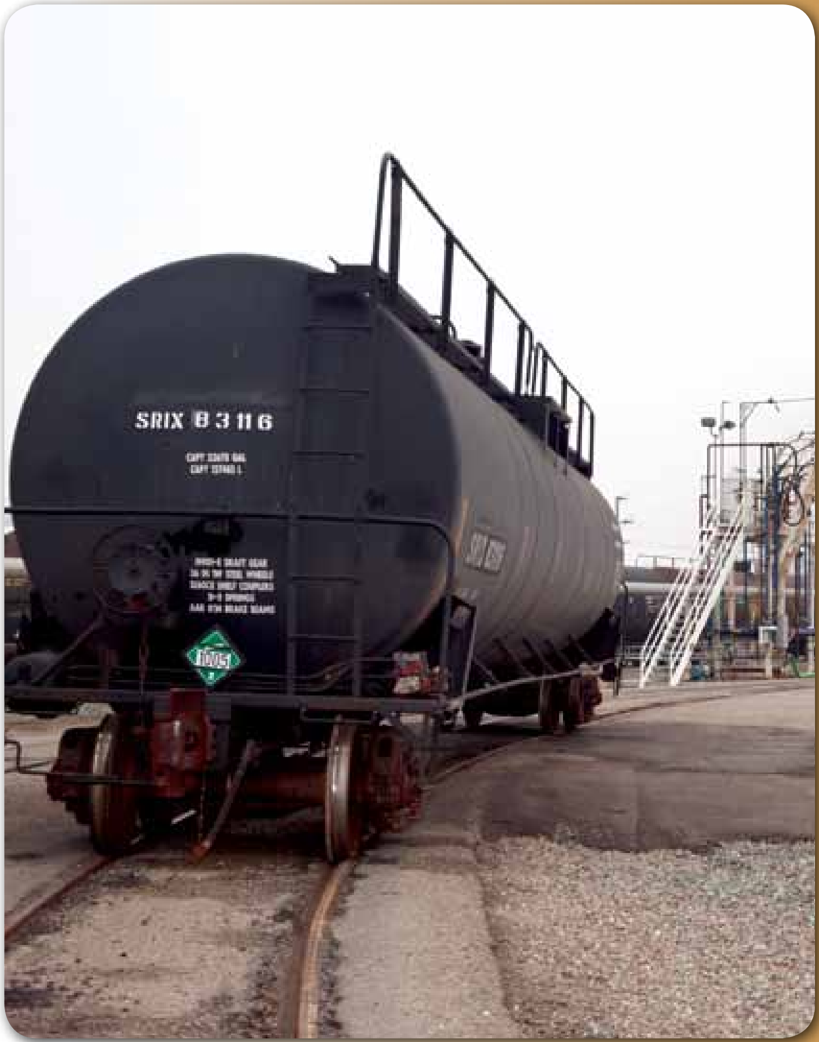
CALAMCO

A PARTNERSHIP WITH GROWERS

2014 ANNUAL REPORT

FINANCIAL HIGHLIGHTS OF THE YEAR

	2014	2013
Total Revenue	$ 116,479,520	$ 134,902,847
Cash Patronage Allocated to Participating Shareholders	$ 12,379,560	$ 9,501,956
Cash Patronage Dividend per Ton of Ammonia	$ 50.98	$ 38.40
Net Working Capital	$ 15,324,450	$ 14,614,922
Property, Plant and Equipment, Net	$ 8,145,292	$ 7,640,717
Long Term Debt	$ 0	$ 0
Shareholders' Equity	$ 23,461,152	$ 22,227,547
Number of Shareholders	1,146	1,147
Shares Outstanding at Year-End	2,071,268	2,070,367



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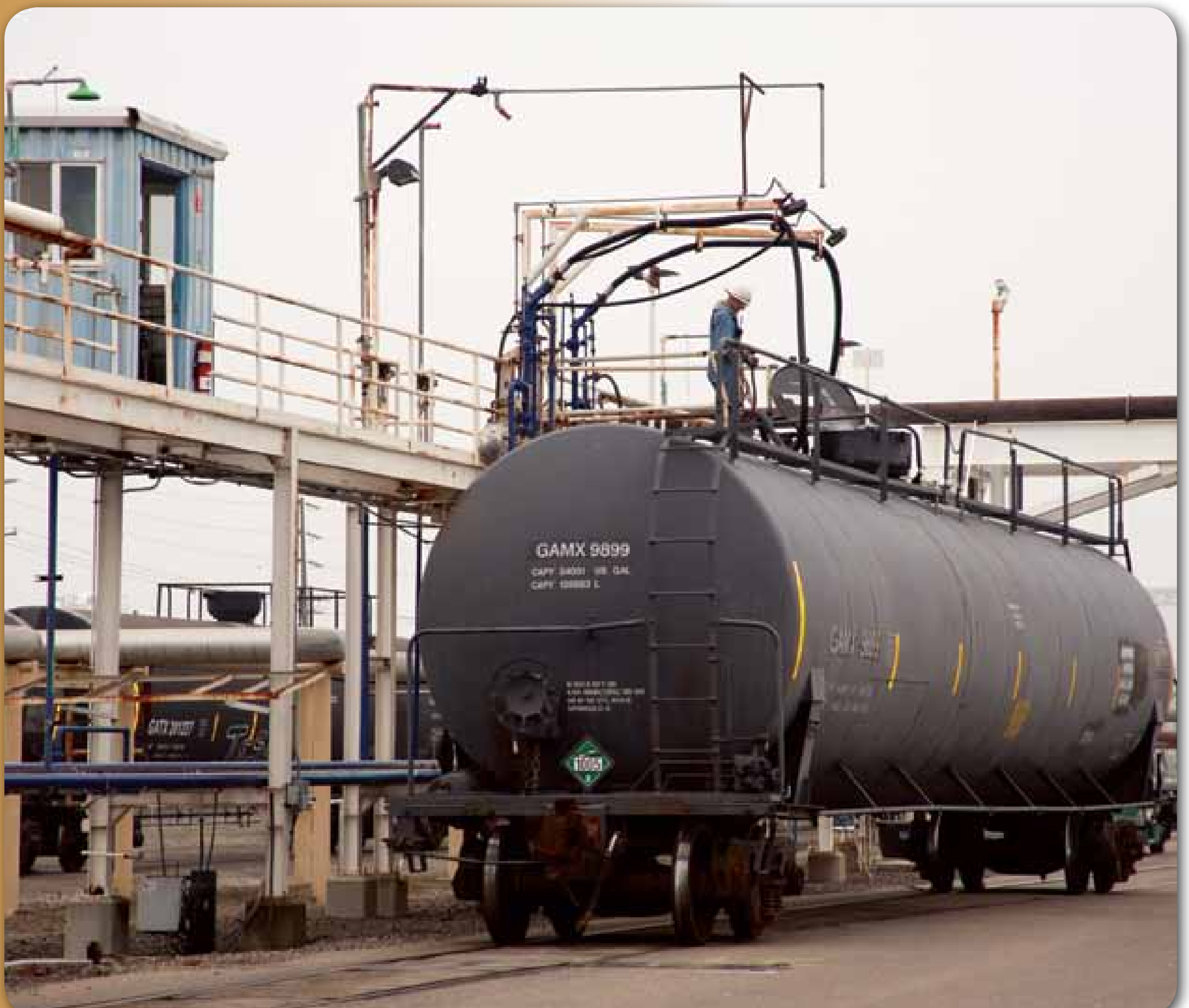
MESSAGE TO SHAREHOLDERS



Since the shale gas boom, investors have sought to capitalize on attractive nitrogen production economics given the low price of natural gas feedstock. In North America, and specifically in the United States, we continue to see new nitrogen production projects announced and evaluated by major fertilizer manufacturers as well as investors. The increase in domestic production will eventually allow the US to become less reliant on imports.

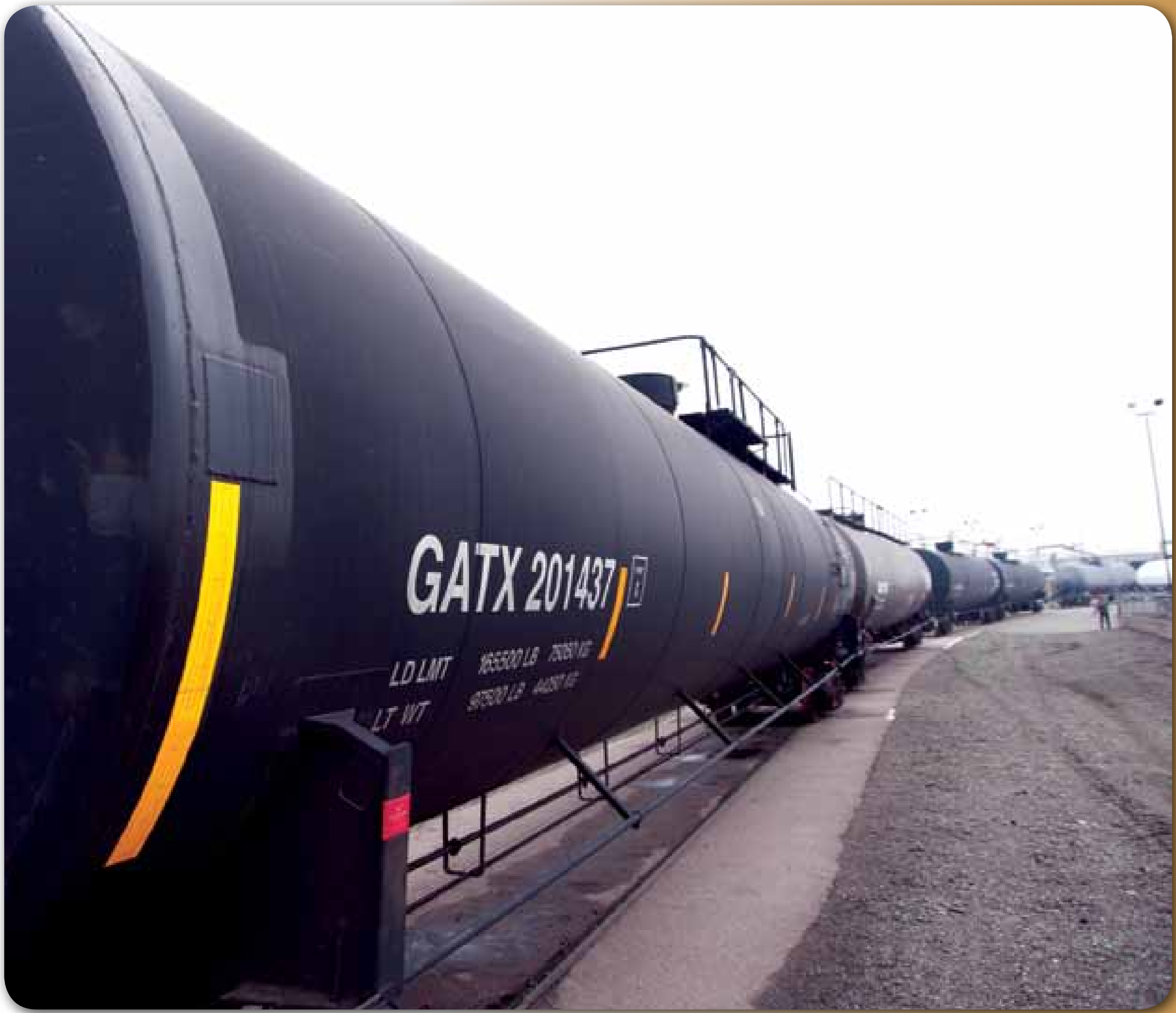
As an importer of anhydrous ammonia with pricing tied to the world market, we realized the need to position ourselves for the changing market by being able to bring in product produced in North America in order to off-set pricing fluctuations on the world market. Effective January 1, 2014, CALAMCO entered into a new two-year supply agreement with Koch Nitrogen, reducing the total tons we will receive from them by vessel on an annual basis. In addition, a new contract was established with CF Industries for the balance of our supply to be brought in by rail from Canada.

In order to accommodate the additional rail volume, it was necessary to expand our capacity for handling rail. CALAMCO secured an agreement with the Port of Stockton to obtain a two acre parcel adjacent to our facility and existing rail track. We created a total of 1,085 feet of track improvements by adding 725 feet of new track as well as rebuilding and aligning 360 feet of existing track. This increased our rail capacity from 15 railcars to a total of 27 railcars within secured property boundaries.

THE YEAR IN REVIEW

SAFETY

CALAMCO continues to provide ammonia awareness and safety presentations for our customers, reaching nearly 700 attendees in 2014. Each year we partner with the Stockton Fire Department to offer an ammonia safety and emergency response course at their training center. We were able to expand the program this past year, working with the Kern County Fire Department to offer this training in Bakersfield. Per our request, Cal-OSHA consultation services provided a review of our safety program to ensure we exceed the minimum requirements for compliance.



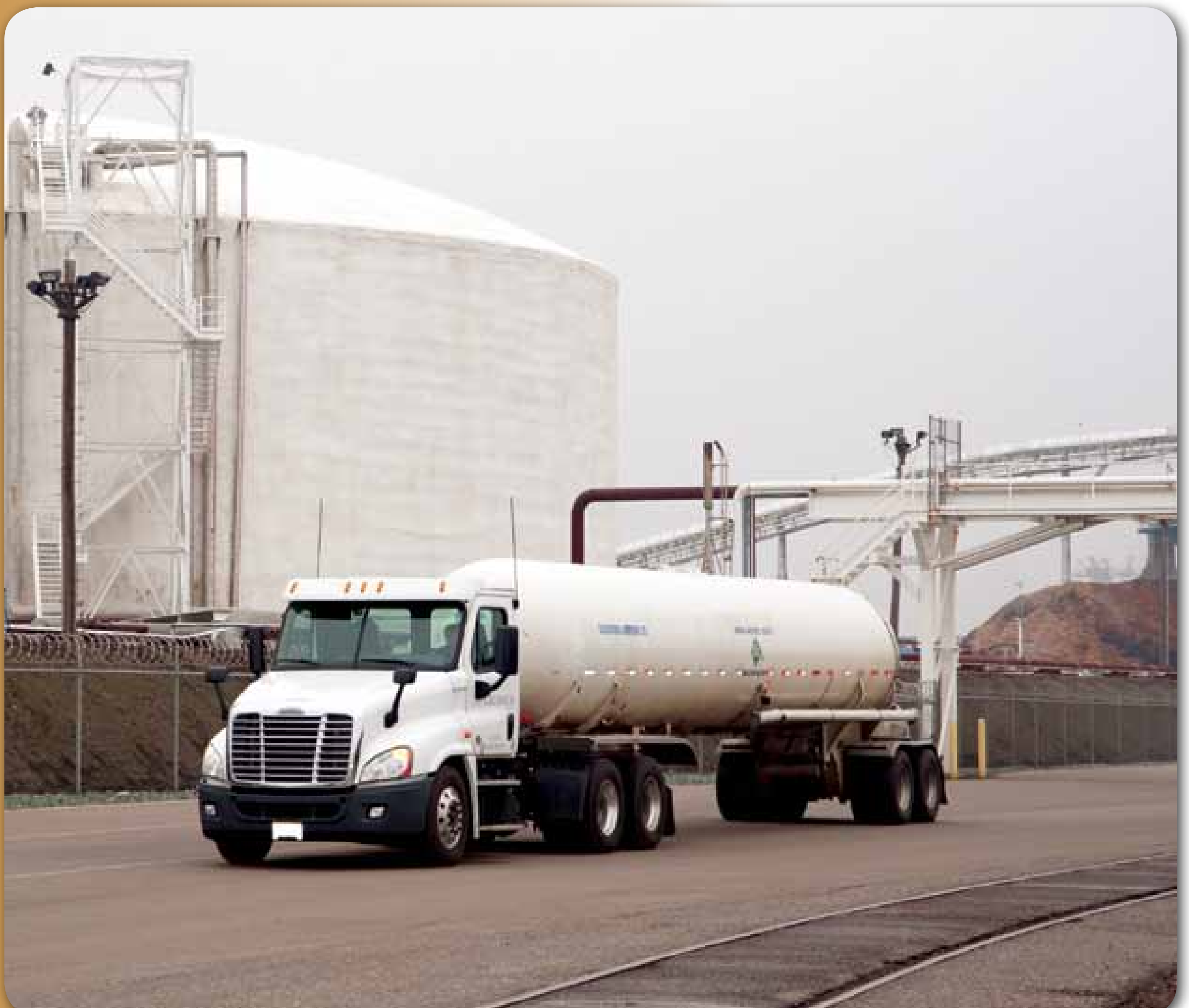
CALAMCO Recognized By Union Pacific Railroad For Transportation Safety

CALAMCO was once again recognized in 2014 by Union Pacific Railroad as a recipient of the Pinnacle Award, in recognition for our consistent focus on the safe handling and transportation of anhydrous ammonia through our facility in Stockton.

The award recognizes Union Pacific customers that implemented successful prevention and corrective plans and achieved a rate of zero non-accident releases (NARs) for regulated hazardous materials shipments. This is the fourth time that we have received the Pinnacle Award from UP.

The Pinnacle Award program, which began in 1996, is open to all Union Pacific hazardous material shippers, including chemical and petrochemical customers. Criteria include safe-loading techniques, securement of shipments, and zero non-accident releases (NAR). An NAR is an unintentional release of hazardous material during transportation not caused by an accident or train derailment. NARs consist of leaks, splashes and other releases from improperly secured or defective valves, fittings, safety relief devices and tank shells.

THE YEAR IN REVIEW
OPERATIONS



In 1987, CALAMCO completed its very first year in the trucking business, which began with two sets of tractors and anhydrous ammonia trailers. Over the years, our fleet has grown to include four tractors and fourteen trailers which we haul in conjunction with a sub-contract carrier.

In 2014, CALAMCO reached an agreement with Button Transportation to purchase their anhydrous ammonia trailer fleet, consisting of thirty trailers. Twenty of the trailers were in turn purchased by Cal Tank/Chemical Transfer Trucking, and ten were purchased by CALAMCO. The purchase brings the total number owned by CALAMCO to twenty-four. For the past several years, CALAMCO has utilized a sub-contractor to assist in hauling. CALAMCO, along with our sub-contractor, will continue to haul a portion of our trailers; the remaining trailers within our fleet will be hauled by Cal Tank/ Chemical Transfer.

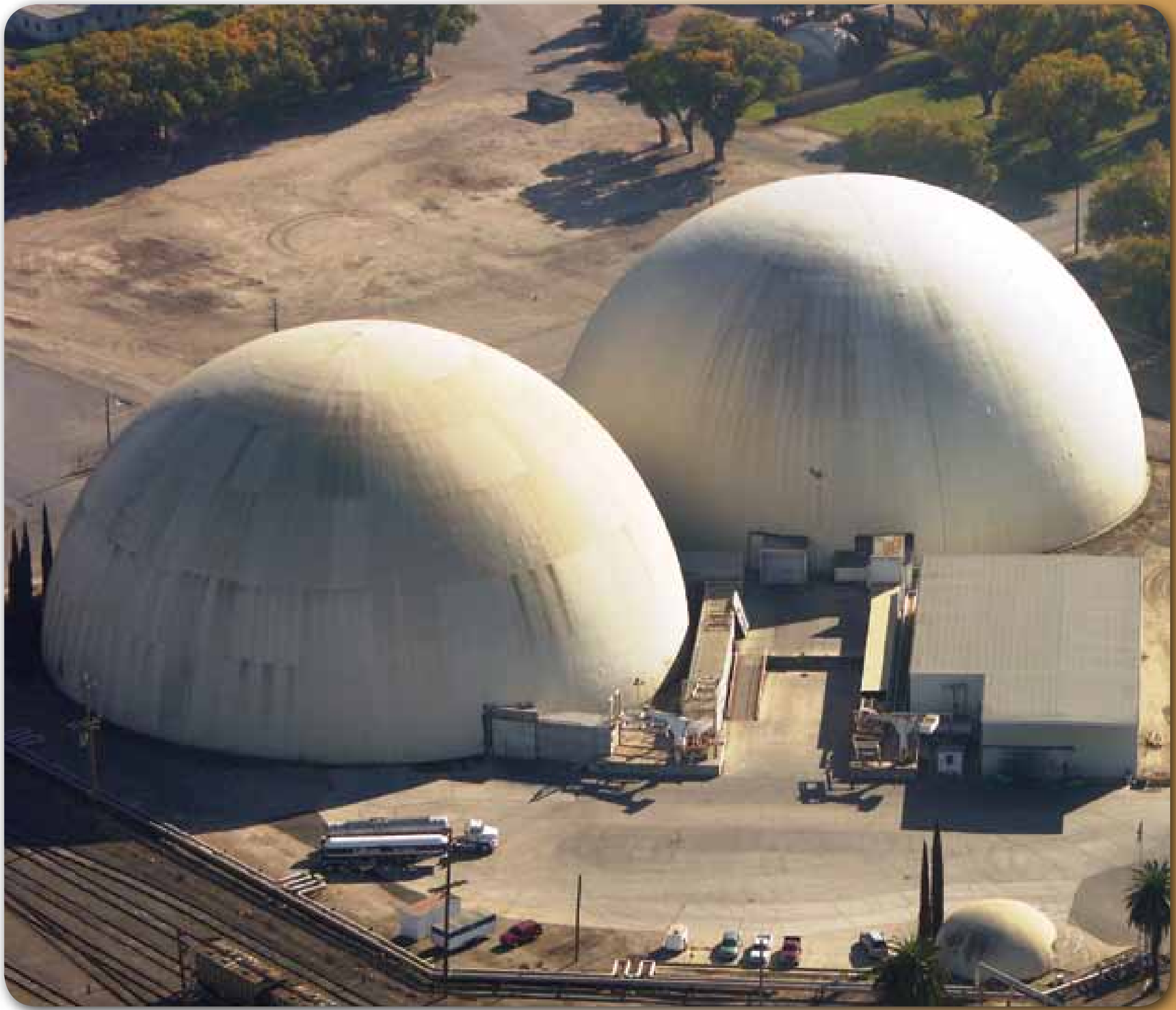
In order to maximize the efficiency of all anhydrous ammonia trailers operating in California, we also centralized the scheduling and dispatch of all anhydrous ammonia trucks under one umbrella, utilizing the expertise of Cal Tank's experienced staff.

THE YEAR IN REVIEW

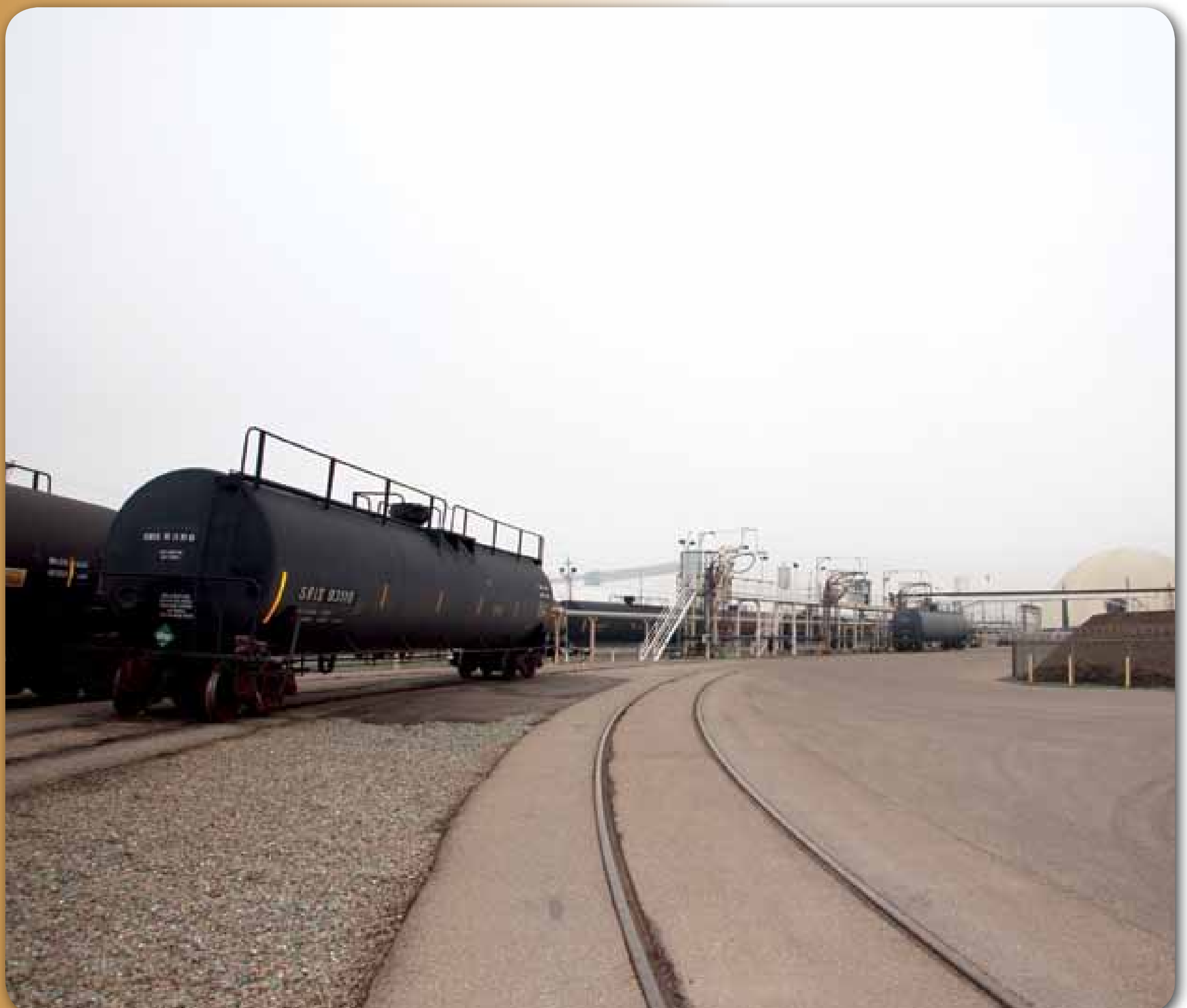
COLD STORAGE

CALAMCO was pleased to reach an agreement for the sale of our Cold Storage Facility in 2014. The facility, located on five acres adjacent to our Stockton Terminal, includes two cold storage domes, as well as an adjoining pre-cooler and office. The first dome was constructed in 1989, the second in 1990. The initial use was the controlled atmosphere storage of apples in one dome, and pears in the other. The concept was to cool the domes using our ammonia while simultaneously warming the product to the required temperature to load into trucks.

The facility was leased for several years to a neighboring cold storage company that had expressed an interest in ultimately purchasing the assets. Your management has been working towards a long-term lease agreement or sale for several years. We had a number of interested parties explore the potential purchase, but until now, were unable to find a fit. This sale is a "win-win" result for both buyer and seller, and will result in additional jobs for the Stockton area.



THE YEAR IN REVIEW
MARKETING



Severe drought conditions throughout California continued for our third consecutive year in 2014. The drought, which is the third most severe on record, is responsible for the greatest water loss ever seen in California agriculture. We have about eight million acres of irrigated crop land in our state. A third is planted in perennial fruit and nut crops, a third in field crops such as cotton and rice, and a third in crops that are fed to animals such as alfalfa and corn.

The rising share of crop land planted in perennials or "permanent" crops increases the demand for irrigation water, since they must be watered even in drought years. Farmers have substantial investments in their permanent crops and many will not plant annual crops such as vegetables in order to shift water to their trees and vines.

In a normal year, about two-thirds of the water used in agriculture is surface water, captured in dams and reservoirs in northern California and transported south via canals. The other third is groundwater pumped from underground aquifers. The drought reduced the amount of surface water available to farmers by 6.6 million acre feet in 2014 compared with normal years.

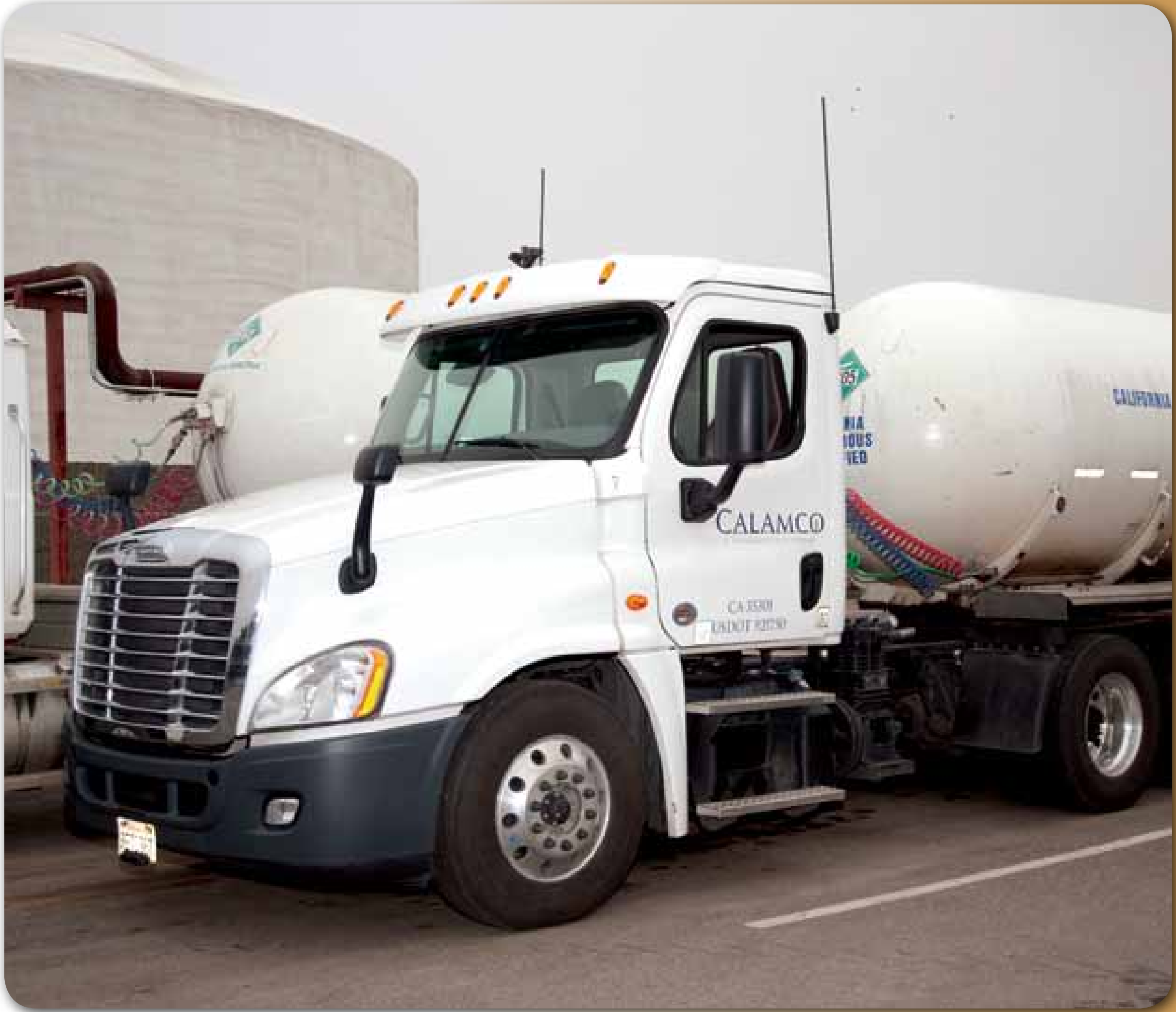
THE YEAR IN REVIEW

MARKETING

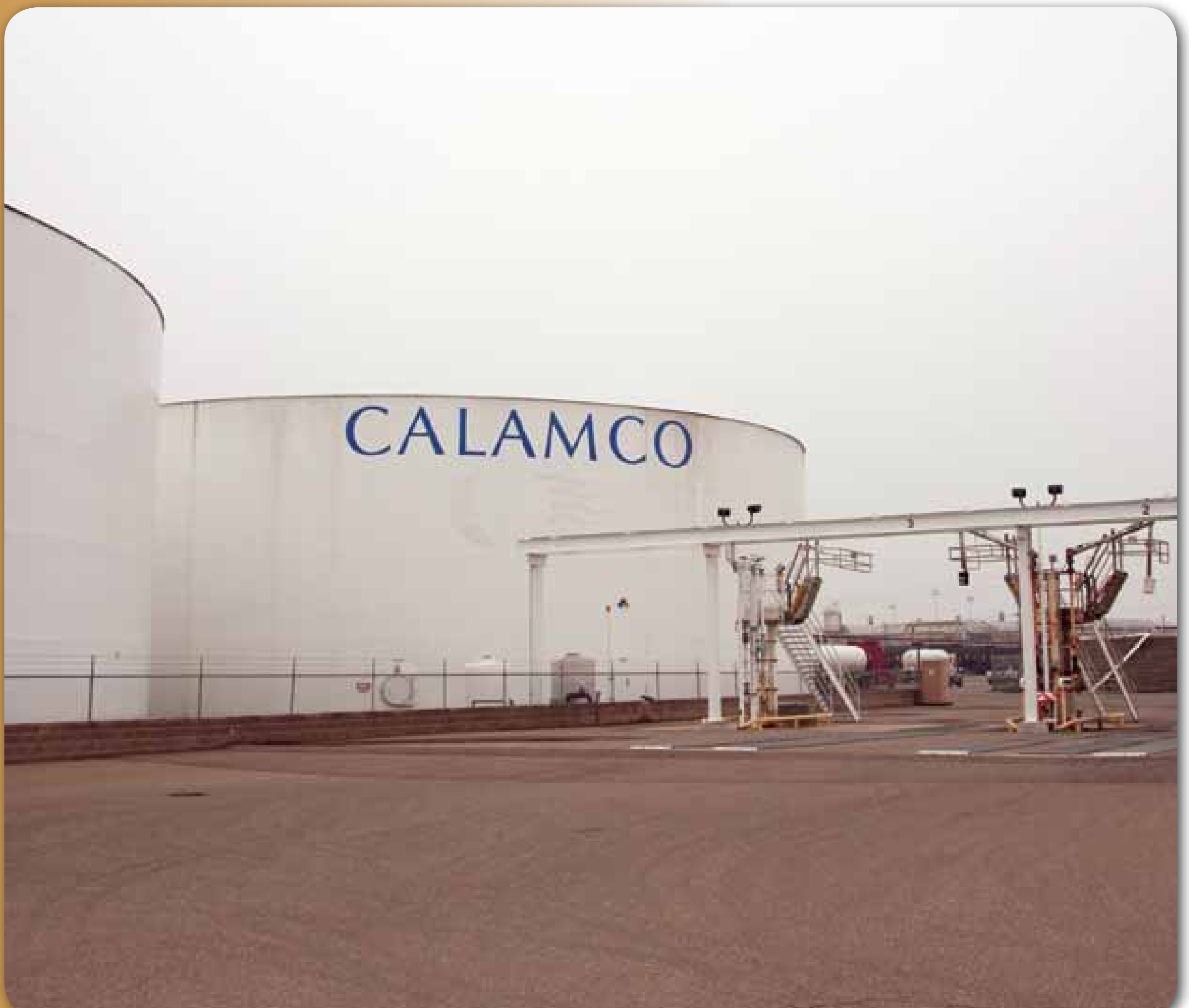
Fortunately, groundwater pumping replaced much of the surface water losses. Farmers with the ability to pump water compensated by pumping approximately five million acre feet of groundwater in order to sustain them through this past year. The ability to tap into groundwater reserves underscores our reliance on groundwater to cope with droughts. Even so, we still had an estimated 428,000 acres, or 5 percent, of irrigated acres that went out of production in the Central Valley, Central Coast, and Southern California due to the drought.

As you would expect, the drought had a direct impact on fertilizer sales. CALAMCO's combined direct sales were down 8% from 2013, and down 21% from our peak in 2011, prior to the drought. However, total volume shipped through our terminal, combining Simplot ammonia used for manufacturing upgraded fertilizer blends along with CALAMCO direct sales, is only down 11% from 2011, and 5% from 2013.

Rebate checks were mailed to participating members in mid-January for our 2014 fiscal year. It turned out to be another good year for your cooperative, with a dividend of $50.98 per ton of ammonia equivalent. That equates to a 38% return on investment for those members that purchased their stock at $20 per share this past year!



THE YEAR IN REVIEW
FINANCIAL



CALAMCO revenues for 2014 were $116.5 million compared to $134.9 million for 2013. Total cost of materials and expenses were $103.1 million compared to $123.9 million for 2013, leaving a consolidated net margin for 2014 of $13.4 million compared to $10.5 million for 2013. The Board of Directors declared a distribution of patronage income of $12.4 which was paid out to members based on 238,911 tons of qualifying ammonia equivalent compared to 242,370 tons in 2013.

Shareholder equity of $23.5 million reflects an increase of $1.3 million from our 2013 fiscal year. The company's long-term debt capacity of $4.9 million and an available line of credit of $5.0 million at year end had no outstanding balance.

CALAMCO's on-going financial strength is reflected in the following financial statements.

Robert C Brown

ROBERT C. BROWN
President, Chief Executive Officer

CASE VAN STEYN
Chairman of the Board

MANAGEMENT &
BOARD OF DIRECTORS

Lee Gardiner, Vice President, Operations (left)
Dan Stone, Vice President, CFO (right)
Robert Brown, President & CEO (seated)

Joel Barker, J.R. Simplot Co. Darron Page, J.R. Simplot Co.,
Alan Freese, District 1, Case Van Steyn, District 2 (left to right)

Doug DeVaney, District 3, David Martella, District 4, Brad Baltzer,
J.R. Simplot Co. (seated)

BALANCE SHEETS

ASSETS

	October 31, 2014	October 31, 2013
CURRENT ASSETS		
Cash and cash equivalents	$ 7,922,043	$ 13,801,571
Certificates of deposit	7,763,064	-
Accounts receivable (net of allowance for doubtful accounts of $287,235 and $287,234 in 2014 and 2013, respectively)	4,899,660	4,431,790
Inventories	11,014,895	7,826,567
Prepaid expenses and other	1,032,870	898,338
Prepaid income taxes	165,000	175,900
Total current assets	32,797,532	27,134,166
PROPERTY, PLANT, AND EQUIPMENT, net	8,145,292	7,640,717
INVESTMENT	826,863	577,041
	$ 41,769,687	$ 35,351,924

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 31, 2014	October 31, 2013
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 8,820,148	$ 6,818,671
Patronage dividend due shareholders	8,652,934	5,700,573
Total current liabilities	17,473,082	12,519,244
DEFERRED TAX LIABILITY	160,948	92,813
DEFERRED REVENUE	674,505	512,320
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY		
Common stock	5,177,628	5,175,375
Additional paid-in capital	10,917,570	10,890,016
Retained earnings	7,622,168	6,579,679
Common stock subscriptions	(256,214)	(417,523)
Total shareholders' equity	23,461,152	22,227,547
	$ 41,769,687	$ 35,351,924

See accompanying notes

STATEMENTS OF NET MARGIN AND DISTRIBUTION

	YEARS ENDED OCTOBER 31, 2014	2013
REVENUES		
Sales	$ 111,893,840	$ 131,228,748
Terminaling	3,234,573	3,639,167
Interest income and other	1,351,107	34,932
	116,479,520	134,902,847
COSTS AND EXPENSES		
Cost of materials, operations, and distribution	100,050,180	121,202,265
Selling, general, and administrative expenses	2,916,269	2,589,104
Interest expense and other	81,566	59,575
	103,048,015	123,850,944
Net margin before taxes	13,431,505	11,051,903
Income tax expense	(20,544)	549,954
Net margin	$ 13,452,049	$ 10,501,949
DISTRIBUTION OF NET MARGIN		
Net margin from member business	$ 12,409,560	$ 9,531,956
Net margin from non-member business	1,042,489	969,993
Net margin	$ 13,452,049	$ 10,501,949

See accompanying notes

STATEMENT OF SHAREHOLDERS' EQUITY

TWO YEARS ENDED OCTOBER 31, 2014

	Common Stock		Additional	Retained	Common Stock	
	Shares	Amount	Paid-in Capital	Earnings	Subscriptions	Total
Balance, October 31, 2012	2,071,899	$ 5,179,331	$ 10,890,537	$ 5,609,686	$ (442,603)	$ 21,236,951
Issuance of common stock	12,000	30,000	210,000	-	(60,630)	179,370
Retirement of common stock	(13,532)	(33,956)	(210,521)	-	-	(244,477)
Payments received on common stock subscriptions	-	-	-	-	85,710	85,710
Distributions declared	-	-	-	(9,531,956)	-	(9,531,956)
Net margin	-	-	-	10,501,949	-	10,501,949
Balance, October 31, 2013	2,070,367	$ 5,175,375	$ 10,890,016	$ 6,579,679	$ (417,523)	$ 22,227,547
Balance, November 1, 2013	2,070,367	$ 5,175,375	$ 10,890,016	$ 6,579,679	$ (417,523)	$ 22,227,547
Issuance of common stock	6,794	16,986	118,896	-	(28,212)	107,670
Retirement of common stock	(5,893)	(14,733)	(91,342)	-	-	(106,075)
Payments received on common stock subscriptions	-	-	-	-	189,521	189,521
Distributions declared	-	-	-	(12,409,560)	-	(12,409,560)
Net margin	-	-	-	13,452,049	-	13,452,049
Balance, October 31, 2014	2,071,268	$ 5,177,628	$ 10,917,570	$ 7,622,168	$ (256,214)	$ 23,461,152

See accompanying notes

STATEMENTS OF CASH FLOWS

	YEARS ENDED OCTOBER 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 13,452,049	$ 10,501,949
Adjustments to reconcile net margin to net cash from operating activities:		
Depreciation	1,384,793	1,443,472
Deferred revenue	162,185	182,240
Deferred taxes	68,135	104,533
Effect of changes in:		
Accounts receivable	(467,870)	3,927,232
Inventories	(3,188,328)	(150,528)
Prepaid expenses and other	(134,532)	(94,715)
Investment	(268,277)	-
Prepaid income taxes and income tax payable	10,900	(129,580)
Accounts payable and accrued expenses	2,001,477	1,526,814
Net cash from operating activities	13,020,532	17,311,417
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(1,889,368)	(849,239)
Purchase of certificates of deposit	(7,763,064)	-
Distribution from equity method investment	18,455	45,092
Net cash from investing activities	(9,633,977)	(804,147)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	107,670	179,370
Retirement of common stock	(106,075)	(244,477)
Payments received on common stock subscriptions	189,521	85,710
Distributions to members	(9,457,199)	(11,662,938)
Net cash from financing activities	(9,266,083)	(11,642,335)
Net change in cash and cash equivalents	(5,879,528)	4,864,935
CASH AND CASH EQUIVALENTS, beginning of year	13,801,571	8,936,636
CASH AND CASH EQUIVALENTS, end of year	$ 7,922,043	$ 13,801,571
NON-CASH TRANSACTIONS:		
Common stock subscriptions issued	$ 28,212	$ 60,630
Accrual of patronage dividend due to shareholders	$ 8,652,934	$ 5,700,573
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 39,566	$ 59,575
Cash paid for taxes	$ 165,000	$ 575,000

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CALAMCO (the Company), located in Stockton, California, is a non-exempt agricultural cooperative that sells and transports anhydrous ammonia and related fertilizer products to its members. The Company also provides terminaling services for outside companies. These operations are considered non-member business. Patronage retains are levied and remitted to members at the discretion of the Board of Directors. Significant accounting policies are as follows:

a. Cash and Cash Equivalents

The Company classifies all highly liquid deposits with maturities of three months or less as cash and cash equivalents.

b. Certificates of Deposit

The Company holds certificates of deposit totaling $7,763,064 and $0 at October 31, 2014 and 2013, respectively. The certificates bear interest ranging from 0.30% to 0.80% and have maturities of six months.

c. Inventories

Inventories, which consist primarily of anhydrous ammonia and aqua ammonia, are carried at the lower of cost (first-in, first-out method) or market.

d. Exchanged Inventory

The Company has agreements with other ammonia suppliers whereby product is loaned between the Company and the other suppliers. These loans are denominated in ammonia and are utilized to minimize shipping costs for both parties. The net payable was valued at $780,641 and $1,850,973 at October 31, 2014 and 2013, respectively. The net payable and the accompanying offsetting inventory are recorded net in the accompanying financial statements.

e. Property, Plant, and Equipment

Property, plant, and equipment is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from 3 to 50 years.

Periodically, the Company assesses the recoverability of its long-lived assets to determine if assets have been impaired. Any impairment loss would be measured at the excess of the carrying amounts of assets over their fair value.

f. Insurance Program

The Company became a member of a multiprovider captive insurance company (captive) for general liability, auto, and workers' compensation insurance in 2006. The Company's investment for the membership interest is included in investments and accounted for on the equity method.

The captive agreement provides for specific deductibles, a risk sharing pool, and layers of indemnity coverage. The Company amortizes the premiums paid to the captive over the policy year. At October 31, 2014 and 2013, the Company has a $315,039 letter of credit available for possible claims. Management estimates any contingent liabilities under the captive agreement are not material.

g. Income Taxes

Under the federal tax code, the Company is a non-exempt cooperative association. Non-exempt cooperatives accrue income taxes on net non-patronage proceeds. No provision for taxes is made for net patronage proceeds paid or allocated to members as qualified notices of allocation.

Deferred tax assets and liabilities are calculated by applying applicable tax rates to the non-patronage differences between the financial statement basis and tax basis of assets and liabilities currently recognized in the financial statements.

The accounting standard for uncertain tax positions prescribes a recognition threshold and measurement process for accounting and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Company does not have any entity level uncertain tax positions.

It is the Company's policy to include interest and penalties related to unrecognized tax benefits within the provision for income taxes on the statement of net margin. No amounts were recognized for interest and penalties related to unrecorded tax benefits during fiscal years 2014 or 2013.

h. Patronage Retains

Net margin may be retained or distributed to members at the option of the Board of Directors. The Board annually determines whether additional retains are needed. No amounts were retained from fiscal year 2014 or 2013.

i. Member Distributions

Net margins from member business are distributed on the basis of patronage, not to exceed a calculation based on the number of shares of common stock owned by the individual member.

j. Revenue Recognition

Product revenue and trucking income is recognized as product is shipped. Terminaling income is recognized as product is shipped from the terminal.

k. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

l. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued.

The Company has evaluated subsequent events through January 22, 2015, which is the date the financial statements are available to be issued.

m. Reclassifications

Certain amounts in the financial statements as of October 31, 2013 and for the year then ended have been reclassified to conform to the presentation in the financial statements as of and for the year ended October 31, 2014. Such reclassifications did not have a significant effect on total assets, liabilities, shareholders' equity, and net margin.

2. PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment consist of:

	OCTOBER 31, 2014	OCTOBER 31, 2013
Land	$ 70,000	$ 70,000
Plant and equipment	30,601,911	29,066,091
Construction in progress	355,030	1,483
	31,026,941	29,137,574
Accumulated depreciation	(22,881,649)	(21,496,857)
	$ 8,145,292	$ 7,640,717

During 2014, the Company sold a cold storage facility that was deemed to be fully impaired in 2012. Proceeds of $900,000 from the sale are included as a component of interest income and other.

3. INCOME TAXES

The Company pays federal and state taxes on member margins not allocated to members and on non-member net margin.

The components of the provision for income taxes are as follows:

	YEARS ENDED OCTOBER 31,	
	2014	2013
Federal:		
Current tax expense (benefit)	$ (88,472)	$ 352,350
Deferred tax expense	25,982	96,810
	(62,490)	449,160
State:		
Current tax expense	-	93,071
Deferred tax expense	41,946	7,723
	41,946	100,794
	$ (20,544)	$ 549,954

The Company has total deferred tax liabilities of $160,948 and $92,813 at October 31, 2014 and 2013, respectively. Deferred taxes relate primarily to financial statement and tax return basis differences in depreciation, federal net operating loss carry-forwards, and certain accrued expenses.

4. BANK FINANCING

The Company has a line of credit with a bank, of which $5,000,000 was available at October 31, 2014 and 2013. No balance was outstanding at either date. The line of credit is limited to the lesser of combined totals of 65% of inventories and 80% of eligible accounts receivable or a fixed amount as defined in the line of credit agreement, which was $5,000,000 at October 31, 2014 and 2013.

The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.75% (1.90% at October 31, 2014) and expires on October 1, 2018.

The Company has available letters of credit that may not exceed $1,000,000. The letter of credit in the amount of $315,039 was outstanding at October 31, 2014 and 2013. The letter of credit matures on October 1, 2018.

The Company has a secured term loan with a bank of which there was $4,866,680 available at October 31, 2014 and $5,596,676 available at October 31, 2013. No balance was outstanding at either date. The availability of this loan is reduced monthly by $60,833 until it expires on July 31, 2016. This loan accrues interest at LIBOR plus 1.75% (1.90% at October 31, 2014).

The Company's bank financing is collateralized by substantially all the Company's accounts receivable, inventory, and equipment.

5. NON-CANCELLABLE OPERATING LEASES

The Company leases administrative offices, railcars, and certain other equipment under operating lease agreements. Port terminal space is also leased under an agreement that expires, following a 20-year extension, in December 2041. All ammonia is delivered through this port.

Future minimum lease payments for non-cancellable operating leases with terms in excess of one year as of October 31, 2014 are as follows:

Years ending October 31,	Amount
2015	800,935
2016	758,443
2017	721,614
2018	725,153
2019	723,828
Thereafter	10,227,063
	$13,957,036

The port lease agreement also entitles the Company to receive a wharfage credit against the lease expense based on a tonnage delivered to the port. The lease agreement provides that the Company may be required to remove improvements to the property at its cost at the conclusion of the lease. The Company estimates that the present value of any removal costs is not material. Rental expense incurred under operating leases (including month-to-month rentals) was $558,413 and $572,093 for the years ended October 31, 2013 and 2012, respectively.

6. COMMON STOCK

Common stock consists of the following:

	October 31,	
	2014	2013
Class A, par value $2.50 per share, 1,200,000 shares authorized; 1,116,183 and 1,111,482 shares issued and outstanding at October 31, 2014 and 2013, respectively	$ 2,790,165	$ 2,778,413
Class B, par value $2.50 per share, 1,250,000 shares authorized; 955,085 and 958,885 shares issued and outstanding at October 31, 2014 and 2013, respectively	2,387,463	2,396,962
	$ 5,177,628	$ 5,175,375

Class A shareholders are entitled to elect at least a simple majority of directors. Class B share-holders are entitled to elect at least one director. 79% of the Class B common stock is owned by Cal Ida Chemical Co. (Cal Ida), a wholly-owned subsidiary of J.R. Simplot Co. (see Note 11).

7. EMPLOYEE RETIREMENT PLAN

The Company has a defined contribution retirement plan covering employees meeting eligibility requirements. Employees are eligible to participate on the first day of the plan year in which they complete 12 months of employment, provided that they have worked at least 1,000 hours during that period. Minimum annual contributions to the plan are based upon 6% of annual compensation. Additional amounts may be contributed at the discretion of the Company's Board of Directors. The plan has an indefinite expiration date. Contributions to the plan were $319,423 and $340,407 for the years ended October 31, 2014 and 2013, respectively.

8. SAVINGS PLAN

The Company has a 401(k) savings plan. Employees are eligible upon date of hire. Matching contributions are made at the discretion of the Board of Directors. All other contributions are made at the discretion of the Board of Directors. All contributions vest immediately. The Company contributed $90,794 and $91,474 for the years ended October 31, 2014 and 2013, respectively.

9. DEFERRED COMPENSATION PLAN

The Company has a non-qualified deferred compensation plan whereby certain eligible em-ployees can defer their compensation. The Company is the owner and beneficiary of certain life insurance policies, held in a Rabbi Trust, to provide the Company with a source of funds to assist in meeting the liabilities under the plan. The Trust is subject to claims of Company creditors in the event of insolvency of the Company.

10. COMMITMENTS AND CONTINGENCIES

The Company has a long-term agreement in which it will purchase 2,000 tons of ammonia a month from one vendor. The Company has a second long-term agreement in which it will purchase remaining ammonia during January through June and 55% of their ammonia requirements during July through December 31, 2015. The Company purchases primarily all of its ammonia from these vendors. Management believes that alternate vendors are available, if necessary.

11. RELATED PARTY

The Company has an agreement with J.R. Simplot Co. and affiliates (collectively Simplot), a 37% shareholder, under which Simplot has agreed to purchase all of their anhydrous ammonia manufacturing needs in California from the Company. Under this agreement, the Company's price for anhydrous ammonia to Simplot is the Company's best dealer price less discounts (as defined in the agreement). Simplot receives an estimated patronage refund at the time of purchase. However, this amount is adjusted to actual monthly and Simplot pays interest on the amount of any patronage refund received in advance.

During 2011, the Company entered into an agreement with Simplot, under which the Company agreed to supply Simplot with a minimum of 3,000 short tons of R-Grade ammonia each year and to provide Simplot with exclusive sales and marketing rights to all CALAMCO generated R-Grade ammonia. As a result of the agreement, the Company increased their capacity to store R-Grade ammonia. The agreement has a five-year term with Simplot having the right to exercise seven consecutive five-year options to extend the term.

In 2012, the Company completed construction and placed into service a new storage tank dedicated to terminaling Urea Ammonium Nitrate (UN32). The Company has entered into an agreement with Simplot to terminal UN32. The Company does not take possession of or sell the product on behalf of Simplot, but merely stores the product for Simplot and charges a related terminaling fee. The agreement has a five-year term with Simplot having the right to exercise seven consecutive five-year options to extend the term.

The total UN32 terminaling revenue includes handling fees and recovery of construction costs for the tank placed into service in 2012. The Company is due to recover $2,020,000 for the cost of constructing the storage tank from Simplot within the first five years of the agreement. Management has deferred recognizing the recovery over a ten-year term under the assumption that Simplot will exercise its first option to extend the terminaling agreement for an additional five-year term.

The following amounts relate to transactions with Simplot:

	YEARS ENDED OCTOBER 31,					
	2014			2013		
		Amount	% of Total		Amount	% of Total
Sales	$	45,636,640	41%	$	53,306,928	41%
Accounts receivable	$	962,988	20%	$	1,030,704	23%
Processing costs incurred through Simplot	$	3,946,855		$	2,491,126	
UN32 terminaling income	$	1,748,948		$	1,606,520	
UN32 deferred income	$	162,185		$	182,240	
Deferred income to date	$	674,505		$	512,320	

12. CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES

Financial instruments that potentially subject the Company to credit risk are funds held by depository institutions and customer trade accounts receivable generated in the normal course of business.

The Company maintains funds at depository institutions, including balances in short-term investment accounts, that periodically exceed the FDIC insurance limits, or in the case of the short-term investments, are not insured. The Company has not experienced any credit losses on these funds held at depository institutions.

As discussed in Note 1, the Company sells anhydrous ammonia and related fertilizer products primarily to agricultural distributors and retailers located throughout California and the western United States; therefore, a portion of its customers' ability to service their obligations is dependent on the agribusiness sector of the economy. While management believes that its security as a creditor is adequate and that the allowance for doubtful accounts is sufficient to provide for potential uncollectible receivables, it is possible that future write-offs could exceed the current allowance. Historical losses and current aging trends have been and are within management's expectations. Management determines the allowance for doubtful accounts based on the evaluation of individual accounts and historical write-offs. The Company does not have a policy for placing trade receivables on non-accrual status and does charge 1% interest on past due balances over 30 days.

Trade receivables are written off against the allowance account when deemed uncollectible by management.

January 22, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders

CALAMCO

Report on Financial Statements

We have audited the accompanying financial statements of CALAMCO (the Company), which comprise the balance sheets as of October 31, 2014 and 2013, and the related statements of net margin and distribution of net margin, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CALAMCO as of October 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Moss Adams, LLP
Stockton, California

CALAMCO

1776 West March Lane, Suite 420
Stockton, California 95207

209.982.1000
www.calamco.com