CALAMCO

A PARTNERSHIP WITH GROWERS

2015
ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	2015	2014
Total Revenue	$ 112,151,831	$ 116,479,520
Cash Patronage Allocated to Participating Shareholders	$ 12,225,728	$ 12,409,560
Cash Patronage Dividend per Ton of Ammonia	$ 54.58	$ 50.98
Net Working Capital	$ 14,027,722	$ 15,345,711
Property, Plant and Equipment, Net	$ 8,179,437	$ 8,145,292
Long Term Debt	$ 0	$ 0
Shareholders' Equity	$ 23,904,667	$ 23,461,152
Number of Shareholders	1,150	1,146
Shares Outstanding at Year-End	2,071,903	2,071,268

Table of Contents

MESSAGE TO SHAREHOLDERS

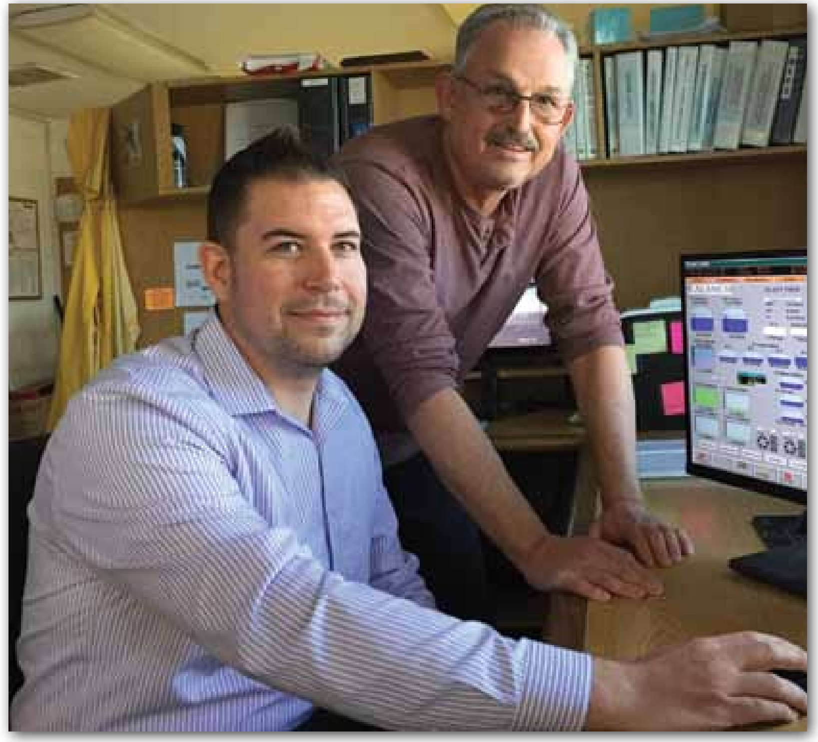
At CALAMCO, we have been focusing on new and creative ways to utilize technology. The recent upgrade to our accounting system has given us the ability to streamline business processes and improve overall efficiency. Automating these workflows has reduced turn-around time, improved accuracy, and allowed employees to better service our shareholders.

At our corporate office, the implementation of new cloud-based technologies has eliminated the need for costly server upgrades and ongoing hardware maintenance. Our cloud-based solutions allow access to our data anytime, from anywhere, on any device. In addition to greater productivity, we have been able to increase security, prevent unplanned system downtime, improve employee collaboration, and ensure business continuity in the event of a disaster.

Improved technology has also resulted in how we communicate with our shareholders. 2015 was the second year that patronage use reports could be filed and edited online. We are currently working to increase capabilities for those members reporting online. Shareholders are encouraged to utilize the online reporting system.

With our latest project, the installation of new mass flow meters and weight capture software at our Stockton terminal, we have been able to revamp the loading process. Weights, truck information and other pertinent data are moved from mass flow meters at the load out station to the accounting system software and generate electronic invoices to the customer. This leads to significant time savings and provides our customers with faster access to critical data and billing information.

We are very proud of what we have been able to accomplish over this past year, and are excited about the future of your company.



Gary Babcock, Network Administrator and Dale Thigpin, Stockton Terminal Manager

As part of our ongoing maintenance at the Stockton facility, this past year we decided it was time to replace the vessel discharge "load-arm", which has been in place since the facility was built approximately 35 years ago. The ability to unload vessels without interruption is vital to our successful operations and ability to serve our customers. The load-arm is a critical component of the ship unloading process and is custom designed to meet our site requirements. In early February, after 18 months of design, construction, and testing, the load-arm was successfully installed.

In 2014, we began the initial phase of our rail expansion at the port of Stockton to increase our capacity for handling rail. The project began with procuring two additional acres adjacent to our existing property and the addition of new track to create a total of 1085 feet of track improvements within our secured site. The final phase of the expansion was completed this year, and includes a new off-loading platform, allowing us to receive and offload anhydrous ammonia by rail. Product can be then transferred to either plant storage, trucks, or into outbound railcars.

SAFETY

CALAMCO is the proud recipient of Union Pacific's 2015 Pinnacle Award, in recognition for our consistent focus on the safe handling and transportation of anhydrous ammonia through our facility in Stockton. This is the fifth time that we have received this award from Union Pacific.

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 NARs. A non-accident release 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 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.

CALAMCO was also the proud recipient of the 2015 Terra Safety Award. Terra is the name of the insurance captive of which we are members; a group of 27+ other companies connected to agriculture and light industry. We were selected for our continued focus on safety, evident by completing 2014 without a recordable accident or injury.

We realize that these achievements would not be possible without the dedication, determination, and enthusiasm of our employees, who consistently strive to exceed expectations and deliver great results.

In 2015, we entered into our fourth year of severe drought conditions in California, with much of the state falling within the top two levels of drought, labeled extreme and exceptional. In a report on economic impacts of the drought released by the University of California Davis, it estimates that approximately 540,000 acres were fallowed in 2015 due to the drought, with the largest increases in idle acreage occurring along the west side of the San Joaquin Valley in Fresno, Kings, and Kern counties. In addition to fallowing ground to preserve water, farmers were forced to make up for the lack of available surface water by pumping groundwater, much of which was needed to sustain permanent crops.

The reduction in acres farmed has had an impact on many ag-related industries, ours being no exception. While our business can be subject to short-term market fluctuations, the strength of our position is evident by the fact that we were able to maintain our market share, despite the drought.

Total revenue for 2015 was down from our 2014 fiscal year; however the total number of reported rebatable tons was down significantly as well. Since the cash patronage allocated to participating shareholders is divided amongst the total rebatable tons, the actual dividend per ton of ammonia ended up to be one of our historical best. We were able to return a dividend of $54.58 per ton of ammonia equivalent to qualifying members for our 2015 fiscal year. That equates to a 41% return on investment for stock purchased at $20 per share.

FINANCIAL

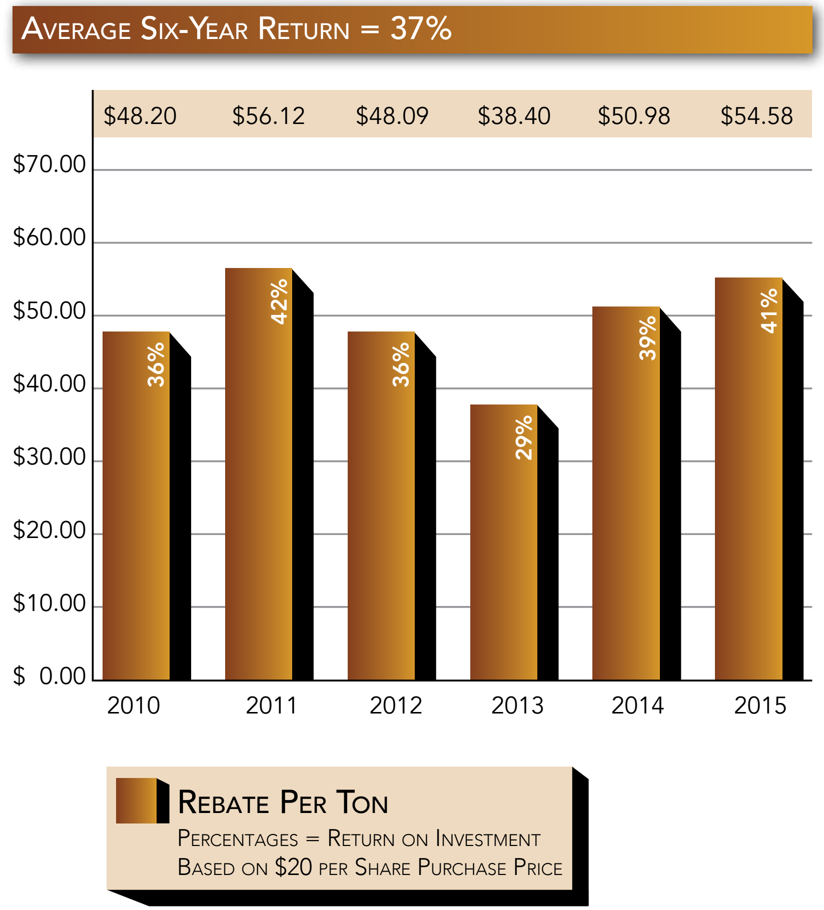
CALAMCO revenues for 2015 were $112.2 million compared to $116.5 million for 2014. Total cost of materials and expenses were $99.7 million compared to $103.05 million for 2014, leaving a consolidated net margin for 2015 of $12.5 million compared to $13.5 million for 2014. The Board of Directors declared a distribution of patronage income of $12.2 million which was paid out to members based on 220,157 tons of qualifying ammonia equivalent, compared to 238,911 tons in 2014.

Shareholder equity of $23.9 million reflects an increase of $0.4 million from our 2014 fiscal year. The company's $10 million available line of credit had no outstanding balance at year end.

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

ROBERT C. BROWN
President, Chief Executive Officer

CASE VAN STEYN
Chairman of the Board



MANAGEMENT AND BOARD OF DIRECTORS

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

Case Van Steyn, District 2; Alan Freese, District 1; Doug DeVaney, District 3 (left to right). Not pictured, David Martella, District 4

Joel Barker, J.R. Simplot Co.; Brad Baltzer, J.R. Simplot Co.; Darron Page, J.R. Simplot Co. (seated left to right)

BALANCE SHEETS

ASSETS

	YEARS ENDED OCTOBER 31, 2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 10,302,930	$ 6,924,864
Certificates of deposit	4,001,007	8,760,243
Accounts receivable (net of allowance for doubtful accounts of $287,259 and $287,235 in 2015 and 2014, respectively)	4,425,548	4,899,660
Inventory	12,510,264	11,014,895
Prepaid expenses and deposits	661,907	1,032,870
Prepaid income taxes	-	165,000
Deferred tax assets	86,271	21,261
Total current assets	31,987,927	32,818,793
PROPERTY AND EQUIPMENT, net	8,179,437	8,145,292
INVESTMENTS		
Joint venture (Note 1)	1,937,595	-
Insurance program (Note 1)	1,147,571	826,863
Deferred compensation plan investments (Note 9)	398,464	-
Total investments	3,483,630	826,863
Total assets	$ 43,650,994	$ 41,790,948

LIABILITIES AND SHAREHOLDERS' EQUITY

	2015	2014
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 9,109,622	$ 8,820,148
Income taxes payable	800	-
Patronage dividend due to shareholders	8,849,783	8,652,934
Total current liabilities	17,960,205	17,473,082
Deferred tax liability	107,466	182,209
Deferred revenue	1,089,094	674,505
Deferred compensation	589,562	-
Total liabilities	19,746,327	18,329,796
Commitments and contingencies (Note 10)		
SHAREHOLDERS' EQUITY		
Common stock	5,179,215	5,177,628
Additional paid-in capital	10,953,312	10,917,570
Retained earnings	7,893,598	7,622,168
Common stock subscriptions	(121,458)	(256,214)
Total shareholders' equity	23,904,667	23,461,152
Total liabilities and shareholders' equity	$ 43,650,994	$ 41,790,948

STATEMENTS OF NET MARGIN AND DISTRIBUTION

	YEARS ENDED OCTOBER 31, 2015	2014
REVENUES		
Sales	$ 109,339,979	$ 111,893,840
Terminaling	2,298,443	3,234,573
Interest income and other	513,409	1,351,107
Total revenues	112,151,831	116,479,520
COSTS AND EXPENSES		
Cost of materials, operations, and distribution	96,194,761	100,050,180
Selling, general, and administrative expenses	3,248,937	2,916,269
Interest expense and other	291,310	81,566
Total costs and expenses	99,735,008	103,048,015
Net margin before taxes	12,416,823	13,431,505
Income tax benefit	(80,335)	(20,544)
Net margin	$ 12,497,158	$ 13,452,049
DISTRIBUTION OF NET MARGIN		
Net margin from member business	$ 12,225,728	$ 12,409,560
Net margin from non-member business	271,430	1,042,489
Net margin	$ 12,497,158	$ 13,452,049

See accompanying notes

STATEMENT OF SHAREHOLDERS' EQUITY

YEARS ENDED OCTOBER 31, 2015 and 2014

	Common Stock		Additional	Retained	Common Stock	Total
	Shares	Amount	Paid-in Capital	Earnings	Subscriptions	Stockholders' Equity
Balances at 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
Balances at October 31, 2014	2,071,268	$ 5,177,628	$ 10,917,570	$ 7,622,168	$ (256,214)	$ 23,461,152
Issuance of common stock	12,950	32,375	226,625	-	(7,500)	251,500
Retirement of common stock	(12,315)	(30,788)	(190,883)	-	-	(221,671)
Payments received on common stock subscriptions	-	-	-	-	142,256	142,256
Distributions declared	-	-	-	(12,225,728)	-	(12,225,728)
Net margin	-	-	-	12,497,158	-	12,497,158
Balances at October 31, 2015	2,071,903	$ 5,179,215	$ 10,953,312	$ 7,893,598	$ (121,458)	$ 23,904,667

STATEMENTS OF CASH FLOWS

	YEARS ENDED OCTOBER 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 12,497,158	$ 13,452,049
Adjustments to reconcile net margin to net cash from operating activities:		
Depreciation	1,328,154	1,384,793
Deferred compensation	191,098	-
Deferred revenue	414,589	162,185
Deferred taxes	(139,753)	68,135
Gain on investments, net	(274,625)	(268,277)
Gain on sale of equipment	(23,373)	(900,000)
Effect of changes in:		
Accounts receivable	474,112	(467,870)
Inventory	(1,495,369)	(3,188,328)
Prepaid expenses and other	370,965	(134,532)
Prepaid income taxes and income tax payable	165,800	10,900
Accounts payable and accrued expenses	289,472	2,001,477
Net cash from operating activities	13,798,228	12,120,532
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(1,365,865)	(1,889,368)
Maturities of certificates of deposit	13,770,224	-
Purchases of certificates of deposit	(9,010,988)	(8,760,243)
Investment in joint venture	(2,000,000)	-
Purchase of membership interest in insurance program	(30,000)	-
Proceeds from sale of property, plant, and equipment	26,939	900,000
Distribution from equity method investment	46,322	18,455
Net cash from (used for) investing activities	1,436,632	(9,731,156)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	251,500	107,670
Retirement of common stock	(221,671)	(106,075)
Payments received on common stock subscriptions	142,256	189,521
Distributions to members	(12,028,879)	(9,457,199)
Net cash used for financing activities	(11,856,794)	(9,266,083)
Net change in cash and cash equivalents	3,378,066	(6,876,707)
CASH AND CASH EQUIVALENTS, beginning of year	6,924,864	13,801,571
CASH AND CASH EQUIVALENTS, end of year	$ 10,302,930	$ 6,924,864
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 47,283	$ 39,566
Cash paid for income taxes	$ -	$ 165,000
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Common stock subscriptions issued	$ 7,500	$ 28,212
Accrual of patronage dividend due to shareholders	$ 8,849,783	$ 8,652,934

See accompanying notes

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following items comprise the significant accounting policies of (the Company). The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Company's Activities:

CALAMCO, 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.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid instruments with a maturity, at date of purchase, of three months or less to be cash equivalents.

Certificates of Deposit:

The Company holds certificates of deposit totaling $4,001,007 and $8,760,243 at October 31, 2015 and 2014, respectively. The certificates bear interest ranging from 0.30% to 0.80% and have maturities of six months.

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.

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 $548,135 and $780,641 at October 31, 2015 and 2014, respectively. The net payable and the accompanying offsetting inventory are recorded net in the accompanying financial statements.

Property 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.

Investments:

A) Insurance Program:

The Company became a member of a multi-provider captive insurance company (the 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 using the equity method. The investment balances, which reflect the expected future payouts from the dividend pool, were $1,147,571 and $826,863 as of October 31, 2015 and 2014, respectively.

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, 2015 and 2014, 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.

Summarized financial information is based upon the most recent financial reports available for the Captive at September 30, 2015 and December 31, 2014 is as follows:

	Unaudited 2015	Audited FS 2014
Total assets	$ 64,295,516	$ 54,269,841
Total liabilities	53,745,664	45,560,727
Net income	1,115,931	2,373,635

B) Investment in Joint Venture:

During 2015 the Company entered into a joint venture with an Arizona Limited Liability Company (the LLC). The LLC is in the business of developing next generation nitrogen fertilizer production process technology and has a patent pending for a zero emissions combined fertilizer and thermal power plant. The Company purchased 25,000 Class A shares in the LLC for the total sum of $2,000,000 for an 8.5% stake. The Company's investment for the membership interest is included in investments and accounted for on the equity method.

Summarized financial information of the LLC at October 31, 2015 is as follows:

	Unaudited 2015
Total assets	$ 1,463,744
Total liabilities	174
Net income	(734,182)

Impairment of Long-Lived Assets:

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses recognized for long-lived assets as of October 31, 2015 and 2014.

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 2015 or 2014.

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 2015 or 2014.

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.

Revenue Recognition:

Substantially all revenue is recognized when products are shipped and the customer takes ownership and assumes risk of loss, collection is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Product revenue and trucking income is recognized as product is shipped. Terminaling income is recognized as product is shipped from the terminal.

Reclassifications:

Certain amounts in the financial statements as of October 31, 2014 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, 2015. Such reclassifications did not have a significant effect on total assets, liabilities, shareholders' equity, and net margin.

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 8, 2016, which is the date the financial statements are available to be issued.

Estimated Fair Value of Financial Instruments:

The Fair Value Measurements Topic of the Financial Accounting Standards Board Codification establishes a framework for measuring fair value under generally accepted accounting principles. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Company's financial instruments include cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and accrued expenses, and investments. The fair value of short-term financial instruments at October 31, 2015 approximates carrying values due to their short-term duration. The estimated fair value of equity securities and mutual funds related to deferred compensation plan investments, (see Note 9) have been determined using Level 1 inputs, including quoted market prices from active markets.

2: PROPERTY AND EQUIPMENT:

Property and equipment as of October 31, 2015 and 2014 consists of the following:

	2015	2014
Land	$ 70,000	$ 70,000
Plant equipment	32,068,408	30,601,911
Construction in progress	65,205	355,030
Total	32,203,613	31,026,941
Less accumulated depreciation	24,024,176	22,881,649
Property and equipment, net	$ 8,179,437	$ 8,145,292

Depreciation charged amounted to $1,328,154 and $1,384,793 for the years ended October 31, 2015 and 2014, respectively.

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 provisions for income taxes are as follows:

	2015	2014
Federal:		
Current tax (benefit) expense	$ 58,618	$ (88,472)
Deferred tax (benefit) expense	(88,301)	25,982
	(29,683)	(62,490)
State:		
Current tax expense	800	800
Deferred tax (benefit) expense	(51,452)	41,146
	(50,652)	41,946
Total tax benefit	$ (80,335)	$ (20,544)

The Company has total gross deferred tax liabilities of $247,822 and $229,208 at October 31, 2015 and 2014, respectively. The Company has total gross deferred tax assets of $226,627 and $68,260 at October 31, 2015 and 2014, respectively. Deferred taxes relate primarily to financial statement and tax return basis differences in depreciation, federal and state net operating loss carry-forwards, and certain accrued expenses. At October 31, 2015, the Company had net operating loss carry-forwards available to offset future non-patronage taxable income of $370,708 and $287,743 for federal and state income tax purposes, respectively. The net operating loss carry-forwards expire in fiscal year beginning 2034.

4: BANK FINANCING:

The Company had a line of credit with a bank for $5,000,000 which was available through October 31, 2014. On October 19, 2015 the Company entered in to a new credit agreement increasing the available borrowing limit to $10,000,000 effective October 31, 2015. No balance was outstanding at October 31, 2015 and 2014. 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. The fixed amount fluctuates over the life of the agreement from a minimum of $10,000,000 as of October 31, 2015 to a maximum of $18,000,000. The fixed amount of the line shall be reduced by $5,000,000 for each of the annual periods commencing April 1, 2016 if the Company does not proceed with a specific investment transaction prior to April 1, 2016. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375% (1.90% at October 31, 2015) and expires on October 1, 2020.

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, 2015 and 2014. The letter of credit matures on October 1, 2020. The Company must pay a non-refundable fee equal to 1.375% per annum of the outstanding undrawn amount of each standby letter of credit, payable annually in advance, calculated on the basis of the face amount of outstanding on the day the fee is calculated.

Under the new line of credit agreement, the Company has a second line of credit facility in the amount of $15,000,000 that becomes available January 10, 2016. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375%. The line shall reduce by $750,000 commencing on the last day of the first full fiscal quarter following the consummation of a specific investment transaction, and on the last day of each fiscal quarter thereafter ending on October 1, 2020, at which time the entire remaining principal and unpaid interest shall become due and payable. If the Company fails to enter into the specific investment transaction then the entire outstanding balance and unpaid interest shall become due and payable on March 31, 2016.

Under the new line of credit agreement, the Company has a third line of credit facility in the amount of $12,000,000 that becomes available January 2, 2016. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375%. Commencing on the last day of the fourth full fiscal quarter following the initial advance, and on the last day of each fiscal quarter thereafter and ending on October 1, 2020, the available balance of the line shall reduce by an amount equal to one sixteenth of the aggregate principal amount of all advances made under the line prior to the first anniversary of the initial advance under the line. In addition, the available balance of the line shall be reduced further on the last day of the ninth full fiscal quarter following the initial advance on the line, and on the last day of each fiscal quarter thereafter ending on October 1, 2020, by an additional amount equal to one twelfth of the difference of $12,000,000 minus the aggregate principal amount of all advances made under the line prior to the first anniversary of the initial advance under the line.

All three credit agreements are subject to an unused commitment fee of .20% per year based on the daily amount of credit outstanding. In the event the Company does not need the full amounts of credit, the Company may lower the upper limits in the existing agreements.

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

5: 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 noncancellable operating leases with terms in excess of one year as of October 31, 2015 are as follows:

Year Ending October 31:	
2016	$ 796,070
2017	778,010
2018	781,549
2019	780,224
2020	487,000
Thereafter	9,740,063
	$ 13,362,916

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 $839,823 and $797,396 for the years ended October 31, 2015 and 2014, respectively.

On March 13, 2014 the Company entered into a sublease agreement for a portion of the land from the port. The sublease agreement is between the Company (sublessor) and Crowne Cold Storage LLC (sublessee). The specific terms of the sublease agreement call for $500,000 to be paid by the sublessor to the sublessee in the first three years of the lease, after which the payments decrease to $40,000 per year for all years after December 31, 2016. Future minimum expected lease receipts are as follows:

Year Ending October 31:	
2016	$ 100,000
2017	100,000
2018	40,000
2019	40,000
2020	40,000
Thereafter	880,000
	$ 1,200,000

The Company recognizes rental income under the straight line method and has recorded a deferred rent liability of $212,294 within deferred revenue on the balance sheet as of October 31, 2015. Rental income recognized for the year ended October 31, 2015 was $53,970.

6: COMMON STOCK:

Common stock consists of the following:

	October 31, 2015	October 31, 2014
Class A, par value $2.50 per share, 1,200,000 shares authorized; 1,115,118 and 1,116,183 shares issued and outstanding at October 31, 2015 and 2014,respectively	$ 2,787,252	$ 2,790,165
Class B, par value $2.50 per share, 1,250,000 shares authorized; 956,785 and 955,085 shares issued and outstanding at October 31, 2015 and 2014, respectively	2,391,963	2,387,463
	$ 5,179,215	$ 5,177,628

Class A shareholders are entitled to elect at least a simple majority of directors. Class B shareholders 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 $318,364 and $319,423 for the years ended October 31, 2015 and 2014, 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 $83,905 and $90,794 for the years ended October 31, 2015 and 2014, respectively.

9: DEFERRED COMPENSATION PLAN:

The Company maintains an unfunded non-qualified deferred compensation plan whereby certain eligible employees can defer their compensation. The plan is funded from the general assets of the Company as needed. 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. Included in investments on the balance sheet as of October 31, 2015 are funded balances of $398,464, which represent the Cash Surrender Value of the life insurance policies. Also, included on the balance sheet as of October 31, 2015 are liabilities of $589,562. These liabilities consist of participating employee deferrals adjusted for unrealized gains and losses on employee-directed investments in various equity securities and mutual funds which are recorded at fair value. Unrealized gains and losses in these investments are included in earnings. The Company recorded expenses of $109,036 for the year ended October 31, 2015, which consists of $92,525 in employee deferrals, $2,955 in life insurance expenses, and $13,556 in net unrealized gains and losses.

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 with a separate vendor in which it will purchase any additional required ammonia above 2,000 tons from February through June and 55% of any additional required ammonia from July through January. Both agreements expire December 31, 2016. 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. Simplot also manufactures AN20 for the Company in exchange for a toll price.

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,			
	Amount 2015	% of Total	Amount 2014	% of Total
Sales	$50,282,264	46%	$ 45,636,640	41%
Accounts receivable	$ 938,846	21%	$ 962,988	20%
Tolling costs incurred through Simplot	$ 6,254,331		$ 3,946,855	
UN32 terminaling income	$ 1,926,734		$ 1,748,948	
UN32 deferred income	$ 202,295		$ 162,185	
UN32 deferred income to date	$ 876,800		$ 674,505	
Accounts payable	$ 1,211,031		$ 321,481	

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.

INDEPENDENT AUDITOR'S REPORT

January 8, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders

CALAMCO

We have audited the accompanying financial statements of CALAMCO, which comprise the balance sheet as of October 31, 2015 and the related statements of net margin and distribution of net margin, shareholders' equity, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 entity'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 entity'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 we have 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, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of CALAMCO as of October 31, 2014 were audited by other auditors whose report dated January 22, 2015, expressed an unmodified opinion on those financial statements.

Gallina LLP

Gallina, LLP
Roseville, California

CALAMCO

A PARTNERSHIP WITH GROWERS

1776 West March Lane, Suite 420
Stockton, California 95207

209.982.1000
www.calamco.com