

CADIZ INC  
Form 10-K  
March 11, 2009

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 December 31, 2008

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 0-12114  
Cadiz Inc.  
(Exact name of registrant specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

77-0313235  
(I.R.S. Employer  
Identification No.)

550 S. Hope Street, Suite 2850  
Los Angeles, CA  
(Address of principal executive offices)

90071  
(Zip Code)

(213) 271-1600  
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:  
Title of Each Class Name of Each Exchange on Which Registered  
Common Stock, par value \$0.01 per share The NASDAQ Stock Market LLC  
(Title of Class) (Exchange)

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in rule 405 under the Securities Act of 1933.

Yes \_\_\_ No

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

Yes \_\_\_ No

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§220.405 of this chapter) is not contained herein, and will not be contained to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Exchange Act Rule 12b-2).

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

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

Yes  No

The aggregate market value of the common stock held by nonaffiliates as of June 30, 2008 was approximately \$182,690,120 based on 11,333,134 shares of common stock outstanding held by nonaffiliates and the closing price on that date. Shares of common stock held by each executive officer and director and by each entity that owns more than 5% of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 3, 2009, the Registrant had 12,510,236 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant's definitive Proxy Statement to be filed for its 2009 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report. The Registrant is not incorporating by reference any other documents within this Annual Report on Form 10-K except those footnoted in Part IV under the heading "Item 15. Exhibits, Financial Statement Schedules."

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Cadiz Inc.

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## PART I

### ITEM 1. Business

This Form 10-K presents forward-looking statements with regard to financial projections, proposed transactions such as those concerning the further development of our land and water assets, information or expectations about our business strategies, results of operations, products or markets, or otherwise makes statements about future events. Such forward-looking statements can be identified by the use of words such as “intends”, “anticipates”, “believes”, “estimates”, “projects”, “forecasts”, “expects”, “plans” and “proposes”. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. These include, among others, the cautionary statements under the caption “Risk Factors”, as well as other cautionary language contained in this Form 10-K. These cautionary statements identify important factors that could cause actual results to differ materially from those described in the forward-looking statements. When considering forward-looking statements in this Form 10-K, you should keep in mind the cautionary statements described above.

#### Overview

Our primary assets consist of 45,000 acres of land in three areas of eastern San Bernardino County, California. Virtually all of this land is underlain by high-quality groundwater resources that are suitable for a variety of water storage and supply programs. The advantages of underground water storage relative to surface storage include minimal surface environmental impacts, low capital investment, and minimal evaporative water loss. The properties are located in proximity to the Colorado River and the Colorado River Aqueduct, the major source of imported water for Southern California.

The value of these assets derives from a combination of projected population increases and limited water supplies throughout Southern California. California is facing the very real possibility that current and future supplies of water will not be able to meet demand. Water agencies throughout California have publicly announced that they could impose mandatory rationing in 2009 in order to meet anticipated demand. In addition, most of the major population centers in Southern California are not located where significant precipitation occurs, requiring the importation of water from other parts of the state. As a result, we believe that a competitive advantage exists for companies that can provide high-quality, reliable, and affordable water to major population centers.

Our objective is to realize the highest and best use for these assets in an environmentally responsible way. We believe this can best be achieved through a combination of water storage and supply, the production of renewable energy, and sustainable agricultural development.

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(a) General Development of Business

We are a Delaware corporation formed in 1992 to act as the surviving corporation in a Delaware reincorporation merger with Pacific Agricultural Holdings, Inc., a California corporation formed in 1983.

As part of our historical business strategy, we have conducted our land acquisition, water development activities, agricultural operations, search for international water and agricultural opportunities and real estate development initiatives to maximize the long-term value of our properties and future prospects. See “Narrative Description of Business” below.

Our initial focus was on the acquisition of land and the assembly of contiguous land holdings through property exchanges to prove the quantity and quality of water resources in the region. We subsequently established agricultural operations on our properties in the Cadiz Valley and sought to develop the water resources underlying that site.

In 1993, we secured permits for up to 9,600 acres of agricultural development in the Cadiz Valley and the withdrawal of more than 1 million acre-feet of groundwater from the underlying aquifer system. Once the agricultural development was underway, we also identified that the location, geology, and hydrology of this property is uniquely suited for both agricultural development and the development of an aquifer storage, recovery, and dry-year supply project to augment the water supplies available to Southern California.

In 1997, we entered into the first of a series of agreements with The Metropolitan Water District of Southern California (“Metropolitan”) to jointly design, permit, and build such a project (the “Cadiz Project” or “Project”). In general, several elements are needed to complete the development: (1) Federal and state environmental permits; (2) a pipeline right-of-way from the Colorado River Aqueduct to the project area; (3) a storage and supply agreement with one or more public water agencies or private water utilities; and (4) construction and working capital financing. Between 1997 and 2002, we and Metropolitan received substantially all of the state and federal approvals required for the permits necessary to construct and operate the project, including a Record of Decision (“ROD”) from the U.S. Department of the Interior, which endorsed the Cadiz Project and offered a right-of-way for construction of Project facilities.

In October 2002, Metropolitan’s staff brought the right-of-way matter before the Metropolitan Board of Directors. By a very narrow margin, the Metropolitan Board voted not to accept the right-of-way grant and not to proceed with the Project. See “Narrative Description of Business” below.

In April 2003, we filed a claim against Metropolitan seeking compensatory damages. When settlement negotiations failed to produce a resolution, we filed a lawsuit against Metropolitan in Los Angeles Superior Court on November 17, 2005 seeking compensatory damages for a breach of various contractual and fiduciary obligations to us, and interference with the economic advantage we would have obtained from the Cadiz Project. In October 2008, the presiding Superior Court Judge held that any breach of duty that may have been committed by Metropolitan is subject to the bar of Government immunity and thus there would be no liability. Following the ruling, we were granted leave to amend our claim against Metropolitan. On February 11, 2009, we and Metropolitan agreed to settle our differences and dismissed all outstanding claims remaining against each other. See Item 3, “Legal Proceedings”.

In order to continue to fund our working capital requirements, we refinanced our long term debt in June 2006 with a \$36.4 million zero coupon senior secured convertible term loan that matures in June 2011. Additionally, in December 2008, we completed a private placement (the "Placement") to raise an additional \$5.2 million, which, when used together with the cash resources on hand, will allow us to continue to fund our development activities. These transactions are described in more detail in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation."

(b) Financial Information about Industry Segments

Our primary business is to acquire and develop land and water resources. Our agricultural operations are confined to limited farming activities at the Cadiz Valley property. As a result, our financial results are reported in a single segment. See Consolidated Financial Statements. See also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(c) Narrative Description of Business

Our business strategy is the development of our land holdings for their highest and best uses. At present, our development activities are focused on water resource, agricultural and renewable energy development.

Water Resource Development

Our portfolio of water resources is located in proximity to the Colorado River and the Colorado River Aqueduct, the principal source of imported water for Southern California, and provides us with the opportunity to participate in a variety of water storage and supply programs, exchanges, and conservation programs with public agencies and other partners.

The Cadiz Valley Groundwater Storage and Dry-Year Supply Project

We own approximately 35,000 acres of land and related high-quality groundwater resources in the Cadiz and Fenner valleys of eastern San Bernardino County. The aquifer system underlying this property is naturally recharged by precipitation (both rain and snow) within a watershed of approximately 1,300 square miles. See Item 2, "Properties – The Cadiz/Fenner Property".

In 1997, we commenced discussions with Metropolitan in order to develop a joint venture groundwater storage and dry-year supply program on this land (the "Cadiz Project"). The Cadiz Project would provide Southern California with a valuable increase in water supply during periods of drought or other emergencies. Additionally, exchange agreements could be used to transfer water from the Cadiz Project to California communities in the Central and Northern portions of the State.

During wet years, surplus water from the Colorado River would be stored in the aquifer system that underlies the Cadiz property. During dry years, the stored water and indigenous groundwater could be returned to the Colorado River Aqueduct for distribution to water agencies throughout six Southern California counties. The Colorado River Aqueduct provides water to public water agencies and utilities serving approximately 18 million people.

Cadiz Project facilities would include, among other things:

- Spreading basins, which are shallow ponds that percolate water from the ground surface down to the water table;
- High yield wells designed to efficiently extract stored Colorado River water and indigenous groundwater from beneath the Cadiz Project area;
- A 42-mile conveyance pipeline to connect the spreading basins and well field to the Colorado River Aqueduct near the Iron Mountain pumping plant; and
- A pumping plant to pump water through the conveyance pipeline from the Colorado River Aqueduct near the Iron Mountain pumping plant to the Cadiz Project spreading basins.

In October 2001, the Final Environmental Impact Statement (“FEIS”) and Final Environmental Impact Report (“FEIR”) were issued by Metropolitan and the U.S. Bureau of Land Management, in collaboration with the U.S. Geological Survey and the National Park Service. On August 29, 2002, the U.S. Department of Interior approved the FEIS for the Cadiz Project and issued its Record of Decision (“ROD”), the final step in the federal environmental review process for the Cadiz Project. The ROD amended the California Desert Conservation Area Plan for an exception to the utility corridor element and offered to Metropolitan a right-of-way grant for the pipeline from the Colorado River Aqueduct to the Cadiz Project.

With all federal approvals in place, on October 8, 2002, Metropolitan’s Board considered acceptance of the terms and conditions of the right-of-way grant pursuant to the published ROD. By a very narrow margin, the Board voted not to adopt Metropolitan staff’s recommendation to approve the terms and conditions of the right-of-way grant issued by the Department of the Interior. Instead, the Board voted for an alternative motion to reject the terms and conditions of the right-of-way grant and to not proceed with the Cadiz Project. Subsequent to the Metropolitan Board’s action, negotiations toward a final agreement for the Cadiz Project on the basis of the previously approved definitive economic terms ceased. See Item 3, “Legal Proceedings”.

Meanwhile, the need for new water storage and dry-year supplies has not abated. The population of California continues to grow rapidly, while water supplies are being challenged by drought, lack of infrastructure and environmental protections. Indeed, California is facing the very real possibility that current and future supplies of water will not be able to meet demand.

In 2007, a federal judge limited deliveries out of California’s State Water Project, reducing Southern California’s water supply. This restriction is expected to result in a reduction in water supplies from the State Water Project of 85% in 2009. Moreover, cities throughout Southern California have endured extremely dry local conditions for more than two years leaving supplies in storage at perilously low levels, while Colorado River deliveries to the State remain at average levels.

These conditions have greatly challenged California’s water supplies. Water agencies throughout California have publicly announced that they could impose mandatory rationing in 2009 in order to meet anticipated demand. Policy leaders and lawmakers are also working to improve the State’s water infrastructure, including the pursuit of public financing for new storage and supply projects.

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To meet the demand for new water storage and supplies, we have continued to pursue the implementation of the Cadiz Project. To that end, we secured a new right-of-way for the Project's water conveyance pipeline and electrical powerline by entering into a lease agreement with the Arizona & California Railroad Company in September 2008. The agreement allows Cadiz to utilize a portion of the railroad's right-of-way for the Cadiz Project water conveyance pipeline for a period up to 99 years.

We are currently in discussions with a number of public agencies and water utilities regarding their interest in participating in the Cadiz Project.

### Other Eastern Mojave Properties

Our second largest landholding is approximately 9,000 acres in the Piute Valley of eastern San Bernardino County. This landholding is located approximately 15 miles from the resort community of Laughlin, Nevada, and about 12 miles from the Colorado River town of Needles, California. Extensive hydrological studies, including the drilling and testing of a full-scale production well, have demonstrated that this landholding is underlain by high-quality groundwater. The aquifer system underlying this property is naturally recharged by precipitation (both rain and snow) within a watershed of approximately 975 square miles. Discussions with potential partners have commenced with the objective of developing our Piute Valley assets.

Additionally, we own acreage located near Danby Dry Lake, approximately 30 miles southeast of its landholdings in the Cadiz and Fenner valleys. The Danby Lake property is located approximately 10 miles north of the Colorado River Aqueduct. Initial hydrological studies indicate that it has excellent potential for an aquifer storage, recovery and supply project.

### Agricultural Development

Within the Cadiz Valley property, 9,600 acres have been zoned for agriculture. The infrastructure includes seven wells that are interconnected within this acreage, with total annual production capacity of approximately 13,000 acre feet of water. Additionally, there are housing and kitchen facilities that support up to 300 employees. The underlying groundwater, fertile soil, and desert temperatures are well suited for a wide variety of fruits and vegetables.

Permanent crops currently in production include 160 acres of certified organic vineyards and 260 acres of lemons. Both of these crops are farmed using sustainable agricultural practices. Additionally, we recently entered into an agreement with a third party to develop up to another 500 acres of lemons.

Seasonal vegetable crops are all grown organically and 2009 plantings are expected to include squash, corn, and beans.



## Renewable Energy and Other Development Opportunities

In addition to the projects described above, we believe our landholdings are suitable for other types of development, including solar energy generation. Both federal and state initiatives support alternative energy facilities to reduce greenhouse gas emissions and the consumption of imported fossil fuels. The locations, topography, and proximity of our properties to utility corridors are well-suited for solar energy generation. An additional advantage we can offer is the availability of the water supply needed by solar thermal power plant designs. We are engaged in on-going discussions with energy companies interested in utilizing our landholdings for various types of solar energy development.

Over the longer term, we believe that population growth in nearby desert communities in Southern California, Nevada and Arizona will resume and that, in time, the economics of commercial and residential development on our properties will also become attractive.

We remain committed to our land and water assets and will continue to explore all opportunities for development of these assets. We cannot predict with certainty which of these development initiatives will ultimately be realized.

## Seasonality

Our water resource development activities are not seasonal in nature.

Our farming operations are limited to the cultivation of lemons and grapes/raisins and spring plantings of vegetables on the Cadiz Valley properties. These operations are subject to the general seasonal trends that are characteristic of the agricultural industry.

## Competition

We face competition for the acquisition, development and sale of our properties from a number of competitors. We may also face competition in the development of water resources associated with our properties. Since California has scarce water resources and an increasing demand for available water, we believe that location, price and reliability of delivery are the principal competitive factors affecting transfers of water in California.

## Employees

As of December 31, 2008, we employed 10 full-time employees (i.e. those individuals working more than 1,000 hours per year). We believe that our employee relations are good.

## Regulation

Our operations are subject to varying degrees of federal, state and local laws and regulations. As we proceed with the development of our properties, including the Cadiz Project, we will be required to satisfy various regulatory authorities that we are in compliance with the laws, regulations and policies enforced by such authorities. Groundwater development, and the export of surplus groundwater for sale to entities such as public water agencies, is subject to regulation by specific existing statutes, in addition to general environmental statutes applicable to all development projects. Additionally, we must obtain a variety of approvals and permits from state and federal governments with respect to issues that may include environmental issues, issues related to special status species, issues related to the public trust, and others. Because of the discretionary nature of these approvals and concerns which may be raised by various governmental officials, public interest groups and other interested parties during both the development and the approval process, our ability to develop properties and realize income from its projects, including the Cadiz Project, could be delayed, reduced or eliminated.

## Access To Our Information

Our annual, quarterly and current reports, proxy statements and other information are filed with the Securities and Exchange Commission (“SEC”) and are available free of charge through our web site, [www.cadizinc.com](http://www.cadizinc.com), as soon as reasonably practical after electronic filing of such material with the SEC.

Our SEC filings are also available to the public at the SEC website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file at the SEC’s public reference room located at 100 F Street N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room.

## ITEM 1A. Risk Factors

Our business is subject to a number of risks, including those described below.

### Our Development Activities Have Not Generated Significant Revenues

At present, our activities are focused on water resource, agricultural, and renewable energy development at our San Bernardino County properties. We have not received significant revenues from our development activities to date and we do not know when, if ever, we will receive operating revenues sufficient to offset the costs of our development activities. As a result, we continue to incur a net loss from operations.

### We May Never Generate Significant Revenues Or Become Profitable Unless We Are Able To Successfully Implement Programs To Develop Our Land Assets And Related Water Resources

We do not know the terms, if any, upon which we may be able to proceed with our water and other development programs. Regardless of the form of our water development programs, the circumstances under which transfers or storage of water can be made and the profitability of any transfers or storage are subject to significant uncertainties, including the risk of variable water supplies and changing water allocation priorities. Additional risks include our ability to obtain all necessary regulatory approvals and permits, possible litigation by environmental or other groups, unforeseen technical difficulties, general market conditions for real estate and water supplies, and the time needed to generate significant operating revenues from such programs after operations commence.

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## The Development Of Our Properties Is Heavily Regulated, Requires Governmental Approvals And Permits That Could Be Denied And May Have Competing Governmental Interests And Objectives

In developing our land assets and related water resources, we are subject to local, state, and federal statutes, ordinances, rules and regulations concerning zoning, resource protection, environmental impacts, infrastructure design, subdivision of land, construction and similar matters. Our development activities are subject to the risk of adverse interpretations or changes to U.S. federal, state and local laws, regulations and policies. Further, our development activities require governmental approvals and permits that, if denied or granted subject to unfavorable conditions or restrictions, would adversely impact our ability to successfully implement our development programs.

The opposition of government officials may adversely affect our ability to obtain needed government approvals and permits upon satisfactory terms in a timely manner. In this regard, federal government appropriations currently preclude spending for any proposal to store water for the purpose of export or for any activities associated with the approval of rights-of-way on lands managed by the Needles Field Office of the Bureau of Land Management. As a result of the new right-of-way with the Arizona & California Railroad Company, discussed further under "Water Resource Development" above, we do not believe federal approval will be required to implement the Cadiz Project.

A significant portion of our Cadiz Valley property is included in a study area as part of the Environmental Impact Statement ("EIS") process for the expansion of the Marine Corp Air Ground Combat Center in Twentynine Palms, California. Our property is included in one of the five different alternatives that will be studied for the base expansion during the EIS process over the next three years. If any of the Cadiz Valley landholdings are included in the final expansion area, then we will be entitled to full fair market value compensation for any property taken.

Additionally, the statutes, regulations and ordinances governing the approval processes provide third parties the opportunity to challenge proposed plans and approvals. In California, third parties have the ability to file litigation challenging the approval of a project, which they usually do by alleging inadequate disclosure and mitigation of the environmental impacts of the project. Opposition from environmental groups could cause delays and increase the costs of our development efforts or preclude such development entirely. While we have worked with representatives of various environmental interests and agencies to minimize and mitigate the impacts of our planned projects, certain groups may remain opposed to our development plans.

## Our Failure To Make Timely Payments Of Principal And Interest On Our Indebtedness May Result In A Foreclosure On Our Assets

As of December 31, 2008, we had indebtedness outstanding to our senior secured lenders of approximately \$41.3 million. Our assets have been put up as collateral for this debt. If we cannot generate sufficient cash flow to make principal and interest payments on this indebtedness when due, or if we otherwise fail to comply with the terms of agreements governing our indebtedness, we may default on our obligations. If we default on our obligations, our lenders may sell off the assets that we have put up as collateral. This, in turn, would result in a cessation or sale of our operations.

### The Conversion Of Our Outstanding Senior Indebtedness Into Common Stock Would Dilute The Percentage Of Our Common Stock Held By Current Stockholders

Our senior indebtedness is convertible into common stock at the election of our lenders. As of December 31, 2008, our senior indebtedness was convertible into 1,920,323 shares of common stock, an amount equal to approximately 12% of the number of fully-diluted shares of our common stock outstanding as of that date. An election by our lenders to convert all or a portion of our senior secured indebtedness into common stock will dilute the percentage of our common stock held by current stockholders.

### We May Not Be Able To Obtain the Financing We Need To Implement Our Asset Development Programs

We will require additional capital to finance our operations until such time as our asset development programs produce revenues. We cannot assure you that our current lenders, or any other lenders, will give us additional credit should we seek it. If we are unable to obtain additional credit, we may engage in further equity financings. Our ability to obtain equity financing will depend, among other things, on the status of our asset development programs and general conditions in the capital markets at the time funding is sought. Liquidity in the currently dislocated capital markets has been severely constrained since the beginning of the credit crisis. Although we currently expect our capital sources to be sufficient to meet our near term liquidity needs, there can be no assurance that our liquidity requirements will continue to be satisfied. Any further equity financings would result in the dilution of ownership interests of current stockholders.

### The Issuance Of Equity Securities Under Management Equity Incentive Plans Will Impact Earnings

Our compensation programs for management emphasize long-term incentives, primarily through the issuance of equity securities and options to purchase equity securities. It is expected that plans involving the issuance of shares, options, or both will be submitted from time to time to our stockholders for approval. In the event that any such plans are approved and implemented, the issuance of shares and options under such plans may result in the dilution of the ownership interest of other stockholders and will, under currently applicable accounting rules, result in a charge to earnings based on the value of our common stock at the time of issue and the fair value of options at the time of their award. The expense would be recorded over the vesting period of each stock and option grant.

### ITEM 1B. Unresolved Staff Comments

Not applicable at this time.

### ITEM 2. Properties

Following is a description of our significant properties.

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### The Cadiz/Fenner Valley Property

Since 1983, we have acquired approximately 35,000 acres of largely contiguous land in the Cadiz and Fenner Valleys of eastern San Bernardino County, California. This area is located approximately 30 miles north of the Colorado River Aqueduct. In 1984, we conducted investigations of the feasibility of agricultural development of this land. These investigations confirmed the availability of high-quality groundwater in quantities appropriate for agricultural development.

Additional independent geotechnical and engineering studies conducted since 1985 have confirmed that the Cadiz/Fenner property overlies an aquifer system that is ideally suited for aquifer storage and use of indigenous groundwater, as contemplated in the Cadiz Project. See Item 1, "Business – Narrative Description of Business – Water Resource Development".

In November 1993, the San Bernardino County Board of Supervisors unanimously approved a General Plan Amendment establishing an agricultural land use designation for 9,600 acres in the Cadiz Valley. This action also allows for the withdrawal of more than 1,000,000 acre-feet of groundwater from the aquifer system underlying our property.

### Other Eastern Mojave Properties

We also own approximately 10,800 additional acres in the eastern Mojave Desert, including the Piute and Danby Lake properties.

Our second largest property consists of approximately 9,000 acres in the Piute Valley of eastern San Bernardino County. This landholding is located approximately 15 miles from the resort community of Laughlin, Nevada, and about 12 miles from the Colorado River town of Needles, California. Extensive hydrological studies, including the drilling and testing of a full-scale production well, have demonstrated that this landholding is underlain by high-quality groundwater. The aquifer system underlying this property is naturally recharged by precipitation (both rain and snow) within a watershed of approximately 975 square miles. Discussions with potential partners have commenced with the objective of developing our Piute Valley assets.

Additionally, we own acreage located near Danby Dry Lake, approximately 30 miles southeast of our landholdings in the Cadiz and Fenner Valleys. Our Danby Lake property is located approximately 10 miles north of the Colorado River Aqueduct. Initial hydrological studies indicate that it has excellent potential for an aquifer storage, recovery and supply project.