethanol, LLC dated October 8, 2013.</u>	Exhibit 10.39 to the registrant's Form 10-K filed with the Commission on November 27, 2013.
10.24	<u>First Amendment of First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Cardinal Ethanol, LLC dated October 8, 2013.</u>	Exhibit 10.40 to the registrant's Form 10-K filed with the Commission on November 27, 2013.
10.25	<u>Second Amendment of First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Cardinal Ethanol, LLC dated February 27, 2014.</u>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on May 6, 2014.
10.26	<u>Capstone Energy Agreement</u>	Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on April 2, 2015.
10.27	<u>Fourth Amendment of First Amended and Restated Construction Loan Agreement dated effective March 31, 2015.</u>	Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on April 23, 2015.
10.28	<u>Third Amendment of First Amended and Restated Construction Loan Agreement dated effective February 28, 2015</u>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on May 5, 2015.
10.29	<u>Fifth Amendment of First Amended and Restated Construction Loan Agreement dated July 23, 2015</u>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on August 4, 2015.
10.30	<u>First Amendment of Amended and Restated Construction Loan Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated July 23, 2015</u>	Exhibit 10.3 to the registrant's Form 10-Q filed with the Commission on August 4, 2015.
10.31	<u>Sixth Amendment of First Amended and Restate Construction Loan Agreement dated effective February 28, 2016</u>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on May 9, 2016.
10.32	<u>Seventh Amendment of First Amended and Restate Construction Loan Agreement dated effective May 6, 2016</u>	Exhibit 10.2 to the registrant's Form 10-Q filed with the Commission on May 9, 2016.
10.33	<u>Second Amendment of First Amended and Restated Construction Loan Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated effective July 31, 2016</u>	Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on September 9, 2016
10.34	<u>Term Credit Note between First National Bank of Omaha and Cardinal Ethanol, LLC dated July 31, 2016</u>	Exhibit 99.2 to the registrant's Form 8-K filed with the Commission on September 9, 2016
10.35	<u>Third Amended and Restated Declining Revolving Credit Note between First National Bank of Omaha and Cardinal Ethanol, LLC dated July 31, 2016</u>	Exhibit 99.3 to the registrant's Form 8-K filed with the Commission on September 9, 2016
10.36	<u>Eighth Amendment of First Amended and Restated Construction Loan Agreement dated effective July 21, 2016</u>	Exhibit 99.4 to the registrant's Form 8-K filed with the Commission on September 9, 2016
10.37	<u>Ninth Amendment of First Amended and Restated Construction Loan Agreement dated effective September 30, 2016</u>	Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on November 7, 2016

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10.38	<u>Employee Bonus Plan, Amended and Restated for Fiscal Year 2016-17</u>		Exhibit 10.43 to the registrant's Form10-K filed with the Commission on November 22, 2016.
10.39	<u>Tenth Amendment of First Amended and Restated Construction Loan Agreement with First National Bank of Omaha dated effective February 28, 2017.</u>		Exhibit 10.1 to the registrant's Form10-Q filed with the Commission on May 8, 2017.
10.40	<u>Disbursing Agreement with First National Bank of Omaha dated effective February 28, 2017.</u>		Exhibit 10.2 to the registrant's Form10-Q filed with the Commission on May 8, 2017.
10.41	<u>Construction Note with First National Bank of Omaha dated effective February 28, 2017.</u>		Exhibit 10.3 to the registrant's Form10-Q filed with the Commission on May 8, 2017.
10.42	<u>Third Amendment of First Amended and Restated Construction Loan Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement with First National Bank of Omaha dated effective February 28, 2017.</u>		Exhibit 10.4 to the registrant's Form10-Q filed with the Commission on May 8, 2017.
10.43	<u>Eleventh Amendment of First Amended and Restated Construction Loan Agreement with First National Bank of Omaha dated effective October 31, 2017</u>		Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on November 29, 2017
10.44	<u>Twelfth Amendment of First Amended and Restated Construction Loan Agreement with First National Bank of Omaha dated effective January 29, 2018</u>		Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on January 30, 2018
10.45	<u>Grain Loadout Facility Term Note</u>		Exhibit 99.2 to the registrant's Form 8-K filed with the Commission on January 30, 2018
10.46	<u>Thirteenth Amendment of First Amended and Restated Construction Loan Agreement with First National Bank of Omaha dated effective February 28, 2018</u>		Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on February 28, 2018
10.47	<u>Amendment No. 3 to Ethanol Purchase and Sale Agreement with Murex LLC dated July 27, 2018+</u>	X	
10.48	<u>Employee Bonus Plan, Amended and Restated for Fiscal Year 2018-19</u>	X	
14.1	<u>Code of Ethics of Cardinal Ethanol, LLC.</u>		Exhibit 14.1 to the registrant's Form 10-K filed with the Commission on December 13, 2012
31.1	<u>Certificate Pursuant to 17 CFR 240.13a-14(a)</u>	X	
31.2	<u>Certificate Pursuant to 17 CFR 240.13a-14(a)</u>	X	
32.1	<u>Certificate Pursuant to 18 U.S.C. Section 1350</u>	X	
32.2	<u>Certificate Pursuant to 18 U.S.C. Section 1350</u>	X	
101	The following financial information from Cardinal Ethanol, LLC's Annual Report for the Fiscal Year Ended September 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Balance Sheets as of September 30, 2018 and September 30, 2017, (ii) Condensed Statements of Operations for fiscal years ended September 30, 2018, 2017 and 2016, (iii) Statements of Cash Flows for the fiscal years ended September 30, 2018, 2017, and 2016, (iv) Statements of Changes in Members' Equity, and (iv) the Notes to Financial Statements.**		

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- (+) Confidential Treatment Requested.
- (X) Filed herewith
- (**) Furnished herewith

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CARDINAL ETHANOL, LLC

Date: November 21, 2018

/s/ Jeffrey L. Painter

Jeffrey L. Painter
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 21, 2018

/s/ William Dartt

William Dartt
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 foregoing persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: <u>November 21, 2018</u>	<u>/s/ Robert J. Davis</u> Robert J. Davis, Chairman and Director
Date: <u>November 21, 2018</u>	<u>/s/ Dale Schwieterman</u> Dale Schwieterman, Director
Date: <u>November 21, 2018</u>	<u>/s/ Tom Chalfant</u> Tom Chalfant, Vice Chairman and Director
Date: <u>November 21, 2018</u>	<u>/s/ J. Phillip Zicht</u> J. Phillip Zicht, Director
Date: <u>November 21, 2018</u>	<u>/s/ Ralph Brumbaugh</u> Ralph Brumbaugh, Director
Date: <u>November 21, 2018</u>	<u>/s/ Thomas C. Chronister</u> Thomas C. Chronister, Secretary and Director
Date: <u>November 21, 2018</u>	<u>/s/ David M. Dersch, Jr.</u> David M. Dersch, Jr., Director
Date: <u>November 21, 2018</u>	<u>/s/ Steven J. Snider</u> Steven J. Snider, Director
Date: <u>November 21, 2018</u>	<u>/s/ Cyril G. LeFevre</u> Cyril G. LeFevre, Director
Date: <u>November 21, 2018</u>	<u>/s/ C. Allan Rosar</u> C. Allan Rosar, Director
Date: <u>November 21, 2018</u>	<u>/s/ William R. Garth</u> William R. Garth, Director
Date: <u>November 21, 2018</u>	<u>/s/ Robert Baker</u> Robert Baker, Director
Date: <u>November 21, 2018</u>	<u>Lewis M. Roch III, Director</u>

Confidential Treatment Requested. Confidential portions of this document have been redacted and have been separately filed with the Commission.

**AMENDMENT NO. 3
TO ETHANOL PURCHASE AND SALE AGREEMENT
BETWEEN CARDINAL ETHANOL, LLC AND MUREX N.A., LTD.
DATED DECEMBER 18, 2006**

THIS AMENDMENT NO. 3 TO the ETHANOL PURCHASE AND SALE AGREEMENT (“Amendment”) is made and entered into as of this twenty-seventh (27th) day of July, 2018 (the “Signing Date”) by and between Murex LLC, a Texas limited liability company (“Murex”), (successor in interest to Murex N.A., Ltd.), located at 7160 North Dallas Parkway, Suite 300, Plano, Texas 75024, and Cardinal Ethanol, LLC, an Indiana limited liability company (“Cardinal”), located at 1554 N. 600 E., Union City, IN 47390.

WITNESSETH:

WHEREAS, Murex and Cardinal entered into that certain Ethanol Purchase and Sale Agreement on December 18, 2006 (the “Agreement”); and

WHEREAS, Murex and Cardinal entered Amendment 1 to the Agreement on July 6, 2009; and

WHEREAS, Murex and Cardinal entered Amendment 2 to the Agreement on November 22, 2011; and

WHEREAS, Murex and Cardinal desire to amend certain provisions of said Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

Amendments

Section 1.01 Amendment to Article 1. Definitions. Effective as of the date hereof, Article 1 of the Agreement is amended to read as follows:

Section 1.4 “Buyer” means Murex LLC, a Texas limited liability company Effective January 1, 2013, Murex N.A., Ltd., a Texas limited partnership, converted to Murex LLC, a Texas limited liability company with the address of 7160 North Dallas Parkway, Suite 300, Plano, Texas 75024. Both are treated as partnerships for federal tax purposes. Under Treasury Regulation 30 1.7701-3, the Federal Employer Identification Number did not change. The ownership, employees, contact information and business of the company did not change. Only the company name and type of entity changed.

Section 1.16 “Plant” means the Ethanol production plant located in Randolph County, Indiana, with initial production of 100 million gallons and additional production due to expansion and improvements in efficiency estimated at but not guaranteed to be 132 million gallons per year.

Section 1.02 Amendment to Article 1. Definitions. Effective as of the Effective Date shown below, Article 1 of the Agreement is amended to read as follows:

Section 1.5 “Commission” means for each net gallon that Buyer takes under this Agreement, Buyer shall receive *** per gallon as defined in Section 7.1.

Section 1.10 “Effective Date” means November 18, 2019.

Section 1.03 Amendment to Section 3.1 Initial Term; Renewal. Effective as of the Effective Date, Section 3.1 of the Agreement is amended to read as follows:

Section 3.1. Initial Term; Renewal. The initial term of the Agreement shall be for an eleven (11) year period (the “Initial Term”), beginning on November 18, 2008, the Date of First Delivery. The Initial Term shall be followed by a renewal term (the “Renewal Term”) of slightly more than three years (ending November 30, 2022) that renews automatically for one-year periods unless notice is given by either party at least ninety (90) days prior to the end of the current term.

Section 1.04 Addition of Section 4.4 D6 Ethanol Renewable Identification Numbers (“RINs”). Effective as of the Effective Date, Section 4.4 of the Agreement is added to read as follows:

Section 4.4 D6 Ethanol RINs. On all ethanol produced, Buyer will handle all RIN activity for Seller through the Environmental Protection Agency (“EPA”) Moderated Transaction System (“EMTS”). In addition, Buyer will submit all regulatory reports required by the EPA following Seller's review and approval. Buyer represents and warrants that all RIN activity reports and regulatory reports will be conducted and completed in accordance with and as required by all applicable laws and regulations.

Section 1.05 Amendment to Section 7.1(a) Determination of Price. Effective as of the Effective Date, Section 7.1(a) of the Agreement is amended to read as follows:

Section 7.1(a) Determination of Price. For all sales of Ethanol by Buyer, where Buyer has agreed to sell Ethanol to third party customers, Buyer agrees to pay to Seller for each Gallon of Ethanol Delivered determined in accordance with Section 5.2 (the “Purchase Price”). The Purchase Price shall be equal to the actual sale price invoiced by Buyer for such Ethanol re-sold by Buyer to such third party customers for the most recent week (the “Sale Price”) less: (i) all Resale Costs, (ii) Taxes (as defined in Section 7.2) paid by Buyer, and (iii) the Commission of *** per gallon.

Section 1.06 Amendment to Section 8.2 Rail Shipment. Effective as of the Signing Date, Section 8.2 of the Agreement is amended to read as follows:

Section 8.2 Rail Shipment. If the Ethanol is being transported by rail, the cost of rail transportation will include, but not be limited to, freight from Delivery Point to destination, accessorial charges, fuel surcharges and excess empty mileage charges.

Section 1.07 Addition of Section 8.3 Tank Cars. Effective as of the Signing Date, Section 8.3 of the Agreement is added to read as follows:

Section 8.3 Tank Cars. Buyer will be responsible for providing a minimum of two hundred twenty five (225) Tank Cars needed for rail transportation and will manage Seller's Tank Car fleet. Buyer will lease DOT-117 Tank Cars to Seller at *** per Tank Car per month. Buyer will also lease DOT-111 Tank Cars to Seller ***. These amounts will be billed by Buyer to Seller on or before the first (1st) day of the month for the previous month, and Seller will pay Buyer no later than the tenth (10th) day of each month for rail car leases. Buyer and Seller will develop a plan and work together to satisfy Seller's Tank Car needs.

Section 1.08 Addition of Section 8.4 Rail Allowance. Effective as of the date hereof, Section 8.4 of the Agreement is added to read as follows:

Section 8.4 Rail Allowance. Any rail allowance based exclusively on Buyer's entire rail fleet system will be for Buyer's account.

Section 1.09 Addition of Section 9.2 Sewaren, New Jersey Terminalling Agreement. Effective as of the date hereof, Section 9.2 of the Agreement is added to read as follows:

Section 9.2 Sewaren, New Jersey Terminalling Agreement. On September 26, 2014, Buyer and Seller entered into a separate Terminalling Agreement providing 60,000 barrels of commingled Ethanol storage at Motiva Enterprises LLC's ("Motiva") Sewaren, New Jersey facility. Buyer has a separate agreement with Motiva. Both agreements expire on January 31, 2019. Buyer and Seller will work with Motiva to lower storage costs and extend the Terminalling Agreements to coincide with the termination date of the Renewal Term, November 30, 2022.

Section 1.10 Amendment of Section 10.1 Purchase Price. Effective as of the Signing Date, Section 10.1 of the Agreement is amended to read as follows:

Section 10.1 Purchase Price. Buyer shall pay to Seller the net Purchase Price for each Gallon of Ethanol Delivered under this Agreement as provided in Section 7.1(a) by direct wire transfer or electronic transfer to Seller's designated bank account. The direct wire transfer or electronic transfer to Seller's designated bank account ("Payment") shall be made no later than the *** day after the Friday of the week in which Seller issues the bill of lading for such Gallons sold and delivered during said week. At the time of each Payment Buyer shall forward a statement to Seller setting forth in reasonable detail all third party buyer purchase terms including without limitation, the quantity of Ethanol sold, the purchase prices, and all Resale Costs, Transportation Costs and Commissions directly relating to such third party sale and purchase terms, and the quantity and price of Ethanol purchased by Buyer for its own account (if any).

Section 1.11 Addition of Section 19.20 Other Terms and Conditions. Effective as of the Effective Date, Section 19.20 is added to the Agreement as follows:

Section 19.20 Other Terms and Conditions. Buyer and Seller will continue to look for more efficient reporting and data transfer, and endeavor to implement best practices for mutual benefit.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date first written above.

BUYER:

MUREX LLC
a Texas limited liability company

By: /s/ Robert C. Wright
Robert C. Wright
President

SELLER:

CARDINAL ETHANOL, LLC
an Indiana limited liability company

By: /s/ Jeffrey L. Painter
Name: Jeffrey L. Painter
Title: CEO & President

Cardinal Ethanol, LLC
Employee Bonus Plan
Amended and Restated for Fiscal Year 2018-19
(Effective 10-1-18)

The purpose in developing and continuing an Employee Bonus Plan is to reward the employees for their contributions that directly impact the financial results of the Company, that reflect a positive safety culture, and to promote teamwork needed to complete desired goals. This year's Plan is made up of financial and team goals relating to the Company's financial success, safety, and production efficiency.

For the purposes of the Plan, **wages** are defined as the amount paid during the defined period and limited to regular pay, overtime, holiday, and paid time off (PTO).

Rules of the Plan:

- a) All plan payouts must be approved by the Board of Directors.
- b) Employee must be employed on the day that the Board approves the payout to be eligible for any bonus payout.
- c) Employee must be working from October 1, 2018 to September 30, 2019 to be eligible for the full bonus.

Financial Goal:

- a) Eligibility for the Financial Goal payout portion of the plan begins at \$7,500,000 net income. There will be **NO** payout under the financial goal section if the Company does not meet this minimum income threshold.
- b) The Financial Goal section is eligible to all employees that meet the eligibility requirements.
- c) Payout for the Financial Goal will be made prior to December 31, 2019 once the fiscal year end results are calculated, reviewed, and approved.

Team Goals:

- a) Team Goals are not subject to a minimum net income requirement.
- b) Payout for the Team Goals will be made quarterly and based on company "Operational Statistics", Christianson Benchmarking Results, Individual Safety Participation, and Audits.
- c) Employee must be employed on the last day of the quarter and on the day the Board approves the payout to receive any payout from the Team Goals.
- d) Employee does not need to have worked the full quarter to be eligible. Payout will be made once final goal accomplishments are known and have been approved by the Board of Directors.
- e) Team Goal payout is applicable to all employees that meet the eligibility requirements.

Employee Bonus Plan

Financial Goal - Max Payout 10% of eligible wage.

- Minimum required net profit needed for payout \$7.5M (Annual Payout)
 - Payout Level 1..... \$ 7,500,000 - \$11,999,999 = 5 % payout
 - Payout Level 2..... \$12,000,000 - \$19,999,999 = 7½% payout
 - Payout Level 3..... \$20,000,000 and above = 10% payout

Team Goals - Max Payout 10% of eligible wage.

Team Goal #1 - Improved efficiency and production through increased ethanol yield per bushel ground as compared to industry; based on rankings through Benchmarking surveys. (Quarterly Payout)

Team Goal #2 - Optimize natural gas usage by reducing BTU/gallon. Achieved Natural Gas Usage number will be based on “Operation Statistics” work papers. (Quarterly Payout)

Team Goal #3 - Maximize corn oil yield per bushel of corn ground. Measure will be based on results of rankings through Benchmarking surveys. (Quarterly Payout)

Team Goal #4 - Improve Safety performance. Increase awareness and maintain safety performance. Near Misses will be based on individual reports submitted on time to the EHS Manager. Other Safety criteria are based on individual participation and Bi-Annual Safety Audits. (Quarterly Payout)

- Goal #1 Lead Rankings for Ethanol Yield based on 12 month rolling average - (Christianson Benchmarking; All Plants, undenatured, moisture adjusted gallons per bushel ground based on corn at 15%) (3% max payout)
 - 1) Ranking below the top 30%..... 0% payout
 - 2) Ranking in the top 30% - 20%..... 1% payout
 - 3) Ranking between 20% - 15%..... 2% payout
 - 4) Ranking in the top 15%..... 3% payout
- Goal #2 Optimize Natural Gas Usage (BTU per Anhydrous Ethanol Gallon) (2% max payout)
 - 1) 26,500 or more..... 0% payout
 - 2) 26,499 - 25,751 1% payout
 - 3) 25,750 or less 2% payout
- Goal #3 Improve Corn Oil Yield based on 12 month rolling average - (Christianson Benchmarking; Pounds of Oil per Bushels Ground) (2% max payout)
 - 1) Ranking below the top 30%..... 0% payout
 - 2) Ranking between 30% and 20%..... 1% payout
 - 3) Ranking in the top 20%..... 2% payout

- Goal #4 Improve Safety Record - Individual Safety Participation; subject to verification and approval by management. (3% max payout)

1) Safety Committee Meeting and Employee Participation (1% max payout)

Participate in one (1) Safety Committee meeting and one (1) Individual Employee Participation Task from the below menu:

- Employee Participation Menu (One item per employee)

Safety Program Area Audit Complete

Non-Routine Task Pre-Work Audit Completed

Lead a Toolbox Talk

Review, update, and complete PSSR activity.

LOTO/Confined Space Program Review

Contractor Observation, Review and Evaluation

Participate and complete an optional Safety Webinar.

Participate on an Internal Control committee.

2) Near Miss Reporting (complete 2) (1% max payout)

- Two (2) Near Miss Reports completed (Plant, Internal Control, Cyber)

3) Improve ERI Audit Score (based on bi-annual Audit scores/ranking) (1% max payout)

(required a minimum of 1 above to be eligible for item #3)

Q1 Payout = Completion of all non-capital deficiencies highlighted and mentioned in the latest ERI Safety Audit. Completed by October 31, 2018.

Q2 Payout = A Safety Audit Score greater than the previous ERI Safety Audit Score (89.58%).

Q3 Payout = Completion of all non-capital deficiencies highlighted and mentioned in the latest ERI Safety Audit within 90 days of issuance of ERI Safety Audit Report.

Q4 Payout = Minimum Loss Leader Assessment score of 80%.

Grain Department Quarterly Incentive (replaces number 1, 2, & 3 above)

(Deryl, Stephanie, Janel, Ben)

Providing an incentive to the grains department represents one way to allow the grains department to achieve goals that are critical to maintaining customer focus, grain origination, and management of commodity risk associated with corn origination.

- Goal # 1 - Direct Farm Visits (Individual) (3% max. payout)
 - 1) Less than three (3) farm visits..... 0% payout
 - 2) Three (3) to Five (5) farm visits..... 1% payout
 - 3) Six (6) to Seven (7) farm visits..... 2% payout
 - 4) Eight (8) or more farm visits..... 3% payout
- Goal #2 - Advanced Marketing Alternative Contracts: Increase revenue by “selling” alternative grain contracts. Contracts included in this goal are: HTAs, Averaging, Bushels Only/Premium Offers, Minimum Priced, Min/Max Priced, Accumulators, and Managed Bushels with annual true-up (Group) (2% max. payout)
 - 1) Less than 7.5% of all bushels are added value contracts..... 0% payout
 - 2) 7.5% - 10% of all bushels are value added contracts..... 1% payout
 - 3) Greater than 10% of all bushels are value added contracts..... 2% payout
- Goal # 3 - Grain Trading Revenue (end of year annual true-up) (2% max. payout)
 - 1) Trading P & L Gross Margin of $\geq$ \$375,000..... 1% payout
 - 2) Trading P & L Gross Margin of $\geq$ \$500,000..... 2% payout
- Goal # 4 - Improve Safety Record: Individual Safety Participation; subject to verification and approval by management. (3% max payout)
 - 1) Safety Committee Meeting and Individual Employee Participation (1% max payout)
 - Participate in one (1) Safety Committee meeting and one (1) Individual Employee Participation Task from the below menu:
 - Individual Employee Participation Menu
 - Safety Program Area Audit Complete
 - Non-Routine Task Pre-Work Audit Completed
 - Lead a Toolbox Talk
 - Review, update, and complete PSSR activity.
 - LOTO/Confined Space Program Review
 - Contractor Observation, Review and Evaluation
 - Participate and complete an optional Safety Webinar.
 - Participate on an Internal Control committee.
 - 2) Near Miss Reporting (complete 2) (1% max payout)
 - Two (2) Near Miss Reports completed (Plant, Internal Control, Cyber)
 - 3) Improve ERI Audit Score (based on bi-annual Audit scores/ranking) (1% max payout)
 - (required a minimum of 1 above to be eligible for item #3)**
 - Q1 Payout = Completion of all non-capital deficiencies highlighted and mentioned in the latest ERI Safety Audit. Completed by October 31, 2018.
 - Q2 Payout = A Safety Audit Score greater than the previous ERI Safety Audit Score (89.58%).
 - Q3 Payout = Completion of all non-capital deficiencies highlighted and mentioned in the latest ERI Safety Audit within 90 days of issuance of ERI Safety Audit Report.
 - Q4 Payout = Minimum Loss Leader Assessment score of 80%.

**Administrative Incentive (replaces 1, 2, & 3 basic Bonus Plan)
(Ashleigh, Jacqueline, Lacy)**

Timely completion of financial statement, filings, and investor information is important to maintain a successful, well established image to the customers, the employees and unit holders. Adding incentive goals to the Administration Staff, puts the control and success of those activities into the hands of those who have the biggest impact on completion of them.

Goal #1 - SEC Reporting (3% max payout)

A) Quarter 1 FY 10-K - Close for timely SEC filing and meeting bank and investor expectations/obligations

- Completion after December 15, 2018 0% payout
- Completion on or before December 15, 2018 1% payout
- Completion on or before December 1, 2018 2% payout
- Completion on or before Thanksgiving 2018 3% payout

B) Quarters 2, 3, & 4 Quarterly SEC Reporting - Have filing information completed so that Audit Committee meeting takes place 10 days prior to filing deadline

- Audit Committee meeting 2 days prior to deadline..... 0% payout
- Audit Committee meeting 6 days prior to deadline..... 1% payout
- Audit committee meeting 10 days prior to deadline..... 3% payout

Goal #2 - Accounting: Preparation of Financial Statements (5 day close) (2% max payout)

- Preliminary Financials ready in 5 days 2 of 3 months..... 1% payout
- Preliminary Financials ready in 5 days 3 of 3 months 2% payout

Goal #3 - Sarbanes-Oxley: Increase internal controls by reducing findings from Internal Control Audit (2% max payout)

- Four (4) or more Audit findings..... 0% payout
- Two (2) -Three (3) audit findings..... 1% payout
- Less than Two (2) audit findings..... 2% payout

Goal #4 - Improve Safety Record: Individual Safety Participation; subject to verification and approval by management. (All Quarters) (3% max payout)

1) Safety Committee Meeting and Individual Employee Participation (1% max payout)

Participate in one (1) Safety Committee meeting and one (1) Individual Employee Participation Task from the below menu:

◦ Individual Employee Participation Menu

Safety Program Area Audit Complete

Non-Routine Task Pre-Work Audit Completed

Lead a Toolbox Talk

Review, update, and complete PSSR activity.

LOTO/Confined Space Program Review

Contractor Observation, Review and Evaluation

Participate and complete an optional Safety Webinar.

Participate on an Internal Control committee.

2) Near Miss Reporting (complete 2) (1% max payout)

- Two (2) Near Miss Reports completed (Plant, Internal Control, Cyber)

3) Improve ERI Audit Score (based on bi-annual Audit scores/ranking) (1% max payout)

(required a minimum of 1 above to be eligible for item #3)

Q1 Payout = Completion of all non-capital deficiencies highlighted and mentioned in the latest ERI Safety Audit. Completed by October 31, 2018.

Q2 Payout = A Safety Audit Score greater than the previous ERI Safety Audit Score (89.58%).

Q3 Payout = Completion of all non-capital deficiencies highlighted and mentioned in the latest ERI Safety Audit within 90 days of issuance of ERI Safety Audit Report.

Q4 Payout = Minimum Loss Leader Assessment score of 80%.

**Shared Administration and Grain Incentive (Replaces 1, 2, & 3 of base bonus plan)
(Stephen)**

Goal #1 - SEC Reporting (1.5% max payout)

A) Quarter 1 FY 10-K - Close for timely SEC filing and bank/Investor Obligations

- Completion after December 15, 2018..... 0% payout
- Completion on or before December 15, 2018..... 0.5% payout
- Completion on or before December 1, 2018..... 1% payout
- Completion on or before Thanksgiving 2018..... 1.5% payout

B) Quarters 2, 3, & 4: Quarterly SEC Reporting - Have filing information completed so that Audit Committee meeting takes place 10 days prior to filing deadline

- Audit Committee meeting 2 days prior to deadline..... 0% payout
- Audit Committee meeting 6 days prior to deadline..... 0.5% payout
- Audit committee meeting 10 days prior to deadline..... 1.5% payout

Goal #2 - Accounting: Preparation of Financial Statements (5 day close) (1% max payout)

- Preliminary Financials ready in 5 days 2 of 3 months..... 0.5% payout
- Preliminary Financials ready in 5 days 3 of 3 months..... 1.0% payout

Goal #3 - Sarbanes-Oxley: Increase internal controls by reducing findings from Internal Control Audit (1% max payout)

- Four (4) or more Audit findings..... 0.0% payout
- Two (2) -Three (3) audit findings 0.5% payout
- Less than Two (2) audit findings 1.0% payout

Goal #4 - Improve Safety Record: Individual Safety Participation; subject to verification and approval by management.

(All Quarters) (3% max payout)

1) Safety Committee Meeting and Individual Employee Participation (1% max payout)

Participate in one (1) Safety Committee meeting and one (1) Individual Employee Participation Task from the below menu:

- Individual Employee Participation Menu
 - Safety Program Area Audit Complete
 - Non-Routine Task Pre-Work Audit Completed
 - Lead a Toolbox Talk
 - Review, update, and complete PSSR activity.
 - LOTO/Confined Space Program Review
 - Contractor Observation, Review and Evaluation
 - Participate and complete an optional Safety Webinar.
 - Participate on an Internal Control committee.

- 2) Near Miss Reporting (complete 2) (1% max payout)
 - o Two (2) Near Miss Reports completed (Plant, Internal Control, Cyber)

3) Improve ERI Audit Score (based on bi-annual Audit scores/ranking) (1% max payout)

(required a minimum of 1 above to be eligible for item #3)

- Q1 Payout = Completion of all non-capital deficiencies highlighted and mentioned in the latest ERI Safety Audit within 90 days of issuance of ERI Safety Audit Report.
 Q2 Payout = A Safety Audit Score greater than the previous ERI Safety Audit Score (90.72%).
 Q3 Payout = Completion of all non-capital deficiencies highlighted and mentioned in the latest ERI Safety Audit within 90 days of issuance of ERI Safety Audit Report.
 Q4 Payout = A Safety Audit Score greater than the previous ERI Safety Audit Score or 93%.

Goal #4 - Direct Farm Visits (Individual) (1.5% max. payout)

- | | | |
|----|---|-------------|
| 1) | Less than two (2) farm visits | 0% payout |
| 2) | Two (2) farm visits | 0.5% payout |
| 3) | Three (3) to four (4) farm visits | 1.0% payout |
| 4) | Five (5) or more farm visits..... | 1.5% payout |

Goal #5 - Advanced Marketing Alternative Contracts: Increase revenue by "selling" alternative grain contracts.

Contracts included in this goal are: HTAs, Averaging, Bushels Only/Premium Offers, Minimum Priced, Min/Max Priced, Accumulators, and Managed Bushels with annual true-up (Group) (1% max. payout)

- | | | |
|----|---|-------------|
| 1) | Less than 7.5% of all bushels are added value contracts... | 0% payout |
| 2) | 7.5% - 10% of all bushels are value added contracts..... | 0.5% payout |
| 3) | Greater than 10% of all bushels are value added contracts.. | 1.0% payout |

Goal #6 - Grain Trading Revenue (end of year annual true-up) (1% max. payout)

- | | | |
|----|--|-------------|
| 1) | Trading P & L Gross Margin of $\geq$ \$375,000 | 0.5% payout |
| 2) | Trading P & L Gross Margin of $\geq$ \$500,000 | 1.0% payout |

Personal Incentive (10% additional opportunity available)

Available to the following positions: Production Manager, EHS Manager, Maintenance Manager

These positions will be eligible for an additional 10% payout if they meet certain personal goals. These individual goals will be ones the positioned employee will have a direct impact in achieving the best return to the business.

Production Manager: Personal Goals (annual payout)

Safety - Improve ERI Safety Audit Score (based on last audit score prior to yearend) (2% max payout)

- Ranking below the 2nd Quartile..... 0% payout
- Ranking in the 2nd Quartile..... 1% payout
- Ranking in the 1st Quartile..... 2% payout

Production - Improve Ranking of Ethanol Yield - (Christianson Benchmarking; All Plants, undenatured, moisture adjusted gallons per bushel ground based on corn at 15%) (2% max payout)

- Ranking below the top 35%..... 0% payout
- Ranking in the top 35% - 30%..... 1% payout
- Ranking in the top 30% - 20%..... 1 ½ payout
- Ranking in the top 20%..... 2% payout

Production - Maximize Corn Oil Production (Christianson Benchmarking; All Plants, undenatured, moisture adjusted to 15%, pounds per bushel ground.) (2% max payout)

- Ranking below the top 30%..... 0% payout
- Ranking between 30% and 20%..... 1% payout
- Ranking in the top 20%..... 2% payout

Production - Ethanol Throughput, denatured gallons (3% max payout)

- Less than 130,000,000 gallons0% payout
- ≥ 130,000,000 gallons1% payout
- ≥ 134,000,000 gallons2% payout
- ≥ 138,000,000 gallons 3% payout

PSM Compliance Program - Identify, Develop, and Track (1% max payout).

- Identify and Complete ALL PSM required task, capital and non-capital projects, through MOCs, SDRs, PSSRs, etc..... 1% payout

Maintenance Manager: Personal Goals (annual payout)

Safety - Improve ERI Safety Audit Score (based on last audit score prior to yearend) (2% max payout)

- Ranking below the 2nd Quartile..... 0% payout
- Ranking in the 2nd Quartile..... 1% payout
- Ranking in the 1st Quartile..... 2% payout

Maintenance - Reduction of supply cost (Based on Christianson Benchmarking for “All Plants - Plant Supplies/Repair/Maintenance”) (3% max payout)

- Ranking outside of the top 20 plants 0% payout
- Top 20 Benchmarking rank for all plants 1% payout
- Leader (top 25% ranking for all plants) 3% payout

Maintenance - Uptime (includes all downtime) (4%)

- Annual Maintenance Shutdown not to exceed 240 hours..... 1% payout
- Downtime outside of Annual Maintenance Shutdown
 - More than 240 hours downtime..... 0% payout
 - 240 to 193 hours downtime 1% payout
 - 192 to 145 hours downtime..... 2% payout
 - 144 hours downtime or less 3% payout

PSM Compliance Program - Identify, Develop, and Track (1% max payout).

- Identify and Complete ALL PSM required task, capital and non-capital projects, through MOCs, SDRs, PSSRs, etc..... 1% payout

EHS Manager: Personal Goals (annual payout)

Safety - Improve ERI Safety Audit Score (based on last audit score prior to yearend) (3% max payout)

- Ranking below the 2nd Quartile..... 0% payout
- Ranking in the 2nd Quartile..... 2% payout
- Ranking in the 1st Quartile..... 3% payout

Environmental Compliance - Maintain Permit Parameters (4% max payout)

- >1 EHS violations resulting in fines (EPA, OSHA, IDEM, etc.) 0% payout
- 1 (one) EHS violations resulting in fines <\$10,000 2% payout
- No EHS violations resulting in fines (EPA, OSHA, IDEM, etc.) 4% payout

PSM Compliance Program - Identify, Develop, and Track (2% max payout).

- Identify and Complete ALL PSM required task, capital and non-capital projects, through MOCs, SDRs, PSSRs, etc..... 2% payout

Safety - Maintain OSHA Required training programs for personnel (1% max payout)

- Has all OSHA training been completed by 9-30-19?
NO 0% payout
YES 1% payout

Personal Incentive (10% additional opportunity available)

Available to the following positions: CEO, CFO, Commodity Manager, and Plant Manager

These positions will be eligible for an additional 10% payout. 50% of this payout will be tied to the Production Manager, Maintenance Manager, and the EHS Manager meeting their individual goals. 20% of this payout will be tied to all employee (except for mid managers) average annual score. 30% of this payout will be based on Production improvement.

“Senior Management”: Goals (annual payout) (CEO, CFO, Commodity Manager, Plant Manager)

- 1) Leadership/Management/Coaching - Develop and Support Mid-management (5%)
Average completion scores of mid management incentive award times 50% award value.
- 2) Staff Development and Training - Develop programs and processes for employee success (2%)
Average earned score of all employees (excluding mid-management) incentive award times 20% award value.
- 3) Production & Capacity Goals (Based on Denatured Production) (3%)
 - 1) Fiscal Year End Production $\geq$ 130,000,000 MG..... 1% payout
 - 2) Fiscal Year End Production $\geq$ 134,000,000 MG..... 2% payout
 - 3) Fiscal Year End Production $\geq$ 138,000,000 MG..... 3% payout

CERTIFICATION PURSUANT TO 17 CFR 240.13(a)-14(a)
(SECTION 302 CERTIFICATION)

I, Jeffrey L. Painter, certify that:

1. I have reviewed this annual report on Form 10-K of Cardinal Ethanol, 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 officers 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 officers 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: November 21, 2018

/s/ Jeffrey L. Painter

Jeffrey L. Painter, Chief Executive Officer
(President and Principal Executive Officer)

CERTIFICATION PURSUANT TO 17 CFR 240.13(a)-14(a)
(SECTION 302 CERTIFICATION)

I, William Dartt, certify that:

1. I have reviewed this annual report on Form 10-K of Cardinal Ethanol, 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 officers 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 officers 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: November 21, 2018

/s/ William Dartt

William Dartt, Chief Financial Officer
(Principal Financial and Accounting 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)-2 of the Securities Exchange Act of 1934 of Cardinal Ethanol, LLC (the “Company”) for the fiscal year ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey L. Painter, President and Principal 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/ Jeffrey L. Painter

Jeffrey L. Painter, President and
Principal Executive Officer

Dated: November 21, 2018

**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)-2 of the Securities Exchange Act of 1934 of Cardinal Ethanol, LLC (the “Company”) for the fiscal year ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William Dartt, Chief Financial 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/ William Dartt

William Dartt,
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: November 21, 2018