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## **FORM 10-K**

**CADIZ INC - CDZI**

**Filed: March 26, 1998 (period: December 31, 1997)**

Annual report with a comprehensive overview of the company



## ITEM 1. Business

The long-term strategy of Cadiz Land Company, Inc. (the "Company") is to acquire and develop water-related land and agricultural assets, as well as selected water-related technologies. The Company has created an integrated and complementary portfolio of landholdings, water resources, and agricultural operations located throughout central and southern California which either possess sizable assured supplies of water or can, in future years, utilize water supplied from other Company properties. Management therefore believes that, with both the increasing scarcity of water supplies in California and the increasing demand for water, the Company's access to water will provide it with a competitive advantage both as a major agricultural concern and as a supplier of water, which will lead to continued appreciation in the value of the Company's portfolio.

In September 1996, the Company significantly enhanced this portfolio through its acquisition of Sun World International, Inc. ("Sun World"). The Sun World acquisition has made the Company one of the largest fully integrated agricultural companies in California by adding to the Company's portfolio more than 17,200 acres of prime agricultural land, packing facilities, marketing expertise, proprietary agricultural products and the highly regarded Sun World brand name. The acquisition of Sun World also added valuable water rights to the Company's existing water resource development operations.

In addition to its Sun World properties, the Company holds more than 39,000 acres of land in eastern San Bernardino County which are underlain by excellent groundwater resources with demonstrated potential for future applications, including water storage and supply programs, and agricultural, municipal, recreational and industrial development. All of the Company's properties are located in close proximity to California's major aqueduct systems. The Company expects to utilize its resources to participate in a broad variety of water storage and supply programs, including the storage and supply of surplus water for public agencies which require supplemental sources of water. The Company has entered into an interim Agreement with the Metropolitan Water District of Southern California ("MWD") to develop principles and terms for a long-term agreement at its Cadiz, California property. The program (the "Cadiz/Fenner Water Storage and Supply Program") will provide storage capacity of approximately 500,000 acre-feet and a dry-year source of up to 100,000 acre-feet per year of high quality water.

The Company continually seeks to develop and manage its land, water and agricultural resources for their highest and best uses. Agricultural development enables the Company to maximize the value of its landholdings while generating cash flow. The Company also continues to evaluate acquisition opportunities which are complementary to its current portfolio of landholdings, water resources and agricultural operations.

### (a) GENERAL DEVELOPMENT OF BUSINESS

As part of its current business plan, the Company's land acquisition, development activities and agricultural operations are conducted for the purpose of enhancing the long-term appreciation of its properties. See "Narrative Description of Business," below.

As the most populous state in the nation, California's population is projected to swell to nearly 50 million people by the year 2020. This increasing population is placing great demands on California's infrastructure, particularly its limited water resources. According to the California Department of Water Resources, shortfalls of approximately 7 million acre-feet are forecasted in a dry year by the year 2020. Management therefore believes that, with both the increasing scarcity of water supplies in California and the increasing demand for water, the Company's access to water will provide it with a competitive advantage both as a major agricultural concern and as a supplier of water which will lead to continued appreciation in the value of the Company's portfolio.

On September 13, 1996, the Company acquired all of the stock of a reorganized Sun World pursuant to a consensual plan of reorganization for a net purchase price of approximately \$179 million (the "Sun World Acquisition"). Sun World and certain subsidiaries of Sun World had filed

voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on October 3, 1994 after debt restructuring negotiations with its existing lenders failed.

The Company's Sun World Acquisition was an integral part of the Company's business strategy. Sun World has added to the Company's portfolio approximately 17,200 acres of prime agricultural land primarily in the San Joaquin and Coachella Valleys, increasing the Company's total landholdings to approximately 56,200 acres. See Item 2, "Properties."

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

During the year ended December 31, 1997, the Company operated in one industry segment: resource development. See Consolidated Financial Statements. Also, see Item 7, "Management's Discussion and Analysis".

(c) NARRATIVE DESCRIPTION OF BUSINESS

Pursuant to its business strategy, the Company continually seeks to develop and manage its portfolio of land, water and agricultural resources for their highest and best uses. The development and management activities of the Company are currently focused on agricultural operations (primarily through its wholly-owned Sun World subsidiary) and water resource development. Agricultural development enables the Company to maximize the use of its landholdings while generating cash flow. The Company also continues to evaluate acquisition opportunities which are complementary to its current portfolio of landholdings, water resources, and agricultural operations.

WATER RESOURCE DEVELOPMENT

The Company's portfolio of water resources, located in close proximity to the major aqueduct systems of central and southern California such as the State Water Project, the Colorado River Aqueduct, and the Colorado River, provides the Company with the opportunity to participate in a variety of water banking, exchange and storage and supply programs in partnership with regional public water agencies.

CADIZ/FENNER WATER STORAGE AND SUPPLY PROGRAM. The Company's 27,400 acres in the Cadiz and Fenner Valleys of eastern California (the "Cadiz/Fenner Property") are underlain by a substantial high-quality groundwater basin. This groundwater is recharged by rain and snowfall within a catchment area of nearly 1,300 square miles. Average annual recharge is estimated by independent experts to be in the range of 20,000 to 30,000 acre-feet. See Item 2, "Properties - The Cadiz/Fenner Property."

Pursuant to an Environmental Impact Report ("EIR") and land use approvals by San Bernardino County, the Company is authorized to pump approximately 30,000 acre-feet of groundwater per year for irrigation of its Cadiz Valley property. An acre-foot is 326,000 gallons, or enough for approximately two families for one year. The Company uses only approximately 6,000 acre-feet per year to irrigate its Cadiz Valley agricultural development. As a result, the Company has the ability to supply groundwater - surplus to its present and near-term needs - to public agencies which require supplemental sources of water. Additionally, independent geotechnical and engineering studies confirm that the Company's Cadiz Valley properties are well suited for temporary storage of water which could be imported from the Colorado River during periods of excess supply.

During wet years or periods of excess supply, the Company would store water from the Colorado River in its groundwater basin. During periods of regional drought or reduced allocations from the Colorado River, the previously imported water, together with additional indigenous groundwater, could be extracted and conveyed to the Colorado River Aqueduct.

On December 23, 1997, the Company entered into an interim Agreement with MWD to develop principles and terms for a long-term agreement in which the Company would provide storage capacity of approximately 500,000 acre-feet and a dry-year source of up to 100,000 acre-feet per year of high quality water. The interim Agreement calls for the development of principles and terms, such as a fee structure, delivery schedule and environmental compliance, and final verification of feasibility for a

water storage and supply program. The program would involve the construction of groundwater spreading and recovery facilities, a pumping plant, power facilities, and a pipeline that would convey the water to and from the Cadiz property from the Colorado River Aqueduct. The program could be fully operational by the year 2000.

The interim Agreement also calls for the Company and MWD to explore two potential future additions to the water storage and supply program, including the construction of a dual pipeline at the Cadiz/Fenner property and/or the development of an additional program at the Company's nearby Danby Lake property. Either addition would increase the storage and/or supply capacity.

In addition, once operational, the Cadiz/Fenner Water Storage and Supply Program will be conducted in accordance with a comprehensive, independent basin management program to ensure long-term protection of the groundwater basin.

PIUTE. The Company's water development operations at its 7,300 acre Piute property are located in eastern San Bernardino County approximately 15 miles from the resort community of Laughlin, Nevada and about 12 miles from the Colorado River town of Needles, California. Hydrological studies and testing of a full scale production well have demonstrated that this landholding is underlain by groundwater of excellent quality. Average annual recharge is estimated by independent experts to be in the range of 10,000 to 20,000 acre-feet. See Item 2, "Properties - The Piute Property."

Additional technical and environmental investigations are currently underway for a water development program anticipated to transfer approximately 10,000 to 15,000 acre feet per year.

DANBY LAKE AND OTHER. The Company currently owns or controls additional acreage located throughout other areas of the Mojave Desert, such as Danby Lake. This area is located approximately 30 miles southeast of the Company's Cadiz/Fenner Valley property and 10 miles north of the Colorado River Aqueduct.

As discussed above, the interim Agreement with MWD identifies the Company's Danby Lake property as a potential addition to the Cadiz/Fenner Water Storage and Supply Program.

SUN WORLD WATER RESOURCES. The Sun World Acquisition brought to the Company valuable water rights in various parts of central and southern California. The Company believes with increasing water shortages in California, land with prime water rights will increase substantially in value.

Sun World's landholdings and associated water resources are located adjacent to the major aqueduct systems of central and southern California, and in close proximity to the Colorado River. These holdings complement the Company's other groundwater resources, and will enhance the Company's opportunities to participate in a broad variety of water storage, supply, exchange or banking programs.

#### AGRICULTURAL OPERATIONS

With the Sun World Acquisition, the Company has become one of California's largest vertically integrated agricultural companies combining an extensive research and development program, year-round sourcing, farming and packing activities and strong marketing capabilities. For the twelve months ended December 31, 1997, Sun World recorded revenues of \$99.9 million.

PRODUCT LINE. Sun World ships 75 different varieties of fresh fruits and vegetables to all 50 States and to more than 30 foreign countries. Sun World is a leading grower and marketer of table grapes, seedless watermelons, colored sweet peppers, plums, peaches, nectarines, apricots and lemons. It is also one of California's largest independent marketers of grapefruit, tangerines, mandarins, and dates.

The breadth and diversity of the product line helps to minimize the impact of individual crop earnings fluctuations. Further, the breadth and diversity of its product offering provides Sun World with greater presence and influence with its grocery and food service customers.

Although many fruits and vegetables are fungible commodities, Sun World has adopted a strategy of developing or acquiring specialty produce varieties with unique characteristics which differentiate them from commodity produce varieties. Most of these varieties are harvested during favorable marketing windows when available supply from competitors is limited. These specialty varieties typically command a price premium and are less subject to the same price volatility than the commodity varieties. They also provide Sun World with a dominant position in a number of product categories. Examples of the branded produce grown and marketed by Sun World include Superior Seedless(TM) table grapes, Black Diamond(TM) plums, Sun World Seedless(R) watermelons, Honeycot(R) apricots, Amber Crest(R) peaches and Sun World sweet colored peppers. These products evolved through a combination of internal development and acquisition. Sun World's research and development center is dedicated to developing additional high value proprietary varieties. See "Proprietary Product Development," below.

FARMING OPERATIONS. Sun World's farming operations produced approximately 8 million units of fruits and vegetables during the year ended December 31, 1997. Its principal agricultural lands are located in the San Joaquin and Coachella valleys of California. See Item 2, "Properties."

Sun World properties are primarily dedicated to producing permanent commercial crops and, to a lesser extent, annual (or row) crops. Additionally, over 1,600 acres are currently utilized for developing crops (e.g. vines and trees that have not yet reached a commercial maturity). Subsequent to the Sun World acquisition, the Company implemented a crop development plan that provides for the planting of certain proprietary varieties of grapes and treefruit (approximately 1,100 acres) as well as the removal of approximately 1,400 acres of certain under-performing permanent crops. Given the Company's current crop allocation plan, it is now redeploying marginally productive acreage to produce more varieties of crops which are available for delivery at peak pricing windows throughout the year.

PACKING AND MARKETING OPERATIONS. In addition to merchandising its own products, Sun World provides marketing and packing services to third party growers. For third party growers, Sun World provides three key benefits: (i) Sun World's brand name, proprietary products and reputation with wholesalers resulting in a significant pull through effect; (ii) a full complement of handling services that include harvest, cooling, packing and shipping; and (iii) an internal sales and marketing force servicing over 650 customers throughout the world.

Sun World's packing facilities handled approximately 9 million units of produce during the year ended December 31, 1997. These facilities provide harvesting, packing, cooling and shipping services for Sun World production, as well as for other commercial clients. Currently, Sun World owns four facilities, three of which are located in the Coachella Valley and one of which is located in the San Joaquin Valley. See Item 2, "Properties."

Sun World's vertically integrated operations enable it to offer the market a continuous stream of new, specialty products which receive a market premium. As a large grower, Sun World is able to manage the quality of its own product line, and as a significant packer/marketer, Sun World works with other growers to ensure product quality through packing and distribution. As a result, on average, the Company sells 12 to 13 million units annually with wholesale value of approximately \$120 million. This amount includes sale proceeds received for units sold on behalf of third party growers for which only the sales commission and packing revenues received by Sun World are included in Sun World's reported revenues for 1997 of \$99.9 million.

Sun World's sourcing, both external and internal, is diversified geographically. Sun World's owned and leased farming operations are located throughout California from the Coachella Valley in the south to central California's San Joaquin Valley as well as operations near the coast. Sun World sources externally produced product from throughout California, from other areas of the United States, and from international sources. This geographic diversification not only reduces the impact that unfavorable weather conditions and infestations could have on Sun World's operations, but also provides Sun World with a longer selling season for

many crops since the harvests occur at different times. In addition, geographic diversification also allows Sun World the ability to provide the quality and breadth of product throughout the year which is being demanded by retailers.

Sun World's customer base consists of more than 650 accounts including supermarket retailers, food service entities, warehouse clubs, and international trading companies located in approximately 30 countries. Domestic customers include national retailers such as Safeway Stores and American Stores; club stores, including PriceCostco and Sam's; and food service distributors, including Sysco and Alliant. Approximately 11% of Sun World's products are marketed outside of the United States in Canada, Europe, Australia, Japan, Hong Kong, Singapore, Malaysia and Taiwan. Only one national retailer, Safeway Stores, (representing approximately 14%) accounted for more than 10% of Sun World's revenues in 1997. As is consistent with industry practice, Sun World does not maintain written agreements with this or its other significant customers.

**PROPRIETARY PRODUCT DEVELOPMENT.** Sun World has a long history of product innovation, and its research and development center maintains a fruit breeding program that has introduced dozens of proprietary fruit varieties in the last five years. Recent product successes include the Black Diamond(TM) plum, the Amber Crest(R) peach and the Honeycot(R) apricot. There are several other promising grape and treefruit varieties which are scheduled for commercial planting and production in the near future.

Sun World utilizes approximately 235 acres for its research and development center and crop experimentation. The research and development center facility houses tissue culture rooms, growth rooms, four greenhouses, and over 200 acres of experimental growing crops. The amounts expended by Sun World on its research and development activities since the Sun World Acquisition amounted to \$809,000 for the year ended December 31, 1997 and \$120,000 for the period from September 14, 1996 to December 31, 1996. Management expects to maintain at least its 1997 level of expenditures in the future.

As a result of over 20 years of research and development, Sun World holds rights to more than 600 patents and trademarks around the world. The patent registrations exist in most major fruit producing countries and the trademarks are held in both fruit producing and consuming regions. Sun World's patents have varying expiration dates occurring within the next several years through 2017; however, the expiration of any individual patent will not have a material effect upon Sun World's operations.

Additionally, Sun World has a 50% ownership interest in American Sunmelon, a partnership engaged in the proprietary development, production and marketing of seedless watermelon seed. Sun World's share of net income generated by American Sunmelon was approximately \$1.4 million for calendar year 1997.

#### SEASONALITY

In connection with the water resource development activities of the Company, revenues are not expected to be seasonal in nature.

Sun World's agricultural operations are impacted by the general seasonal trends that are characteristic of the agricultural industry. Sun World has historically received the majority of its net income during the months of June to October following the harvest and sale of its table grape and treefruit crops. Due to this concentrated activity, the Company has, therefore, historically incurred a loss with respect to its agricultural operations in the other months during the year.

#### COMPETITION

The Company faces competition for the acquisition, development and sale of its properties from a number of competitors, some of which have greater resources than the Company. The Company may also face competition in the development of water resources associated with its properties. Since California has scarce water resources and an increasing demand for available water, the Company believes that price and reliability of delivery are the principal competitive factors affecting transfers of water in California.

The agricultural business is highly competitive. Sun World's competitors include a limited number of large international food companies, as well as a large number of smaller independent growers and grower cooperatives. No single competitor has a dominant market share in this industry due to the regionalized nature of these businesses. In addition to drawing from its proprietary base of products, Sun World utilizes brand recognition, product quality, harvesting in favorable production windows, effective customer service and consumer marketing programs to enhance its position within the highly competitive fresh food industry. Consumer and institutional recognition of the Sun World trademark and related brands and the association of these brands with high quality food products contribute to Sun World's ability to compete in the market for fresh fruit and vegetables.

#### EMPLOYEES

As of December 31, 1997, the Company employed a total of 843 full-time employees. Sun World throughout the year engages various part time and seasonal employees, with a seasonal high of approximately 2,500 part time employees. Approximately 119 of the Company's employees are represented by a labor union pursuant to a contract that expires in 1999. Generally, the Company believes that its employee relations are good.

#### REGULATION

Certain areas of the Company's operations are subject to varying degrees of federal, state and local laws and regulations. The Company's agricultural operations are subject to a broad range of evolving environmental laws and regulations. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Comprehensive Environmental Response, Compensation and Liability Act. Compliance with these foreign and domestic laws and related regulations is an ongoing process which is not currently expected to have a material effect on the Company's capital expenditures, earnings or competitive position. Environmental concerns are, however, inherent in most major agricultural operations, including those conducted by the Company, and there can be no assurance that the cost of compliance with environmental laws and regulations in the future will not be material. However, neither the Company nor Sun World expects to incur any material capital expenditures for environmental control facilities during 1998.

The Company's food operations are also subject to regulations enforced by, among others, the U.S. Food and Drug Administration and state, local and foreign equivalents and to inspection by the U.S. Department of Agriculture and other federal, state, local and foreign environmental and health authorities. Among other things, the U.S. Food and Drug Administration enforces statutory standards regarding the safety of food products, establishes ingredients and manufacturing procedures for certain foods, establishes standards of identity for foods and determines the safety of food substances in the United States. Similar functions are performed by state, local and foreign governmental entities with respect to food products produced or distributed in their respective jurisdictions. Existing environmental regulations have not, in the past, had a materially adverse effect upon the operations of the Company, and the Company believes that existing environmental regulations will not, in the future, have a materially adverse effect upon its operations. There can be no assurances, however, as to the effect of any environmental regulations which may be adopted in the future.

As the Company proceeds with the development of its properties, including related infrastructure, the Company will be required to satisfy various regulatory authorities that it is in compliance with the laws, regulations and policies enforced by such authorities. Groundwater development, and the export of surplus groundwater for sale to single entities such as public water agencies, are not subject to regulation by existing statutes, other than general environmental statutes applicable to all development projects. Although applicable laws, regulations and policies have not had a materially adverse effect upon the ability of the Company to develop its Cadiz or other properties to date, management cannot predict with certainty what requirements, if any, may be imposed by regulators upon future development. In addition, the time and costs associated with obtaining regulatory approvals for resource development are significant, and there can be no assurance that the Company will receive desired approvals for future development plans.

## ITEM 2. PROPERTIES

The Company currently leases its executive offices in Santa Monica, California. The Company also maintains a development office in San Bernardino, California. Sun World owns its main packing facility (including sales and administrative offices) in Bakersfield, California and owns three packing facilities (including sales offices) in Coachella, California. The Company and each of its subsidiaries believe that their property and equipment are generally well maintained, in good operating condition and adequate for their present needs.

The following is a description of the Company's significant properties.

### THE CADIZ/FENNER PROPERTY

In 1984, the Company conducted an investigation of the feasibility of the agricultural development of land located in the Mojave desert near Cadiz, California, and confirmed the availability of prime quality water in commercial quantities appropriate for agricultural development. Since 1985, the Company has acquired over 27,000 acres in the Cadiz and Fenner valleys of eastern San Bernardino County. Since 1990, the Company has been pumping an average of approximately 6,000 acre-feet of groundwater annually from its well operations for agricultural purposes.

Additional independent geotechnical and engineering studies conducted since 1985 have confirmed that the Cadiz/Fenner property is well suited for temporary storage of water which could be imported from the Colorado River during periods of excess supply and alternatively the transfer of stored water from the Company's property and conveyed back to the Colorado River Aqueduct.

In December 1997, the Company entered into an interim Agreement with MWD to develop principles and terms for a long-term agreement in which the Company would provide storage capacity of approximately 500,000 acre-feet and a dry-year source of up to 100,000 acre-feet per year in connection with this property. 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 at Cadiz for which 1,600 acres have been developed and are leased to Sun World. This Board action represented the largest land use approval on behalf of a single property holder in the County's known history. This action also approved permits to construct infrastructure and facilities to house as many as 1,150 seasonal workers and 170 permanent residents (employees and their families) and allows for the withdrawal of more than 1,000,000 acre-feet of groundwater from the Company's underground water basin.

Substantially all Cadiz/Fenner acreage is held in fee directly by the Company.

### THE SUN WORLD PROPERTIES

**FARM PROPERTIES.** Sun World owns approximately 17,200 acres and leases approximately 2,100 acres of improved land in central and southern California. The majority of this land is used for the cultivation of permanent and annual crops and support activities, including packing facilities.

Sun World owned farming property is divided between five distinct geographic regions: Madera, Bakersfield and Arvin (located within the San Joaquin Valley), Coachella (located in the state's southeastern corner near Palm Springs) and Blythe (located approximately 100 miles east of the Coachella Valley adjoining the Colorado River).

**PACKING AND HANDLING FACILITIES.** Sun World owns four packing and handling facilities, three of which are located in the Coachella Valley and one of which is located in the San Joaquin Valley at Kimberlina, near Bakersfield.

The Kimberlina facility, located on an 83 acre parcel owned by Sun

World, consists of two highly automated production lines for packing treefruit and citrus, cold storage areas, and office space.

Sun World's primary Coachella Valley facility consists of two independent buildings located on 22 acres of industrial commercial zoned land in Coachella, California, two miles south of Indio. The 22 acres consists of 5 acres of buildings and improvements, 6 acres of packing, and 11 acres of open land. One building is used primarily for packing citrus, receiving table grapes, cold storage and office space. The other building is used primarily for receiving, cooling and storing table grapes.

Sun World's other operating facility in Coachella consists of one building on 4 acres of land and is used primarily for packing watermelons and citrus and for storage.

All of the Sun World properties are subject to encumbrances in favor of the holders of the Series B First Mortgage Notes issued by Sun World with an aggregate outstanding balance of \$115.0 million as of December 31, 1997. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Current Financing Arrangements."

#### THE PIUTE PROPERTY

The Piute property consists of approximately 7,300 acres and is located approximately 60 miles northeast of Cadiz and approximately 15 miles west of the Colorado River and Laughlin, Nevada, a small, fast growing town with hotels, casinos and water recreation facilities. The Piute property was identified for acquisition by the Company by a combination of satellite imaging and geological techniques which were used by the Company to identify water at Cadiz.

The Piute acreage adjoins Highway 95, which is a direct route to Las Vegas, approximately 60 miles north. The Santa Fe Railroad passes through the land and Interstate 40 is approximately 12 miles to the south. The property is held by the Company in fee title as to approximately 3,600 acres, with the remaining acreage under option.

The Company has commenced the development of the water resources of this property. See Item 1, "Business - Narrative Description of Business - Water Resource Development."

#### OTHER PROPERTIES

In addition to the Cadiz and Piute properties, the Company owns approximately 4,300 additional acres in the Mojave Desert as to which development has not yet commenced. These properties include the Danby Lake property which has been identified as a potential future addition for a water storage and supply program under the Company's interim agreement with MWD. See Item 1, "Business - Narrative Description of Business - Water Resource Development."

The Company will continue to seek to acquire additional properties both in Southern California desert regions and elsewhere which are believed to be suitable for development.

All of the Company's non-Sun World fee property is subject to encumbrances in favor of Cadiz' primary lender as security for loans with outstanding balances aggregating approximately \$14.8 million as of December 31, 1997. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Current Financing Arrangements."

#### ITEM 3. LEGAL PROCEEDINGS

In November 1995, the San Bernardino County Board of Supervisors certified an Environmental Impact Report/Environmental Impact Statement ("EIR/EIS"), and approved a Conditional Use Permit for the proposed construction and operation of a substantial landfill on the shore of Bristol Lake near Amboy, California (the "Rail Cycle" Project). The general partner of Rail Cycle is controlled by Waste Management, Inc. ("WMI"). The Rail Cycle Project would be located within a few miles of land owned by the Company at Cadiz, California, which the County of San Bernardino has designated for agricultural use in its General Plan.

The Company has vigorously opposed the Rail Cycle Project on a number of grounds. In December 1995, an action styled CADIZ LAND COMPANY, INC. VS. COUNTY OF SAN BERNARDINO, ET. AL. CASE NO. BCV 02341 was filed by the Company in Superior Court in San Bernardino County. The action challenges the various decisions by the County of San Bernardino relative to the Rail Cycle Project. Named in this action, in addition to the County of San Bernardino, were the Board of Supervisors of the County of San Bernardino, three individual members of the Board of Supervisors, an employee of the County, and Rail Cycle, L.P. whose general partner is controlled by WMI. The Company alleges that the actions of the County of San Bernardino did not comply with the guidelines prescribed by the California Environmental Quality Act and violated state planning and zoning laws. The action seeks to set aside the county certification of the EIR/EIS and approval of the proposed Rail Cycle Project. The Company continues to believe the proposed Rail Cycle Project, if constructed and operated as currently designed, poses environmental risks both to the Company's agricultural operations at Cadiz and to the groundwater basin underlying the Cadiz property. Accordingly, the Company intends to pursue a claim for damages against the County of San Bernardino and Rail Cycle and the action seeks compensatory damages. On November 6, 1997, the San Bernardino Superior Court denied the Company's application for a Writ of Mandate to set aside the County of San Bernardino's certification of the ("EIR/EIS"). The Company intends to continue prosecuting its claim for monetary damages. No trial date has yet been set.

On October 24, 1997, the Company filed suit in the United States District Court, for the Central District of California, against WMI, certain key executives and consultants of WMI, and certain other parties in interest as to the Rail Cycle Project. The Complaint as originally filed asserted the following claims arising under federal law: Violations of the Racketeer Influenced and Corrupt Organization Act (RICO), Conspiracy to Violate the Racketeer Influenced and Corrupt Organization Act (RICO), violations of Section 10(b) of the Securities Exchange Act of 1934, and Interception of Wire Communications. Additionally, the Complaint asserted the following claims arising under state law: Conspiracy, Misappropriation of Trade Secrets, Conversion, Defamation, Trade Libel, Wiretapping, Interference with Existing Business Relationship, and Unfair Business Practices. On December 9, 1997, the federal district court severed the eight state law claims from the complaint and dismissed them without prejudice. Those claims have been reasserted in a state proceeding filed on January 8, 1998 in Los Angeles Superior Court (West Division).

Prior to the acquisition of Sun World, the Internal Revenue Service (IRS) had filed claims against Sun World and certain of its subsidiaries (collectively "the Sun World Claimants") for taxes refunded for workers that the IRS claims were employees. The Sun World Claimants contend that the workers are excluded from the definition of employment under the Internal Revenue Code. On January 21, 1998, the District court ruled in favor of one of the Sun World Claimants. Management believes that the likelihood of an unfavorable future outcome with regard to this matter is remote. Accordingly, the Company released \$3,780,000 of reserves related to this matter at December 31, 1997 which are reported on the Consolidated Statement of Operations as Litigation Benefit.

The Company is involved in other legal and administrative proceedings and claims. In the opinion of management, the ultimate outcome of each proceeding or all such proceedings combined will not have a material adverse impact on the financial position of the Company.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The results of the Company's Annual Meeting of Stockholders held June 12, 1997 were reported in the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997.

#### PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the Nasdaq National Stock Market under the symbol "CLCI". The following table reflects actual sales

transactions. The high and low range of the sales price of the common stock for the dates indicated have been provided by Nasdaq.

Quarter Ended	High Sales Price -----	Low Sales Price -----
1995:		
March 31	\$5.438	\$4.125
June 30	\$4.875	\$4.000
September 30	\$5.500	\$3.688
December 31	\$6.250	\$4.063
1996:		
March 31	\$6.375	\$5.250
June 30	\$6.500	\$5.219
September 30	\$6.000	\$3.875
December 31	\$5.625	\$3.875
1997:		
March 31	\$ 6.063	\$4.838
June 30	\$ 6.250	\$4.813
September 30	\$ 8.063	\$5.000
December 31	\$ 9.375	\$6.125

On March 23, 1998, the high, low and last sales prices for the shares, as reported by Nasdaq, were \$9.7344, \$9.7344 and \$9.7344 respectively.

In January 1998, options in the Company's stock began trading on the American Stock Exchange, The Chicago Board Options Exchange and the Pacific Stock Exchange under the symbol "QAZ."

The Company also has an authorized class of 100,000 shares of preferred stock ("Preferred Stock"). To date the Board of Directors has designated three series of Preferred Stock for issuance, including (i) up to 60,000 shares of Series A Preferred, of which 27,631 shares have been issued and no shares remain outstanding; (ii) up to 1,000 shares of Series B Preferred, of which 1,000 shares have been issued and no shares remain outstanding; and (iii) up to 365 shares of Series C Preferred, of which 340 shares have been issued and no shares remain outstanding. The Board of Directors has no present plans or arrangements for the issuance of additional shares of Preferred Stock.

The estimated number of beneficial owners of the Company's Common Stock is approximately 2,700, and the number of stockholders of record on March 23, 1998, was 276.

To date, the Company has never paid a cash dividend on Common Stock. The Company's ability to pay such dividends is subject to certain covenants pursuant to agreements with the Company's lenders.

During the year ended December 31, 1997, the Company sold the following securities which were not registered under the Securities Act of 1933, as amended (the "Securities Act"). The Company believes that the transactions described below were all exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof as transactions not involving any public offerings. In each transaction, the number of investors was limited, the investors confirmed to the Company their investment intent, the investors were provided with information about the Company and/or access to such information, and restrictions were placed on resales of the securities. In each transaction involving the issuance of stock options or warrants, the exercise price was equal to the fair market value of the Company's common stock as of the date of grant of such options or warrants. No underwriters were used or commissions paid on connection with any such sales.

In March, June, and September 1997, prior to the registration in September 1997 of options issuable under the Company's 1996 Stock Option Plan, the Company issued a total of 317,500 options to purchase common stock to employees of the Company under the Plan. All such options vest three years from issuance and are exercisable until five years from date of grant. 280,000 options granted in March and 27,500 options granted in June are exercisable at \$5.00 per share; 5,000 options granted in June are exercisable at \$5.25 per share; and 5,000 options granted in September are exercisable at \$6.00 per share. In January 1997, the Company issued

50,000 options to purchase common stock to a consultant in consideration of consulting services rendered to the Company. These options are exercisable for three years at an exercise price of \$5.50 per share. In May 1997, the Company issued 75,000 warrants to ING Baring (U.S.) Capital Corporation ("ING") in consideration of the assumption and extension by ING of the Company's outstanding term loan. These warrants are exercisable for five years at an exercise price of \$5.03 per share. In November 1997, the Company issued 200,000 warrants to ING in consideration of the issuance by ING of a revolving credit facility to the Company. The warrants have a term of seven years and an exercise price of \$7.00 per share. In April 1997, 50,000 shares were granted to the Company's Chief Executive Officer at no cost as a bonus for extraordinary services rendered. In May 1997, 65,000 shares valued at \$5.00 per share were issued to a single investor in connection with the settlement of obligations assumed in connection with the Sun World Acquisition. In June 1997, 240,000 shares were issued to Rabobank for total consideration of \$12,000 upon the exercise of warrants previously granted in connection with the Company's credit facilities with Rabobank.

#### ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data insofar as it relates to the year ended December 31, 1997, the nine months ended December 31, 1996 and to each of the years ended March 31, 1996, 1995, and 1994 has been derived from financial statements audited by Price Waterhouse LLP, independent accountants. The information that follows should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 1997, the nine months ended December 31, 1996 and for the year ended March 31, 1996 included elsewhere herein. See also Item 7, "Management's Discussion and Analysis".

#### CADIZ LAND COMPANY, INC.

#### Selected Financial Data

(\$ in thousands, except for per share data)

	Year Ended December 31,	Nine Months Ended December 31,	Year Ended March 31,		
	1997	1996 (1)	1996	1995	1994
	----	-----	----	----	----
Statement of Operations Data:					
Revenues	\$ 100,157	\$ 23,780	\$ 1,441	\$ 543	\$ 190
Loss from continuing operations before extraordinary items	(8,538)	(5,997)	(8,487)	(4,706)	(4,239)
Gain from disposal of discontinued segment (2)	-0-	-0-	-0-	-0-	145
Extraordinary items	-0-	-0-	-0-	115	343
Net loss	(8,538)	(5,997)	(8,487)	(4,591)	(3,751)
Less: Preferred stock dividends	(1,213)	(674)	-0-	-0-	-0-
Imputed dividend on preferred stock	-0-	(2,451)	-0-	-0-	-0-
	-----	-----	-----	-----	-----
Net loss applicable to common stock	\$ (9,751)	\$ (9,122)	\$ (8,487)	\$ (4,591)	\$ (3,751)
	=====	=====	=====	=====	=====
Per Share:					
Net loss from continuing operations before extraordinary items	\$ (0.33)	\$ (0.44)	\$ (0.48)	\$ (0.29)	\$ (0.33)

Net income from operations of discounted segment and disposal of discontinued segment (2)	-0-	-0-	-0-	-0-	0.01
Extraordinary items	-0-	-0-	-0-	0.01	0.03
Net loss	\$ (0.33)	\$ (0.44)	\$ (0.48)	\$ (0.28)	\$ (0.29)
Weighted average common shares and equivalents	29,485	20,500	17,700	16,500	12,800
	December 31,	December 31,	March 31,		
	1997	1996	1996	1995	1994

Balance Sheet Data:

Total assets	\$ 203,049	\$ 230,790	\$ 38,663	\$ 34,888	\$ 34,058
Long-term debt	\$ 131,689	\$ 149,111	\$ 68	\$ 16,827	\$ 13,833
Redeemable preferred stock	\$ -0-	\$ 27,431	\$ -0-	\$ -0-	\$ -0-
Preferred stock, common stock and additional paid-in-capital	\$ 121,199	\$ 88,808	\$ 73,149	\$ 62,857	\$ 60,044
Accumulated deficit	\$ (70,818)	\$ (61,067)	\$ (54,396)	\$ (45,909)	\$ (41,318)
Stockholders' Equity	\$ 50,381	\$ 27,741	\$ 18,753	\$ 16,948	\$ 18,726

- (1) Subsequent to the Company's September 13, 1996 acquisition of Sun World, the Company changed its fiscal year end from March 31 to December 31 in order to align the Company's year end with that of Sun World. Additionally, as a result of the Sun World Acquisition, the operations for the nine months ended December 31, 1996 include the results of operations of Sun World for the period September 14, 1996 through December 31, 1996.
- (2) In December 1990, the Company committed to a plan to eliminate all agribusiness operations acquired as part of its 1988 merger with Pacific Agricultural Services, Inc.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

On September 13, 1996, the Company acquired all of the outstanding capital stock of Sun World. The Company's acquisition of Sun World was accounted for using the purchase method of accounting. The Consolidated Financial Statements include Sun World from the date of acquisition. In addition, in 1996, the Company changed its fiscal year end from March 31 to December 31 in order to align the Company's year end with that of Sun World.

RESULTS OF OPERATIONS

The consolidated financial statements set forth herein for the year ended December 31, 1997, the nine months ended December 31, 1996, and the year ended March 31, 1996, reflect the results of operations of the Company and its wholly owned subsidiaries, Sun World (since September 14, 1996), and Southwest Fruit Growers ("SWFG") in which the Company is the general partner and has an approximate 66.3 percent partnership interest.

As a result of the Sun World Acquisition and the change in fiscal year end, direct comparisons of the Company's consolidated results of

operations for the year ended December 31, 1997 to the nine months ended December 31, 1996 will not, in the view of management of the Company, prove meaningful. Instead, a summary of the Sun World elements which management of the Company believes is essential to an analysis of the results of operations for such periods is presented below. For purposes of this summary, the term Sun World will be used, when the context so requires, with respect to the operations and activities of the Company's Sun World subsidiary, and the term Cadiz will be used, when the context so requires, with respect to those operations and activities of the Company not involving Sun World.

The Company's net income or loss in future fiscal periods will be largely reflective of (a) the operations of the Cadiz/Fenner Water Storage and Supply Program and (b) the operations of Sun World. Sun World conducts its operations through four operating divisions: farming, packing, marketing and proprietary product development. Net income from farming operations varies from year to year primarily due to yield and pricing fluctuations which can be significantly influenced by weather conditions, and are, therefore, generally subject to greater annual variation than Sun World's other divisions. However, the geographic distribution of Sun World's farming operations and the diversity of its crop mix makes it unlikely that adverse weather conditions would affect all of Sun World's properties or all of its crops in any single year. Nevertheless, net profit from Sun World's packing, marketing and proprietary product development operations tends to be more consistent from year to year than net profit from Sun World's farming operations. As such, Sun World continues to strategically add volume in the packing and marketing areas that will compliment Sun World's in-house production or fill in contra-seasonal marketing windows. Sun World is also actively exploring various domestic and international opportunities to license selected proprietary fruit varieties.

The following discussion contains trend analysis and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements throughout this document.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO NINE MONTHS ENDED DECEMBER 31,  
 -----  
 1996  
 -----

The Company's agricultural operations are impacted by the general seasonal trends that are characteristic of the agricultural industry. Sun World has historically received the majority of its net income during the months of June to October following the harvest and sale of its table grape and treefruit crops. Due to this concentrated activity, Sun World has, therefore, historically incurred a loss with respect to its agricultural operations in the other months during the year.

During 1997, atypical weather conditions resulted in much higher than normal crop yields for table grapes and treefruit crops, therefore resulting in lower prices throughout the industry. However, Sun World's proprietary products, such as Superior Seedless(TM) table grapes and Black Diamond(TM) plums, allowed Sun World to continue to command a price premium to the overall market which has helped mitigate the difficult market conditions industry-wide.

The table below sets forth, for the periods indicated, the results of operations for the Company's four main operating divisions (before elimination of any interdivisional charges) as well as the categories of costs and expenses incurred by the Company which are not included within the divisional results (in thousands):

	Year Ended December 31, 1997 ----	Nine Months Ended December 31, 1996 ----
Divisional net income:		
Farming	\$ 7,839	\$ 3,867
Packing	8,017	726
Marketing	4,126	666
Proprietary product development	1,568	718

	-----	-----
	21,550	5,977
Landfill prevention activities	683	394
General and administrative	9,832	5,979
Litigation benefit	(3,780)	-
Depreciation and amortization	7,745	1,039
Interest expense, net	15,608	5,203
Income tax benefit	-	(641)
	-----	-----
Net loss	\$ (8,538)	\$ (5,997)
	=====	=====

FARMING OPERATIONS. The Company farms over 19,000 acres of agricultural properties, which are primarily dedicated to producing permanent commercial crops. Revenues during the year ended December 31, 1997 resulted primarily from the harvest of table grapes, treefruit, sweet red and yellow peppers and seedless watermelons from the San Joaquin Valley; table grapes, sweet red and yellow peppers and seedless watermelons from the Coachella Valley; lemons from the Cadiz and Blythe ranches; as well as sweet red and yellow peppers from the California coastal operations. Although yields for these crops were higher than normal, similar high crop yields throughout the industry resulted in lower prices. As Sun World is able to command a premium price for its proprietary products such as Superior Seedless(TM) table grapes and Black Diamond(TM) plums, the impact of the industry-wide lower prices have been somewhat mitigated. Net income from farming operations totaled \$7.8 million for the year ended December 31, 1997 based upon revenues of \$77.3 million offset by farming expenses of \$69.5 million. Net income from farming operations for the nine months ended December 31, 1996, which included the operations of Sun World subsequent to the acquisition from September 14, 1996 to December 31, 1996, totaled \$3.9 million on revenues of \$16.5 million and expenses of \$12.6 million.

PACKING OPERATIONS. During 1997, Sun World's four packing and handling facilities contributed \$23.1 million in revenues offset by \$15.1 million in expenses resulting in \$8.0 million in net income. During the year, Sun World packed 4.1 million units and moved an additional 5.1 million units through the cold storage facilities for a total of 9.2 million units processed through the packing operations. Products packed or handled during the year primarily consisted of Sun World-grown table grapes, treefruit, sweet red and yellow peppers, seedless watermelons and lemons as well as table grapes and citrus products packed for third party growers. The 1996 net income of \$0.7 million from packing operations related to the results of Sun World from September 14, 1996 to December 31, 1996 in which Sun World generated packing revenues of \$4.7 million and expenses of \$4.0 million.

MARKETING OPERATIONS. Sun World's marketing operations include selling, merchandising and promoting Sun World grown products, as well as providing these services for third party growers. During the year ended December 31, 1997, approximately 12.2 million units were sold primarily consisting of Sun World-grown table grapes, treefruit, sweet red and yellow peppers, seedless watermelons and lemons; and table grapes, seedless watermelon, and citrus from domestic third party growers. These unit sales resulted in marketing revenue of \$9.0 million while marketing expenses totaled \$4.9 million for the year ended December 31, 1997 resulting in a net income from marketing operations of \$4.1 million. The 1996 net income from marketing operations related to the results of Sun World from September 14, 1996 to December 31, 1996 in which Sun World generated marketing revenues of \$2.5 million offset by expenses of \$1.8 million resulting in net profits of \$0.7 million.

PROPRIETARY PRODUCT DEVELOPMENT. Sun World has a long history of product innovation, and its research and development center maintains a fruit breeding program that has introduced dozens of proprietary fruit varieties during the past five years. In addition, Sun World has a 50% interest in American Sunmelon, a partnership engaged in proprietary development, production and marketing of seedless watermelon seed. During the year ended December 31, 1997, net income from proprietary product development was \$1.6 million consisting of revenues of \$2.4 million (\$1.3 million from American Sunmelon) offset by expenses of \$0.8 million. The

net income of \$0.7 million for the nine months ended December 31, 1996 related primarily to the operations of American Sunmelon from September 14, 1996 to December 31, 1996.

**LANDFILL PREVENTION ACTIVITIES.** The Company is engaged in opposition to the proposed construction and operation of a landfill to be located adjacent to its Cadiz/Fenner Valley properties, and has filed three lawsuits seeking, among other things, to set aside approvals for the landfill project and monetary damages. See Item 3, "Legal Proceedings." During the year ended December 31, 1997, expenses incurred in connection with activities in opposition to the project, such as litigation costs and professional fees and expenses totaled \$0.7 million as compared to \$0.4 million during the nine months ended December 31, 1996.

**GENERAL AND ADMINISTRATIVE.** General and administrative expenses during the year ended December 31, 1997 and the nine months ended December 31, 1996 consisted primarily of corporate operating expenses, professional fees and salaries. These expenses increased by \$3.9 million in 1997 as compared to the nine months ended December 31, 1996 period primarily due to the inclusion of a full year of operations for Sun World in 1997.

**LITIGATION BENEFIT.** Prior to the acquisition of Sun World by the Company, the Internal Revenue Service (IRS) had filed claims against Sun World and certain of its subsidiaries, (collectively "the Sun World Claimants") for taxes refunded for workers that the IRS claims were employees. The Sun World Claimants contend that the workers are excluded from the definition of employment under the Internal Revenue Code. On January 21, 1998, the District Court ruled in favor of the Sun World Claimant who had the largest outstanding claim. Management believes that the likelihood of an unfavorable future outcome with regard to this matter is remote. Accordingly, Sun World released \$3.8 million of reserves related to this matter at December 31, 1997.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense for the year ended December 31, 1997 totaled \$7.7 million compared to \$1.0 million for the nine months ended December 31, 1996. The increase is attributable to depreciation relating to the acquired Sun World assets.

**INTEREST EXPENSE.** As a result of the acquisition of Sun World, net interest expense totaled \$15.6 million during the year ended December 31, 1997 compared to \$5.2 million during the nine months ended December 31, 1996. The following table summarizes the components of net interest expense for the two periods (in thousands):

	Year Ended December 31, 1997 ----	Nine Months Ended December 31, 1996 -----
Interest on outstanding debt - Sun World	\$ 13,446	\$ 4,411
Interest on outstanding debt - Cadiz	875	782
Amortization of financing costs	1,879	746
Interest income	(592)	(736)
	----- \$ 15,608 =====	----- \$ 5,203 =====

The increase in interest on outstanding debt during 1997 is attributable to the long-term debt acquired as part of the Sun World acquisition. Financing costs, which include legal fees and extension fees, are amortized over the life of the debt agreement.

**NINE MONTHS ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED MARCH 31, 1996**

During the nine months ended December 31, 1996, the Company incurred a net loss of \$6.0 million compared to a loss of \$8.5 million during the year ended March 31, 1996. The following table summarizes the net loss for both periods (dollars in thousands):

	Nine Months Ended December 31, 1996	Year Ended March 31, 1996

	----	----
Revenues	\$ 23,780	\$ 1,441
	-----	-----
Costs and expenses:		
Cost of sales	17,725	1,649
Landfill prevention activities	394	1,919
General and administrative	6,057	3,506
Depreciation and amortization	1,039	1,067
Interest expense, net	5,203	1,787
Income tax benefit	(641)	-
	-----	-----
Net loss	\$ (5,997)	\$ (8,487)
	=====	=====

The operations of Sun World for the period September 14 through December 31, 1996 are included above; however, due to the seasonality of the operations of Sun World, this is not indicative of the results of operations should a full fiscal year of activity be included.

REVENUES. During the nine months ended December 31, 1996, the Company recorded revenues of \$23.8 million, of which \$22.5 million resulted from Sun World operations, all of which were recognized from September 14, 1996 (the date subsequent to the Sun World Acquisition) through December 31, 1996. The balance of the Company's revenues were recognized from the development activities of Cadiz, consisting primarily of crop proceeds from the Cadiz ranch.

COST OF SALES. Cost of sales for the nine months ended December 31, 1996 of \$17.7 million consisted of all direct costs and an allocation of indirect costs related to revenue generated by the Company, \$16.4 million of which related to Sun World activities, for the period September 14, 1996 through December 31, 1996 as compared to \$1.7 million for Cadiz during the year ended March 31, 1996.

LANDFILL PREVENTION ACTIVITIES. During the nine months ended December 31, 1996, expenses incurred in connection with activities in opposition to the proposed landfill, such as litigation costs and professional fees and expenses totaled \$0.4 million as compared to \$1.9 million during the fiscal year ending March 31, 1996.

GENERAL AND ADMINISTRATIVE. General and administrative expenses during both the nine months ended December 31, 1996 and the fiscal year ended March 31, 1996 consisted primarily of corporate operating expenses, professional fees and salaries as well as expenses incurred in the land and water resource development of the Company's landholdings. These expenses increased by \$2.6 million during the nine months ended December 31, 1996 as compared to the year ended March 31, 1996 primarily as a result of the Sun World Acquisition and the addition of corporate and administrative costs related to Sun World in the amount of \$2.5 million for the period September 14, 1996 through December 31, 1996. During the period ended December 31, 1996, Cadiz was awarded and received approximately \$0.4 million as final payment toward full reimbursement of its legal fees and costs incurred in defending a legal action which was netted against the related legal fees incurred.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization totaled \$1.0 million for the nine months ended December 31, 1996 as compared to \$1.1 million for the year ended March 31, 1996. The decrease is primarily attributable to reduced amortization for Cadiz.

INTEREST EXPENSE. Net interest expense totaled \$5.2 million during the nine months ended December 31, 1996 as compared to \$1.8 million during the year ended March 31, 1996. The following table summarizes the components of net interest expense for the nine months ended December 31, 1996 and the fiscal year ended March 31, 1996 (dollars in thousands):

Nine Months Ended December 31, 1996	Year Ended March 31, 1996
----	-----

Interest expense on outstanding debt	\$ 5,193	\$ 1,000
Amortization of financing costs	746	841
Interest income	(736)	(54)
	-----	-----
	5,203	\$ 1,787
	=====	=====

The increase in interest expense on outstanding debt during the period ended December 31, 1996 is attributable to the long-term debt acquired as part of the Sun World Acquisition. Interest income increased due to the average Sun World cash balance of over \$30 million maintained during the fourth calendar quarter of 1996.

INCOME TAX BENEFIT. An income tax benefit of \$0.6 million arose during the nine months ended December 31, 1996 as a result of utilization of net operating loss carryforwards.

#### LIQUIDITY AND CAPITAL RESOURCES

GENERAL DISCUSSION OF LIQUIDITY AND CAPITAL RESOURCES. With the completion of the offering by Sun World of \$115.0 million in secured notes and the issuance of revolving credit facilities for both Sun World and Cadiz, as further discussed below, the Company believes it will be able to meet its working capital needs without looking to additional outside funding sources, although no assurances can be made. See "Current Financing Arrangements" below.

In order to provide additional availability of working capital at the parent level and to provide a readily available funding mechanism for add-on acquisition opportunities, Cadiz entered into a three year \$15 million revolving credit facility with ING Baring (U.S.) Capital Corporation ("ING") (the "Cadiz ING Revolver") in November 1997. As of December 31, 1997, \$5.0 million was outstanding under the Cadiz ING Revolver.

On April 16, 1997, Sun World completed a private placement of \$115.0 million in secured 11-1/4% Series A First Mortgage Notes (the "Sun World Notes"). The notes have subsequently been exchanged for Series B First Mortgage Notes registered under the Securities Act of 1933 which are publicly traded. The proceeds from the Sun World Notes, when combined with Sun World's existing cash and cash made available under a one year \$30 million revolving credit facility with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. ("Rabobank") (the "Sun World Revolver") entered into by Sun World concurrently with the issuance of the Sun World Notes, were used to retire Sun World's existing indebtedness to John Hancock Mutual Life Insurance Company and Caisse Nationale de Credit Agricole, acting through its Grand Cayman branch, as well as Cadiz' existing indebtedness to Rabobank (referred to hereinafter as the "Debt Refinancing" ). Management believes that the terms of Sun World's debt facilities following the issuance of the Sun World Notes are more favorable to Sun World than the terms of the retired debt facilities. See "Outlook," below.

Under Sun World's historical working capital cycle, working capital is required primarily to finance the costs of growing and harvesting crops, which occurs from January through September with a peak need in June. Sun World harvests and sells the majority of its crops during the period from June through October, when it receives the majority of its revenues. In order to bridge the gap between incurrence of expenditures and receipt of revenues, large cash outlays are required each year. Prior to its Debt Refinancing, Sun World's cash balance was sufficient to provide for these seasonal working capital requirements without the need for additional outside funding. However, Sun World determined that utilizing a substantial portion of its cash on hand to pay down long-term debt and concurrently entering into the Sun World Revolver to meet its seasonal working capital needs was a more effective use of its financial resources. Peak borrowings under the Sun World Revolver during the 1997 season were \$18.2 million. As of December 31, 1997, no amount was outstanding under the Sun World Revolver. Sun World has replaced the Sun World Revolver with a \$25 million one year facility which, in management's view, provides more favorable terms. See "Current Financing Arrangements - Sun World Obligations" below.

As of December 31, 1997, Cadiz had approximately \$14.8 million of

indebtedness outstanding and \$10.0 million borrowing availability under the Cadiz ING Revolver. Sun World had \$118.3 million of indebtedness outstanding and \$30.0 million of borrowing availability under the Sun World Revolver.

#### CURRENT FINANCING ARRANGEMENTS.

##### CADIZ OBLIGATIONS

As Cadiz has not received significant revenues from its water resource activity to date, Cadiz has been required to obtain financing to bridge the gap between the time water resource development expenses are incurred and the time that revenue will commence. Historically, Cadiz has addressed these needs primarily through secured debt financing arrangements with its lenders, private equity placements and the exercise of outstanding stock options.

As of December 31, 1997, Cadiz was obligated to ING for approximately \$9.8 million under a senior term loan facility. The maturity date of the ING obligation is April 30, 1998 (with the interest rate LIBOR plus 200 basis points, payable at LIBOR only semi-annually, with the remaining accrued interest added to principal). ING also granted to Cadiz the right to obtain two additional one-year extensions. Upon exercise of the first and second extension, Cadiz would be required to issue certain warrants to ING and the interest rate would be further adjusted. Currently, ING holds a senior deed of trust on substantially all of Cadiz' non-Sun World related property. Cadiz expects to exercise the first one-year extension under the senior term loan facilities.

In November 1997, the Company entered into the Cadiz ING Revolver to provide additional availability of working capital at the parent level and to provide a readily available funding mechanism for add-on acquisition opportunities. The Cadiz ING Revolver is secured by a second lien on all of the non-Sun World assets of the Company. Principal is due on December 31, 2000. Interest is payable semi-annually at 8% if paid in cash and at 10% if paid in common stock of the Company. The Company had \$5.0 million outstanding under the Cadiz ING Revolver at December 31, 1997. The Company issued 200,000 warrants in connection with the initial borrowings at \$7.00, the market price at issuance. The agreement calls for the issuance of certain additional warrants if and when the remaining \$10.0 million is drawn.

As the Company continues to actively pursue its business strategy, additional financing specifically in connection with the Company's water programs will be required. The nature of such additional financing for the water storage and supply programs (including the Cadiz/Fenner Water Storage and Supply Program - see Item 2 - Water Resource Development) will depend upon how the development and ownership of each project is ultimately structured, and how much of each project's funding will be the Company's responsibility. Should the Company determine that it will be able to maximize its profit potential through construction and ownership of the water storage and/or delivery systems used in the program, the Company will obtain appropriate long-term financing. Based upon the results of analyses performed by an investment banking firm retained by the Company, management believes that several alternative long-term financing arrangements are available to the Company which will be further evaluated once funding responsibility and ownership alternatives are determined.

##### SUN WORLD OBLIGATIONS

The Sun World Notes, which were issued in the principal amount of \$115.0 million on April 16, 1997 and will mature on April 15, 2004, accrue interest at the rate of 11-1/4% per annum. Interest only is payable semi-annually on April 15 and October 15 of each year, commencing October 15, 1997. The Sun World Notes are secured by a first lien (subject to certain permitted liens) on substantially all of the assets of Sun World and its subsidiaries, other than growing crops, crop inventories and accounts receivable and proceeds thereof, which secure the Sun World Revolver, and certain real property pledged to third parties. The Sun World Notes are also secured by the guarantee of Cadiz and the pledge by Cadiz of all of the stock of Sun World.

Commencing October 14, 1997, Sun World offered to exchange (the "Exchange Offer") up to \$115.0 million aggregate principal amount of its

11-1/4% Series B First Mortgage Notes (the "Exchange Notes") for \$115.0 million aggregate principal amount of the Sun World Notes. The Exchange Notes are registered under the Securities Act of 1933 and have the same terms as the Sun World Notes. The exchange of all of the Sun World Notes was completed on November 12, 1997.

In April, 1997, Sun World entered into the Sun World Revolver which is guaranteed by Cadiz. Amounts borrowed under the Sun World Revolver accrue interest at either prime plus 1.50% or LIBOR plus 2.50%, at Sun World's election, with an additional .50% payable for advances on eligible inventory above specified levels. As of December 31, 1997, no amount was outstanding under the Sun World Revolver. To meet working capital needs for 1998, Sun World has replaced the existing Sun World Revolver with a one year \$25 million revolving credit facility (the "New Revolver") that provides more favorable terms than the existing Sun World Revolver. Interest on the New Revolver will accrue at either prime plus 1% or LIBOR plus 2.50% at Sun World's election.

CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES. Cash provided by operating activities totaled \$0.2 million for the year ended December 31, 1997 as compared to cash used for continuing operating activities of \$0.2 million for the nine months ended December 31, 1996. The increase in cash generated from operating activities primarily resulted from the inclusion of Sun World's operations in the entire 1997 period. Significant working capital changes included a decrease in accounts receivable of \$1.6 million primarily attributable to the lower FOB prices experienced due to atypical weather conditions resulting in higher than normal crop yields industry wide offset by an increase in accounts payable of \$0.7 million and accrued liabilities of \$1.3 million (primarily related to accrued interest on the Sun World Notes).

CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES. Cash used for investing activities totaled \$2.9 million during the year ended December 31, 1997 as compared to cash provided by investing activities of \$6.7 million during the nine months ended December 31, 1996. The Company invested \$4.7 million in developing crops and \$2.7 million in the purchase of land, property, plant and equipment and in furtherance of its water storage and supply programs. Additionally, the Company received proceeds of \$2.8 million from the disposal of underproducing Sun World assets through an asset disposal program. In addition, partnership distributions received by Sun World totaled \$1.2 million and other assets decreased by \$0.5 million.

CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES. Cash used for financing activities totaled \$25.3 million for the year ended December 31, 1997 as compared to cash provided by financing activities of \$21.7 million during the nine months ended December 31, 1996. Principal payments on long-term debt of \$141.2 million were made from the proceeds from the Debt Refinancing. Costs related to debt issuances totaled approximately \$5.8 million. Net proceeds from the issuance of stock including the exercise of stock options and warrants totaled \$1.7 million during the year ended December 31, 1997.

#### OUTLOOK

The Company is actively pursuing the development of its water resources. Specifically, on December 23, 1997, the Company announced an interim agreement with the Metropolitan Water District of Southern California ("MWD") to develop principles and terms for a water storage and supply program on the Company's land in the Cadiz and Fenner valleys of eastern San Bernardino County (the "Cadiz/Fenner Water Storage and Supply Program"). The proposed long-term program will involve the conveyance of water from MWD's Colorado River Aqueduct, during periods of excess supply, for storage in the aquifers underlying the Company's properties. The water will be delivered through a 35-mile transmission pipeline having a capacity of 100,000 acre-feet per year. Total storage capacity is expected to be approximately 500,000 acre-feet. During periods of shortage, the stored water will be extracted by wells and returned to the Colorado River Aqueduct by gravity flow through the transmission pipeline. The program will also have the ability to transfer high quality indigenous groundwater for distribution throughout MWD's service area. The program, which is subject to regulatory approvals, could be operational by the year 2000. The Company anticipates that the revenue stream generated by the program will be sufficient to meet the then existing operating requirements of the Company, although no assurances can be given.

In addition to the development of its water resources, the Company is actively involved in further agricultural development and reinvestment in its landholdings. Such development will be systematic and in furtherance of the Company's business strategy to provide for maximization of the value of its assets. The Company also continually evaluates acquisition opportunities which are complimentary to its current portfolio of landholdings, water resources and agricultural operations.

The Company believes that, based upon current levels of operations and anticipated growth, Sun World can adequately service its indebtedness and meet its seasonal working capital needs utilizing available internal cash, the New Revolver and, if necessary, through an intercompany revolver with Cadiz. Cadiz expects to be able to meet its ordinary working capital needs, in the short-term, through a combination of quarterly management fee payments from Sun World, payments from Sun World under an agricultural lease whereby Sun World now operates the Company's 1,600 acres of developed agricultural property at Cadiz, California, draws from the Cadiz ING Revolver, and the possible exercise of outstanding stock options. Except for the foregoing, additional intercompany cash payments between Sun World and Cadiz are subject to certain restrictions under its current lending arrangements.

Since the Company's inception, inflation has not had a material impact either on the costs of materials required in the development of property and/or on labor costs. Similarly, the value of the Company's real property has not been materially impacted by inflation. In the event the rate of inflation should accelerate in the future, the Company believes the increase in value of its real property will exceed any increases in costs attributable to inflation.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is submitted in response to Part IV hereof. See the Index to Consolidated Financial Statements.

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

Not Applicable.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by this item is incorporated herein by reference to the definitive proxy statement involving the election of directors which the Company intends to file with the Commission pursuant to Regulation 14A under the Securities and Exchange Act of 1934 not later than 120 days after December 31, 1997.

#### ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to the definitive proxy statement involving the election of directors which the Company intends to file with the Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 1997.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by this item is incorporated herein by reference to the definitive proxy statement involving the election of directors which the Company intends to file with the Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 1997.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this item is incorporated herein by reference to the definitive proxy statement involving the election of directors which the Company intends to file with the Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 1997.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) 1. Financial Statements. See Index to Consolidated Financial Statements.
- 2. Financial Statement Schedules. See Index to Consolidated Financial Statements.
- 3. Exhibits.

The following exhibits are filed or incorporated by reference as part of this Annual Report:

- 3.1 Certificate of Incorporation of the Company, as amended(2)
- 3.2 Amendment to Certificate of Incorporation dated November 8, 1996(3)
- 3.3 Bylaws of the Company, as amended to date(4)
- 3.4 Amended and Restated Certificate of Incorporation of Sun World, Inc.(12)
- 3.5 Certificate of Merger of Sun World International, Inc. into Sun World, Inc.(12)
- 3.6 Agreement and Plan of Merger of Sun World, Inc. and Sun World International, Inc.(12)
- 3.7 Amended and Restated Bylaws of Sun World International, Inc.(12)
- 4.1 Specimen Form of Stock Certificate for the Company's registered stock(4)
- 4.2 Certificate of Designations of 6% Convertible Series A Preferred Stock(1)
- 4.3 Certificate of Designations of 6% Convertible Series B Preferred Stock(5)
- 4.4 Certificate of Designations of 6% Convertible Series C Preferred Stock(1)
- 4.5 Indenture dated as of April 16, 1997 among Sun World as issuer, Sun World and certain subsidiaries of Sun World as guarantors, and IBJ Schroder Bank & Trust Company as Trustee, for the benefit of holders of 11-1/4% First Mortgage Notes due 2004 (including as Exhibit A to the Indenture, the form of the Global Note and the form of each Guarantee)(10)
- 4.6 Form of Amendment to Indenture dated as of October 9, 1997(14)
- 4.7 Form of Amendment to Indenture dated as of January 23, 1998
- 10.1 Pacific Agricultural Holdings, Inc. 1988 Nonstatutory Stock Option Plan(6)
- 10.2 The Company's 1996 Stock Option Plan(8)
- 10.3 Form of Limited Partnership Agreement of Southwest Fruit Growers, L.P.(7)
- 10.4 Farm Management Agreement dated as of March 28, 1990 between the Company and Southwest Fruit Growers, L.P.(7)
- 10.5 Promissory Note in the amount of \$3,486,868 dated as of

- March 28, 1990 issued by Southwest Fruit Growers, L.P. in favor of the Company (Hyder Note) (7)
- 10.6 Promissory Note in the amount of \$4,934,922 dated as of March 28, 1990 issued by Southwest Fruit Growers, L.P. in favor of the Company (Cadiz Note) (7)
- 10.7 Promissory Note in the amount of \$3,141,344 dated as of March 28, 1990 issued by Southwest Fruit Growers, L.P. in favor of the Company (Farming Note) (7)
- 10.8 Amended and Restated Credit Agreement between Sun World International, Inc. and Caisse Nationale de Credit Agricole dated September 13, 1996(3)
- 10.9 Promissory Note between Sun World International, Inc. and Caisse Nationale de Credit Agricole dated September 13, 1996(3)
- 10.10 New Hancock Credit Agreement between Sun World International, Inc. and John Hancock Mutual Life Insurance Company dated September 13, 1996(3)
- 10.11 Secured Promissory Note between Sun World International, Inc. and John Hancock Mutual Life Insurance Company dated September 13, 1996(3)
- 10.12 Form of Employment Agreement dated September 13, 1996 between Sun World, the Company and Timothy J. Shaheen(9)
- 10.13 Form of Employment Agreement dated September 13, 1996 between Sun World, the Company and Stanley E. Speer(9)
- 10.14 Form of Sun World Executive Officer Employment Agreement(11)
- 10.15 Credit Agreement between the Company and ING Baring (U.S.) Capital Corporation dated November 25, 1997
- 10.16 Revolving Credit Note between the Company and ING Baring (U.S.) Capital Corporation dated November 25, 1997
- 10.17 Agreement between Metropolitan Water District of Southern California and Cadiz Land Company, Inc. to Develop Principles and Terms for Agreement and to verify Program Feasibility
- 10.18 Employment Agreement between Cadiz Land Company, Inc. and Keith Brackpool dated February 1, 1998
- 21.1 Subsidiaries of the Registrant
- 23.1 Consent of Independent Accountants (included in Part IV of the Form 10-K)
- 27.1 Financial Data Schedule
- 

- (1) Previously filed as Exhibit to the Company's Report on Form 8-K dated September 13, 1996
- (2) Previously filed as Exhibit to the Company's Registration Statement on Form S-1 (Registration No. 33-75642) declared effective May 16, 1994
- (3) Previously filed as Exhibit to the Company's Report on Form 10-Q for the quarter ended September 30, 1996
- (4) Previously filed as Exhibit to the Company's Report on Form 8-K dated May 6, 1992
- (5) Previously filed as Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1996
- (6) Previously filed as Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1988

- (7) Previously filed as Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1990
- (8) Previously filed as Exhibit A to the Company's Proxy Statement relating to the Annual Meeting of Stockholders held on November 8, 1996
- (9) Previously filed as Exhibit to Cadiz' Transition Report on Form 10-K for the nine months ended December 31, 1996
- (10) Previously filed as Exhibit to Amendment No. 1 to Cadiz' Form S-1 Registration Statement No. 333-19109
- (11) Previously filed as Exhibit to Cadiz' Report on Form 10-Q for the quarter ended March 31, 1997
- (12) Previously filed as Exhibit to Sun World's Form S-4 Registration Statement No. 333-31103
- (13) Previously filed as Exhibit to Amendment No. 1 to Sun World's Form S-4 Registration Statement No. 333-31103
- (14) Previously filed as Exhibit to Amendment No. 2 to Sun World's Form S-4 Registration Statement No. 333-31103

(b) Reports on Form 8-K

- 1. Report on Form 8-K dated December 23, 1997 providing a Press Release issued by the Company announcing the signing of an interim Agreement with the Metropolitan Water District of Southern California.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

CADIZ LAND COMPANY, INC.

By: /s/ Keith Brackpool	By: /s/ Stanley E. Speer
-----	-----
Keith Brackpool, President & Chief Executive Officer and Director	Stanley E. Speer, Chief Financial Officer

Date: March 26, 1998	Date: March 26, 1998
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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Name and Position	Date
/s/ Dwight Makins ----- Dwight Makins, Chairman of the Board and Director	Date: March 26, 1998
/s/ Keith Brackpool ----- Keith Brackpool, President & Chief Executive Officer and Director (Principal Executive Officer)	Date: March 26, 1998
/s/ Stanley E. Speer ----- Stanley E. Speer, Chief Financial Officer	Date: March 26, 1998



To the Board of Directors and Stockholders of  
Cadiz Land Company, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Cadiz Land Company, Inc. and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for the year ended December 31, 1997, the nine months ended December 31, 1996 and for the year ended March 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

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PRICE WATERHOUSE LLP

Los Angeles, California  
February 13, 1998

CADIZ LAND COMPANY, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31, 1997	Nine Months Ended December 31, 1996	Year Ended March 31, 1996
(In thousands except per share data)	-----	-----	-----
Revenues	\$100,157	\$ 23,780	\$ 1,441
	-----	-----	-----
Costs and expenses:			
Cost of sales	76,566	17,725	1,649
Landfill prevention activities	683	394	1,919
General and administrative	11,873	6,057	3,506
Litigation benefit	(3,780)	-	-
Depreciation and amortization	7,745	1,039	1,067
	-----	-----	-----
Total costs and expenses	93,087	25,215	8,141
	-----	-----	-----
Operating profit (loss)	7,070	(1,435)	(6,700)
Interest expense, net	15,608	5,203	1,787
	-----	-----	-----
Loss before income taxes	(8,538)	(6,638)	(8,487)
Income tax benefit	-	(641)	-
	-----	-----	-----
Net loss	(8,538)	(5,997)	(8,487)
Less: Preferred stock dividends	(1,213)	(674)	-
Imputed dividend on preferred stock	-	(2,451)	-
	-----	-----	-----
Net loss applicable to common stock	\$ (9,751)	\$ (9,122)	\$ (8,487)
	=====	=====	=====
Net loss per common share	\$ (.33)	\$ (.44)	\$ (.48)
	=====	=====	=====

Weighted average shares outstanding	29,485	20,500	17,700
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

CADIZ LAND COMPANY, INC.

CONSOLIDATED BALANCE SHEET

Assets (\$ in thousands):	December 31,	
	1997	1996
	----	----
Current assets:		
Cash and cash equivalents	\$ 5,298	\$ 33,307
Accounts receivable, net	5,881	7,533
Inventories	13,838	14,121
Prepaid expenses and other	1,161	1,225
Assets held for sale	-	6,534
	-----	-----
Total current assets	26,178	62,720
Investment in partnerships	6,327	6,104
Property, plant, equipment and water programs, net	160,193	155,453
Other assets	10,351	6,513
	-----	-----
	\$ 203,049	\$ 230,790
	=====	=====

See accompanying notes to the consolidated financial statements.

CADIZ LAND COMPANY, INC.

CONSOLIDATED BALANCE SHEET (CONTINUED)

Liabilities and Stockholders' Equity (\$ in thousands):	December 31,	
	1997	1996
	-----	-----
Current liabilities:		
Accounts payable	\$ 8,517	\$ 7,845
Accrued liabilities	6,114	4,762
Long-term debt, current portion	519	4,753
Other current liabilities	-	591
	-----	-----
Total current liabilities	15,150	17,951
Long-term debt	131,689	149,111
Deferred income taxes	5,447	4,347
Other liabilities	382	4,209
Commitments and contingencies		
Series A redeemable preferred stock - \$.01 par value (\$1,000 liquidation value); 60,000 shares authorized; shares issued and outstanding - none at December 31, 1997 and 27,431 at December 31, 1996	-	27,431
Stockholders' equity:		
Preferred stock - \$.01 par value; 40,000 shares authorized; shares issued and outstanding -		

none at December 31, 1997 and  
340 shares at December 31, 1996

Common stock - \$.01 par value; 45,000,000 shares authorized; shares issued and outstanding - 32,646,661 at December 31, 1997 and 23,445,868 at December 31, 1996	326	234
Additional paid-in capital	120,873	88,574
Accumulated deficit	(70,818)	(61,067)
	-----	-----
Total stockholders' equity	50,381	27,741
	-----	-----
	\$ 203,049	\$ 230,790
	=====	=====

See accompanying notes to the consolidated financial statements.

CADIZ LAND COMPANY, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31, 1997	Nine Months Ended December 31, 1996	Year Ended March 31, 1996
(\$ in thousands)	----	----	----
Cash flows from operating activities:			
Net loss	\$ (8,538)	\$ (5,997)	\$ (8,487)
Adjustments to reconcile net loss to cash provided by (used for) operating activities:			
Depreciation and amortization	9,227	1,654	1,909
Litigation benefit	(3,780)	-	-
Issuance of shares for service	470	-	-
Interest capitalized to debt	315	481	474
Loss on disposal of assets	99	-	-
Share of partnership operations	(1,388)	(838)	-
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	1,652	11,367	(379)
Decrease in inventories	570	1,000	-
Decrease (increase) in prepaid expenses and other	64	(428)	13
Increase (decrease) in accounts payable	672	(6,798)	734
Increase in accrued liabilities	1,332	68	-
Decrease in other current liabilities	(591)	-	-
Increase (decrease) in other liabilities	54	(674)	-
	-----	-----	-----
Net cash provided by (used for) operating activities	158	(165)	(5,736)
Cash flows from investing activities:			
Additions to property, plant and equipment	(2,114)	(895)	(932)
Additions to water programs	(551)	(343)	(732)
Additions to developing crops	(4,725)	(187)	-
Proceeds from disposal of property, plant and equipment	2,817	12,415	-
Partnership distributions	1,165	140	-
Acquisition of Sun World, net of cash acquired	-	(4,474)	(693)
Decrease in other assets	509	-	-
	-----	-----	-----
Net cash (used for) provided by investing activities	(2,899)	6,656	(2,357)
Cash flows from financing activities:			
Net proceeds from issuance of stock	1,690	37,761	10,292
Proceeds from issuance of long-term debt	120,089	-	-
Principal payments on long-term debt	(141,248)	(16,428)	(177)

Proceeds from short-term borrowings, net	-	330	677
Debt issuance costs	(5,799)	-	-
	-----	-----	-----
Net cash (used for) provided by financing activities	(25,268)	21,663	10,792
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(28,009)	28,154	2,699
Cash and cash equivalents, beginning of period	33,307	5,153	2,454
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 5,298	\$ 33,307	\$ 5,153
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

CADIZ LAND COMPANY, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Year Ended December 31, 1997, the Nine Months Ended December 31, 1996 and the Year Ended March 31, 1996  
(\$ in thousands)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumu- lated Deficit	Total Share- holders' Equity
	-----	-----	-----	-----	-----	-----	-----
Balance as of March 31, 1995	-	\$ -	16,988,454	\$ 170	\$ 62,687	\$ (45,909)	\$ 16,948
Issuance of shares in connection with private placements			2,114,157	21	9,911		9,932
Exercise of stock options			145,000	1	359		360
Net loss						(8,487)	(8,487)
	-----	-----	-----	-----	-----	-----	-----
Balance as of March 31, 1996	-	-	19,247,611	192	72,957	(54,396)	18,753
Exercise of stock options and warrants			335,000	3	939		942
Common stock issued for acquisition of Sun World			1,153,908	12	3,576		3,588
Net proceeds from private placements of preferred stock	1,300				10,688		10,688
Cash dividends paid on conversion of preferred stock						(99)	(99)

Dividends paid in common stock on conversion of preferred stock		28,777		127	(127)	-
Accrued dividends on preferred stock					(448)	(448)
Conversion of redeemable preferred stock to common stock		53,332	1	199		200
Conversion of preferred stock to common stock (960)		2,627,240	26	(26)		-
Issuance of stock warrants for services				114		114
Net loss					(5,997)	(5,997)
Balance as of December 31, 1996	340 \$ -	23,445,868 \$	234 \$	88,574 \$	(61,067)	\$ 27,741
	=====	=====	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

CADIZ LAND COMPANY, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

For the Year Ended December 31, 1997, the Nine Months Ended December 31, 1996 and the Year Ended March 31, 1996  
(\$ in thousands)

	Preferred Stock		Common Stock		Additional	Accumu-	Total
	Shares	Amount	Shares	Amount	Paid-in	lated	Share-
	-----	-----	-----	-----	Capital	Deficit	holders'
	-----	-----	-----	-----	-----	-----	Equity
Balance as of December 31, 1996	340	\$ -	23,445,868	\$ 234	\$ 88,574	\$ (61,067)	\$ 27,741
Conversion of redeemable preferred stock to common stock			7,314,917	73	27,358		27,431
Exercise of stock options and warrants			588,500	7	1,358		1,365
Common stock issued to satisfy Sun World purchase liability			65,000	1	324		325
Preferred dividends							

paid with common stock	361,251	3	1,714	1,717
Issuance of warrants to a lender			1,083	1,083
Stock issued for services	75,000	1	329	330
Issuance of stock for refinancing	30,000		140	140
Conversion of preferred stock to common stock	(340) 766,125	7	(7)	-
Accrued dividends on preferred stock				(1,213) (1,213)
Net loss				(8,538) (8,538)
Balance as of December 31, 1997	- \$ -	32,646,661	\$ 326 \$ 120,873	\$ (70,818) \$ 50,381
	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

CADIZ LAND COMPANY, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

The primary business of Cadiz Land Company, Inc. (the "Company") is to acquire and develop water-related land and agricultural assets. The Company has created an integrated and complementary portfolio of landholdings, water resources, and agricultural operations located throughout central and southern California which either possess sizable assured supplies of water or can, in future years, utilize water supplied from other Company properties. Management believes that, with both the increasing scarcity of water supplies in California and the increasing demand for water, the Company's access to water will provide it with a competitive advantage both as a major agricultural concern and as a supplier of water, which will lead to continued appreciation in the value of the Company's portfolio.

On September 13, 1996, the Company significantly enhanced this portfolio through its acquisition of Sun World International, Inc. and its wholly-owned subsidiaries, collectively referred to as "Sun World", and became a vertically integrated agricultural company. Sun World farms more than 19,000 acres, primarily located in two major growing areas of California, the San Joaquin Valley and the Coachella Valley. Fresh produce, including table grapes, treefruit, peppers and watermelons is marketed, packed and shipped to food wholesalers and retailers throughout the United States and to more than 30 foreign countries. As of December 31, 1997, Sun World owned and operated four cold storage and/or packing facilities in California.

In addition, the acquisition of Sun World provided the Company with valuable water rights throughout central and southern California. The Company's landholdings, which now total approximately 56,200 acres, are located adjacent to the major aqueduct systems of central and southern California. The Company expects to utilize its resources to participate

in a broad variety of water storage and supply projects, including the storage and supply of surplus water for public agencies which require supplemental sources of water. On December 23, 1997, the Company signed an interim agreement with the Metropolitan Water District of Southern California to develop principles and terms for a long-term storage and supply agreement at its Cadiz, California property. The program (the "Cadiz/Fenner Water Storage and Supply Program") will provide storage capacity of approximately 500,000 acre-feet and a dry-year source of up to 100,000 acre-feet per year of high-quality water.

Although the development and management activities of the Company are currently focused on agricultural operations (primarily through its wholly-owned subsidiary, Sun World) and water resource development, the Company will continue to develop and manage its land, water and agricultural resources for their highest and best uses.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Sun World (since September 14, 1996), and Southwest Fruit Growers Limited Partnership, a limited partnership ("SWFG") in which the Company is the general partner and has an approximate 66.3 percent partnership interest. Allocable losses incurred through the year ended March 31, 1991 served to eliminate the minority interest in SWFG for accounting purposes. All material intercompany balances and activity have been eliminated from the consolidated financial statements.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### CHANGE IN YEAR END AND RECLASSIFICATIONS

In 1996, the Company changed its fiscal year end from March 31 to December 31 in order to align the Company's year end with that of Sun World. These financial statements reflect certain reclassifications made to the prior period balances to conform with the current year presentation.

##### USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### REVENUE RECOGNITION

The Company recognizes crop sale revenue after harvest and shipment to customers. Packing revenues are recognized as units are packed. Marketing commission revenues are recognized at the time of product shipment.

##### RESEARCH AND DEVELOPMENT

Sun World incurs costs to research and develop new varieties of proprietary products. Research and development costs are expensed as incurred. Such costs were approximately \$809,000 for the year ended December 31, 1997 and \$120,000 for the period from September 14, 1996 to December 31, 1996.

##### NET LOSS PER COMMON SHARE

As of December 31, 1997, the Company adopted and applied retroactively the new accounting standard for computing earnings per share (EPS). This standard replaces primary EPS with basic EPS and requires the dual presentation of basic and diluted EPS where appropriate. Because the Company had a net loss for all periods presented, basic EPS equals diluted EPS. Basic EPS is computed by

dividing the net loss, after deduction for preferred dividends either accrued or imputed, if any, by the weighted average common shares outstanding. As described in Note 13, the terms for conversion of the Series B and C preferred stock issued during the nine months ended December 31, 1996 afforded the holders a conversion price lower than the market price of the common stock at the time of issuance in order to recognize the sales and other market restrictions of the unregistered common stock to be issued upon conversion. The difference between the conversion price and market price has been reported as an imputed dividend for purposes of calculating basic EPS, although no assets of the Company will ever be expended. The imputed dividend of \$2,451,000 had the effect of increasing the loss per share for the nine months ended December 31, 1996 by \$0.11. It should be noted that the imputed dividend has been given no other accounting recognition in the financial statements of the Company for that period and any subsequent period. All shares for all series of preferred stock had been converted to common stock as of December 31, 1997.

#### CASH AND CASH EQUIVALENTS

The Company considers all short-term deposits with an original maturity of three months or less to be cash equivalents. The Company invests its excess cash in deposits with major international banks and short-term commercial paper and, therefore, bears minimal risk. Such investments are stated at cost, which approximates fair value, and are considered cash equivalents for purposes of reporting cash flows.

#### INVENTORIES

Growing crops, pepper seed, and materials and supplies are stated at the lower of cost or market, on a first-in, first-out (FIFO) basis. Growing crops inventory includes direct costs and an allocation of indirect costs.

#### INVESTMENT IN PARTNERSHIPS

Sun World, through a wholly-owned subsidiary, owns a 50% interest in American Sunmelon. American Sunmelon is engaged in proprietary development, production, and marketing of seedless watermelon seed. Sun World accounts for its partnership investment in American Sunmelon using the equity method. During 1997, Sun World sold its 50% interest in the Sun Date partnership.

#### PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

Property, plant, equipment and water programs are stated at cost.

The Company capitalizes direct and certain indirect costs of planting and developing orchards and vineyards during the development period, which varies by crop and ranges from three to seven years. Depreciation commences in the year commercial production is achieved.

Permanent land development costs, such as acquisition costs, clearing, initial leveling costs and other costs required to bring the land into a suitable condition for general agricultural use, are capitalized and not depreciated since these costs have an indeterminate useful life.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ten to forty-five years for land improvements and buildings, three to twenty-five years for machinery and equipment, and five to thirty years for permanent crops.

Water rights and water storage and supply programs are stated at cost. All costs directly attributable to the development of such programs are being capitalized by the Company. These costs, which are expected to be recovered through future revenues, consist of direct labor, drilling costs, consulting fees for various engineering, hydrological, environmental and feasibility studies, and other professional and legal fees.

#### IMPAIRMENT OF LONG-LIVED ASSETS

The Company annually evaluates its long-lived assets, including intangibles, for potential impairment. When circumstances indicate that

the carrying amount of the asset may not be recoverable, as demonstrated by estimated future cash flows, an impairment loss would be recorded based on fair value.

#### OTHER ASSETS

As a result of a merger in May 1988 between two companies which eventually became known as Cadiz Land Company, Inc., an excess of purchase price over net assets acquired in the amount of \$7,006,000 was recorded. This amount is being amortized on a straight-line basis over thirty years. Accumulated amortization was \$2,259,000 and \$2,026,000 at December 31, 1997 and December 31, 1996, respectively.

Capitalized loan fees represent costs incurred to obtain debt financing. Such costs are amortized over the life of the related loan. At December 31, 1997, the majority of capitalized loan fees relate to the issuance of the First Mortgage Notes described in Note 10.

#### INCOME TAXES

Income taxes are provided for using an asset and liability approach which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities at the applicable enacted tax rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

#### SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the year ended December 31, 1997, the nine months ended December 31, 1996 and the fiscal year ended March 31, 1996 was \$12,452,000, \$3,892,000 and \$455,000, respectively.

#### NOTE 3 - ACQUISITION OF SUN WORLD INTERNATIONAL, INC.

On September 13, 1996, the Company acquired all of the stock of a reorganized Sun World. Sun World and certain subsidiaries had filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on October 3, 1994. The acquisition of Sun World was accounted for under the purchase method of accounting. Accordingly, the results of operations of Sun World have been included in the consolidated financial statements since the date of acquisition. The total purchase price consisted of the following: (i) \$179 million of assumed bankruptcy related obligations, including \$156 million of restructured secured debt with Sun World's existing lenders (of which \$5.5 million was paid by Cadiz concurrent with the acquisition), (ii) \$11 million of ongoing trade and other accrued liabilities which were assumed by Cadiz, (iii) \$3.2 million of direct acquisition costs, including 1,500 shares of Redeemable Series A Preferred Stock valued at \$1,000 per share; and (iv) cash and stock of approximately \$40 million, including a \$15 million capital contribution to Sun World which was made with the intent of eliminating the requirement for Sun World to have any additional debt facilities beyond those owed to its existing secured creditors. The final effect of allocating the total purchase price to the net assets acquired based on their estimated fair values is summarized as follows (dollars in thousands):

Cash	\$32,113
Assets held for sale	18,049
Other current assets	44,997
Investments in partnerships	5,424
Property, plant and equipment	130,885
Other assets	3,409
	-----
Total assets	234,877
	-----
Prepetition bankruptcy claims payable	(13,164)
Other current liabilities	(16,477)
Long-term debt	(151,783)
Other liabilities	(10,170)
	-----

Total liabilities	(191,594)
	-----
Net assets acquired	\$43,283
	=====

No goodwill was recognized as a result of the acquisition. The above purchase price allocation reflects certain changes made in 1997 to estimated fair values used in the initial accounting for the acquisition of Sun World. The net effect of these changes resulted in approximately \$5.7 million of permanent crops being reclassified to land based on final appraisals received in 1997.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (dollars in thousands):

	December 31,	
	1997	1996
	----	----
Trade receivables	\$ 4,131	\$ 4,200
Due from unaffiliated growers	535	1,153
Other	1,502	2,660
	-----	-----
	6,168	8,013
Less allowance for doubtful accounts	(287)	(480)
	-----	-----
	\$ 5,881	\$ 7,533
	=====	=====

Substantially all domestic receivables are from large national and regional supermarket chain stores and produce brokers and are unsecured. Amounts due from unaffiliated growers represent receivables for harvest advances and for services (harvest, haul and pack) provided on behalf of growers under agreement with Sun World and are recovered from proceeds of product sales. Other receivables primarily include wine grape sales and other miscellaneous receivables.

Approximately \$13.6 and \$3.8 million of sales made by Sun World for the year ended December 31, 1997 and for the period September 14, 1996 through December 31, 1996, respectively, are attributable to one national retailer. Export sales accounted for approximately 11.4% and 20.6% of the Company's sales for the year ended December 31, 1997 and for the period September 14, 1996 to December 31, 1996, respectively.

NOTE 5 - INVENTORIES

Inventories consist of the following (dollars in thousands):

	December 31,	
	1997	1996
	----	-----
Growing crops	\$10,124	\$10,299
Pepper seed	1,648	2,018
Harvested product	169	267
Materials and supplies	1,897	1,537
	-----	-----
	\$13,838	\$14,121
	=====	=====

NOTE 6 - PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

Property, plant, equipment and water programs consist of the following (dollars in thousands):

	December 31,	
	1997	1996

	----	----
Land	\$ 64,005	\$ 54,029
Permanent crops	62,660	67,754
Developing crops	6,422	1,671
Water programs	5,435	4,885
Buildings	20,667	18,968
Machinery and equipment	14,262	13,573
	-----	-----
	173,451	160,880
Less accumulated depreciation	(13,258)	(5,427)
	-----	-----
	\$ 160,193	\$155,453
	=====	=====

NOTE 7 - OTHER ASSETS

Other assets consist of the following (dollars in thousands):

	December 31,	
	1997	1996
	----	----
Capitalized loan fees, net	\$ 4,785	\$ 150
Excess of purchase price over assets acquired, net	4,747	4,980
Capitalized trademark development, net	732	76
Deposits	-	1,180
Other	87	127
	-----	-----
	\$10,351	\$ 6,513
	=====	=====

NOTE 8 - ACCRUED LIABILITIES

Accrued liabilities consist of the following (dollars in thousands):

	December 31,	
	1997	1996
	----	----
Interest	\$ 2,989	\$ 1,084
Payroll and benefits	2,433	2,801
Preferred dividends	-	448
Other	692	429
	-----	-----
	\$ 6,114	\$ 4,762
	=====	=====

NOTE 9 - REVOLVING CREDIT FACILITY

In April 1997, in connection with Sun World's debt restructuring described in Note 10, Sun World entered into a one year \$30 million Revolving Credit Facility. The Revolving Credit Facility is secured by eligible accounts receivable and inventory, and is guaranteed by the Company. Amounts borrowed under the facility will accrue interest at either prime plus 1.50% or LIBOR plus 2.50% at the Company's election with an additional .50% payable for advances on eligible inventory above specified levels. No amounts were outstanding under the Revolving Credit Facility at December 31, 1997.

NOTE 10 - LONG-TERM DEBT

Management estimates that the fair value of the Company's long-term debt approximates the carrying value for all debt instruments except for the Series B First Mortgage Notes ("First Mortgage Notes"). The fair value of the First Mortgage Notes is estimated to be approximately \$106 million based on quoted market prices as of December 31, 1997. At December 31, 1997 and December 31, 1996, the carrying amount of the

Company's outstanding debt is summarized as follows (dollars in thousands):

	December 31,	
	1997	1996
	----	----
Cadiz obligations:		
Senior term bank loan, interest payable monthly, variable interest rate based upon LIBOR plus 2% (7.78% at December 31, 1997 and 6.34% at December 31, 1996)	\$ 9,752	\$ 9,446
Subordinated term bank loan, interest payable monthly, interest at 4.81%	-	9,100
\$15 million revolving line of credit, interest payable semi-annually at 8% if paid in cash and 10% if paid in stock	5,000	-
Other	49	88
Debt discount	(935)	(124)
	-----	-----
	13,866	18,510
Sun World obligations:		
Series B First Mortgage Notes, interest payable semi-annually with principal due in April 2004, interest at 11.25%	115,000	-
Term insurance company loan due in variable installments through September 13, 2006, interest at 10.60%	-	77,092
Term bank loan, interest payable monthly with principal due in variable installments through September 13, 2006, variable interest rate based upon prime or LIBOR	-	53,284
Note payable to insurance company, quarterly installments of \$93 (including interest), due September 13, 2006, interest at 7.75%	2,306	2,531
Note payable to supplier, monthly installments of \$104 (including interest), due March 1, 1998, interest at 10.00%	205	1,458
Note payable to finance company, monthly installments of \$18 (including interest), due July 1, 2002, interest at 7.50%	831	989
	-----	-----
	118,342	135,354
	-----	-----

	132,208	153,864
Less current portion	(519)	(4,753)
	-----	-----
	\$ 131,689	\$ 149,111
	=====	=====

Annual maturities of long-term debt outstanding, excluding \$935,000 representing the unamortized portion of warrants, on December 31, 1997 are as follows: 1998 - \$519,000; 1999 - \$391,000; 2000 - \$15,184,000; 2001 - \$445,000; 2002 - \$384,000; 2003 and thereafter - \$116,220,000.

#### Cadiz Obligations

As of December 31, 1996, the Company's obligations to Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. ("Rabobank") and Henry Ansbacher & Co. Limited ("Ansbacher") were approximately \$9.1 million and \$9.4 million, respectively.

ING Baring (U.S.) Capital Corporation ("ING") purchased the \$9.4 million senior term bank loan effective March 31, 1997. The loan is secured by substantially all of the Company's non-Sun World related property. The maturity date of the obligation is April 30, 1998 with interest at a rate of LIBOR plus 200 basis points payable at LIBOR semi-annually, with the remaining accrued interest added to principal. ING granted to the Company the right to two one-year extensions in May 1997. In connection with this transaction, ING received warrants to purchase 75,000 shares of the Company's common stock at \$5.03, the market price at issuance. The Company also issued 30,000 shares of stock to Ansbacher in connection with the refinancing. The total fair value of the warrants was \$163,000 and has been recorded as a debt discount and is being amortized over one year. If the Company elects to exercise the first or second extension, the interest rate will be further adjusted and the Company will be required to issue additional warrants to ING. Additionally, as part of the Sun World debt refinancing described below, the Company repaid its \$9.1 million subordinated term bank loan.

In November 1997, the Company entered into a three year \$15 million Revolving Credit Facility with ING. The Revolving Credit Facility is secured by a second lien on all of the non-Sun World assets of the Company. Principal is due in 2000. Interest is payable semi-annually at 8% if paid in cash and at 10% if paid in stock. The Company had \$5 million outstanding under the Revolving Credit Facility at December 31, 1997. The Company issued 200,000 warrants in connection with the initial borrowings at \$7.00, the market price at issuance. The agreement calls for the issuance of certain additional warrants if and when the remaining \$10 million is drawn. The total fair value of the warrants was \$920,000 and has been recorded as a debt discount and is being amortized over the three-year remaining term of the revolver.

#### Sun World Obligations

In April 1997, Sun World restructured its long-term debt by issuing \$115 million of Series A First Mortgage Notes through a private placement. The notes have subsequently been exchanged for Series B First Mortgage Notes which are registered under the Securities Act of 1933 and publicly traded. Sun World utilized the proceeds from the debt offering and existing cash on hand to repay the term insurance company loan and the term bank loan, totaling approximately \$130 million.

The First Mortgage Notes are secured by a first lien (subject to certain permitted liens) on substantially all of the assets of Sun World and its subsidiaries, other than growing crops, crop inventories and accounts receivable and proceeds thereof, which secure the Revolving Credit Facility.

The First Mortgage Notes include covenants which restrict the Company's ability to receive distributions from Sun World.

The Sun World Notes are also secured by the guarantees of Coachella Growers, Inc., Sun Desert, Inc., Sun World Brands, Sun World Management Corporation and Sun World/Rayo (collectively, the "Sun World Subsidiary Guarantors") and by the Company. The Company also pledged all of the

stock of Sun World. Effective December 31, 1997, Agri-Land Realty, Inc., Big Valley Leasing, Inc., Dinuba Packing Corporation, Pacific Farm Service, Inc., SFC Marketing Corporation, Sun Harvest, Inc., Sun World Avocado and Sun World Export, Inc., were dissolved and are no longer Sun World Subsidiary Guarantors. Sun World and the Sun World Subsidiary Guarantors are all direct and indirect wholly-owned subsidiaries of the Company. The guarantees by the Sun World Subsidiary Guarantors are full, unconditional, and joint and several. Sun World and the Sun World Subsidiary Guarantors comprise all of the direct and indirect subsidiaries of the Company other than inconsequential subsidiaries. Additionally, management believes that the direct and indirect non-guarantor subsidiaries of Cadiz are inconsequential, both individually and in the aggregate, to the financial statements of the Company for all periods presented.

#### SUMMARIZED FINANCIAL INFORMATION

Summarized consolidated financial information for Sun World is as follows (in thousands):

	December 31, 1997	December 31, 1996
	-----	-----
Current assets	\$ 22,483	\$ 60,651
Noncurrent assets	145,318	136,344
Current liabilities	13,635	14,920
Noncurrent liabilities	123,623	139,615
	Year Ended	For the Period
	December 31, 1997	September 14, 1996
	-----	-----
Revenues	\$ 99,929	\$ 22,580
Cost of sales	(76,535)	(16,396)
Operating income	11,091	2,989
Net income (loss)	(2,817)	(823)

Combined summarized financial information for the Sun World Subsidiary Guarantors is as follows (in thousands):

	December 31, 1997	December 31, 1996
	-----	-----
Current assets	\$ -	\$ -
Noncurrent assets	8,833	7,439
Current liabilities	27	4
Noncurrent liabilities	107	107
	Year Ended	For the Period
	December 31, 1997	September 14, 1996
	-----	-----
Share of net income of equity investee	\$ 1,388	\$ 820

Separate financial statements for Sun World and each of the Sun World Subsidiary Guarantors are not presented as management has determined that they would not be material to investors.

#### NOTE 11 - INCOME TAXES

Deferred taxes are recorded based upon differences between the financial statement and tax basis of assets and liabilities and available carryforwards. Temporary differences and carryforwards which gave rise to a significant portion of deferred tax assets and liabilities as of December 31, 1997 and 1996 are as follows (in thousands):

	December 31, 1997	December 31, 1996
	----	----
Deferred tax liabilities:		
Net fixed asset basis difference	\$ 4,841	\$ 5,786
Net basis difference in partnership investments	3,886	4,734
Other	1,268	444

	-----	-----
Total deferred tax liabilities	9,995	10,964
	-----	-----
Deferred tax assets:		
Net operating losses	25,815	23,943
Reserve for notes receivable	1,178	1,239
State taxes	1,779	1,142
Other	1,097	1,228
	-----	-----
Total deferred tax assets	29,869	27,552
Valuation allowance for deferred tax assets	(25,321)	(20,935)
	-----	-----
Net deferred tax assets	4,548	6,617
	-----	-----
Net deferred tax liability	\$ 5,447	\$ 4,347
	=====	=====

As of December 31, 1997, the Company has net operating loss (NOL) carryforwards of approximately \$71.1 million for federal income tax purposes. Such carryforwards expire in varying amounts through the year 2013. In accordance with the Tax Reform Act of 1986, NOL utilization may be subject to an annual limitation. When there is a change of ownership, of more than 50% (as defined) of a corporation, the use of any NOL is limited annually to an amount defined by law. As of December 31, 1997, \$26.2 million of NOL carryforwards are limited to utilization of \$4.5 million per year. The remaining NOLs are not limited on an annual basis.

The Company has state NOLs as of December 31, 1997 of \$18.4 million. Of these, \$14.2 million are not subject to limitations and expire in varying amounts through the year 2002. The remaining \$4.2 million of NOLs relate to Sun World prior to the acquisition. These NOLs are limited to annual utilization of \$400,000 plus any built-in gains and expire in varying amounts through the year 2000.

A reconciliation of the income tax benefit for income taxes to the statutory federal income tax rate is as follows (dollars in thousands):

	Year Ended December 31, 1997	Nine Months Ended December 31, 1996	Year Ended March 31, 1996
	----	----	----
Expected federal income tax benefit at 34%	\$ (2,903)	\$ (2,257)	\$ (2,886)
Loss with no tax benefit	2,981	1,790	2,405
Amortization	79	60	80
Utilization of net operating losses	-	(696)	-
Other nondeductible expenses	(157)	462	401
	-----	-----	-----
Income tax benefit	\$ -	\$ (641)	\$ -
	=====	=====	=====

#### NOTE 12 - EMPLOYEE BENEFIT PLANS

In December 1994, the Company established a 401(k) Plan for all employees of Cadiz. This plan contains no eligibility requirements and contributions by the Company are at the option of the Company on a year-to-year basis. No contributions by the Company to this plan have been made to-date.

Sun World established a 401(k) Plan for its salaried employees on January 1, 1996. Employees must work 1,000 hours and have completed one year of service to be eligible to participate in this plan. Sun World matches 75% of the first four percent deferred by an employee up to \$1,500 per year. In addition, Sun World maintains a defined

contribution pension plan covering substantially all of its employees who (i) are not covered by a collective bargaining agreement, (ii) have at least one year of service and (iii) have worked at least 1,000 hours. Contributions are 2% of each covered employee's salary. For those hourly employees covered under a collective bargaining agreement, contributions are made to a multi-employer pension plan in accordance with negotiated labor contracts and are generally based on the number of hours worked.

NOTE 13 - PREFERRED AND COMMON STOCK

During the nine months ended December 31, 1996, the Company issued (i) 27,431 shares totaling \$27.6 million of newly authorized Convertible Series A Redeemable Preferred Stock; (ii) \$10.0 million of newly authorized 6% Convertible Series B Preferred Stock; and (iii) \$3.0 million of newly authorized 6% Convertible Series C Preferred Stock. All preferred stock was converted to common stock as of December 31, 1997. During 1997, the Company paid \$1,717,000 of preferred stock dividends with common stock.

On October 1, 1997, the Company agreed to issue 375,000 shares of common stock to a hydrological research company in order to acquire title to substantially all of its assets. This transaction was completed in February 1998.

NOTE 14 - STOCK-BASED COMPENSATION PLANS AND WARRANTS

STOCK OPTIONS AND WARRANTS

The Company issues options pursuant to its 1996 Stock Option Plan (the "Plan") as well as options which are not pursuant to a plan. The Plan provides for the granting of up to 3,000,000 shares. All options, whether under the Plan or not, are granted at a price approximating fair market value at the date of grant, have vesting periods ranging from issuance date to three years, have maximum terms ranging from three to five years and are issued to directors, officers, consultants and employees of the Company. During the year ended December 31, 1997, the Company granted options to purchase 527,500 shares of the Company's common stock at a weighted average exercise price of \$5.61 per share.

Compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Had compensation cost for these plans been determined using fair value, as explained below, rather than the quoted market price, the Company's net loss and net loss per common share would have increased to the following pro forma amounts (dollars in thousands):

	Year Ended December 31, 1997 ----	Nine Months Ended December 31, 1996 ----	Year Ended March 31 1996 ----
Net loss: As reported	\$ (8,538)	\$ (5,997)	\$ (8,487)
Pro forma	\$ (10,203)	\$ (6,655)	\$ (8,665)
Net loss per common share:			
As reported	\$ (.33) (a)	\$ (.44) (a)	\$ (.48)
Pro forma	\$ (.35) (a)	\$ (.48) (a)	\$ (.49)

(a) After adjustment for preferred dividends during the year ended December 31, 1997 and the nine months ended December 31, 1996 of \$1,213 and \$3,125, respectively.

The fair value of each option granted during the periods reported was estimated on the date of grant using the Black-Scholes option pricing model.

The following table summarizes stock option activity for the periods noted. All options listed below were issued to officers, directors, employees and consultants.

Weighted-

	Options Outstanding Number	Average Exercise Price
	-----	-----
Outstanding at March 31, 1995	2,335,500	\$3.95
Granted	607,500	\$5.19
Expired or canceled	(7,000)	\$4.89
Exercised	(145,000)	\$2.50
	-----	-----
Outstanding at March 31, 1996	2,791,000	\$4.29
Granted	1,800,000	\$4.62
Expired or canceled	(400,000)	\$5.50
Exercised	(325,000)	\$2.79
	-----	-----
Outstanding at December 31, 1996	3,866,000	\$4.44
Granted	527,500	\$5.61
Expired or canceled	(120,000)	\$4.80
Exercised	(348,500)	\$4.17
	-----	-----
Outstanding at December 31, 1997	3,925,000 (a)	\$4.61
	=====	=====
Options exercisable at March 31, 1996	2,116,000	\$4.34
	=====	=====
Options exercisable at December 31, 1996	1,966,000	\$4.30
	=====	=====
Options exercisable at December 31, 1997	2,297,500	\$4.40
	=====	=====
Weighted-average fair value of options granted during the year ended December 31, 1997	\$ 2.55	
	=====	
Weighted-average remaining contractual life of options outstanding at December 31, 1997	2.7	
	=====	

(a) Exercise prices vary from \$3.00 to \$7.00 and expiration dates vary from February 1998 to October 2002.

During the year ended December 31, 1997, the nine months ended December 31, 1996 and the year ended March 31, 1996, the Company issued 275,000, 30,000 and 10,000 warrants with weighted-average exercise prices of \$6.45, \$3.55 and \$0.05, respectively. During the year ended December 31, 1997 and the nine months ended December 31, 1996, 240,000 warrants with a weighted-average exercise price of \$0.05 and 10,000 warrants with a weighted-average exercise price of \$3.55 were exercised, respectively. No warrants expired or were canceled during any of the three periods discussed. At December 31, 1997 there were 275,000 warrants outstanding at a weighted average exercise price of \$6.45 per share which expire in 2004. See Note 10 for further discussion of these warrants.

#### RESTRICTED STOCK AWARD

Following the Sun World acquisition in 1996, the Company's Chief Executive Officer was awarded a stock bonus of 125,000 shares of restricted common stock at no cost. 75,000 of these shares were issued during the year ended December 31, 1997. The remaining 50,000 shares are issuable in equal annual installments over the next two years. Compensation expense is being recognized as earned over the period of service.

#### NOTE 15 - CONTINGENCIES

In December 1995, the Company filed an action relative to the proposed construction and operation of a landfill (the "Rail Cycle Project") to be located adjacent to the Company's Cadiz property with the Superior Court in San Bernardino County, California. The action

challenges the various decisions by the County of San Bernardino relative to the proposed Rail Cycle Project. Named in this action, in addition to the County of San Bernardino, were the Board of Supervisors of the County of San Bernardino, three individual members of the Board of Supervisors, an employee of the County and Rail Cycle, L.P. ("Rail Cycle") whose general partner is controlled by Waste Management, Inc. ("WMI"). The Company alleges that the actions of the County of San Bernardino did not comply with the guidelines prescribed by the California Environmental Quality Act and violated state planning and zoning laws. The action seeks to set aside the county certification of Rail Cycle's EIR/EIS and approval of the proposed Rail Cycle Project. The Company continues to believe the proposed Rail Cycle project, if constructed and operated as currently designed, poses environmental risks both to the Company's agricultural operations at Cadiz and to the groundwater basin underlying the Cadiz property. Accordingly, the Company intends to pursue its claims including compensatory damages against the County of San Bernardino and Rail Cycle. On November 6, 1997, the San Bernardino Superior Court denied the Company's application for a Writ of Mandate to set aside the County of San Bernardino's certification of the EIR/EIS. The Company intends to continue prosecuting its claim for monetary damages. No trial date has yet been set.

On October 24, 1997, the Company filed suit in the United States District Court, for the Central District of California, against WMI, and certain key executives and consultants of WMI, and certain other parties in interest as to the proposed Rail Cycle Project. The Complaint as originally filed asserted the following claims arising under federal law: Violations of the Racketeer Influenced and Corrupt Organization Act (RICO), Conspiracy to Violate the Racketeer Influenced and Corrupt Organization Act (RICO), violations of Section 10(b) of the Securities Exchange Act of 1934 and Interception of Wire Communications. Additionally, the Complaint asserted the following claims arising under state law: Conspiracy, Misappropriation of Trade Secrets, Conversion, Defamation, Trade Libel, Wiretapping, Interference with Existing Business Relationship, and Unfair Business Practices. On December 9, 1997, the federal district court severed the eight state law claims from the complaint and dismissed them without prejudice. Those claims have been reasserted in a state proceeding filed on January 8, 1998 in Los Angeles Superior Court (West Division).

Prior to the acquisition of Sun World, the Internal Revenue Service (IRS) had filed claims against Sun World, and certain of its subsidiaries (collectively "the Sun World Claimants"), for taxes refunded for workers that the IRS claims were employees. The Sun World Claimants contend that the workers are excluded from the definition of employment under the Internal Revenue Code. On January 21, 1998, the District Court ruled in favor of one of the Sun World Claimants. Management believes that the likelihood of an unfavorable future outcome with regard to this matter is remote. Accordingly, the Company released \$3,780,000 of reserves related to this matter at December 31, 1997 which are reported on the Consolidated Statement of Operations as Litigation Benefit.

In the normal course of its agricultural operations, the Company handles, stores, transports and dispenses products identified as hazardous materials. Regulatory agencies periodically conduct inspections and, currently, there are no pending claims with respect to hazardous materials.

The Company is involved in other legal and administrative proceedings and claims. In the opinion of management, the ultimate outcome of each proceeding or all such proceedings combined will not have a material adverse impact on the Company's financial statements.

NOTE 16 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Quarter Ended			
	June 30, 1995	September 30, 1995	December 31, 1995	March 31, 1996
Revenues	\$ 54	\$ 596	\$ 470	\$ 321

Gross profit (loss)	16	178	140	(542)
Net loss	(1,851)	(1,835)	(1,660)	(3,141)
Net loss per common share	(0.11)	(0.10)	(0.10)	(0.17)

Quarter Ended

	June 30, 1996	September 30, 1996	December 31, 1996
Revenues	\$ 82	\$ 4,738	\$ 18,960
Gross (loss) profit	(426)	258	6,223
Net loss	(1,987)	(2,442)	(1,568)
Preferred stock dividends	-	-	(3,125)
Net loss per common share	(0.10)	(0.12)	(0.23)

Quarter Ended

	March 31, 1997	June 30, 1997	September 30, 1997	December 31, 1997
Revenues	\$ 4,805	\$ 25,656	\$ 52,949	\$ 16,747
Gross (loss) profit	(213)	5,503	14,633	3,668
Net (loss) income	(7,396)	(3,569)	3,618	(1,191)
Preferred stock dividends	(438)	(766)	(9)	-
Net (loss) income per common share	(0.33)	(0.15)	0.11	(0.04)

CADIZ LAND COMPANY, INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET (\$ in thousands):	December 31, 1997	December 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,590	\$ 2,132
Accounts receivable, net	18	31
Inventories	-	7
Due from subsidiary	86	332
Prepaid expenses and other	130	274
Total current assets	3,824	2,776
Investment in subsidiary	30,543	42,460
Property, plant, equipment and water programs, net	26,769	26,595
Other assets	4,740	5,131
	\$65,876	\$76,962
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	710	1,332
Accrued liabilities	870	1,513
Deferred revenue	-	375
Long-term debt, current portion	20	518
Total current liabilities	1,600	3,738
Long-term debt	13,846	17,992
Other Liabilities	49	60

Commitments and contingencies

Series A redeemable preferred stock		
- \$.01 par value;		
(\$1,000 liquidation value);		
60,000 shares authorized;		
shares issued and outstanding -		
none at December 31, 1997 and		
27,431 at December 31, 1996	-	27,431
Stockholders' equity:		
Preferred stock - \$.01 par value;		
40,000 shares authorized;		
shares issued and outstanding -		
none at December 31, 1997 and		
340 shares at December 31, 1996	-	-
Common stock - \$.01 par value;		
45,000,000 shares		
authorized; shares issued		
and outstanding - 32,646,661		
at December 31, 1997 and		
23,445,868 at December 31, 1996	326	234
Additional paid-in capital	120,873	88,574
Accumulated deficit	(70,818)	(61,067)
	-----	-----
Total stockholders' equity:	50,381	27,741
	-----	-----
	\$ 65,876	\$ 76,962
	=====	=====

CADIZ LAND COMPANY, INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF OPERATIONS

	Year Ended December 31, 1997	Nine Months Ended December 31, 1996
(In thousands except per share data):	-----	-----
Revenues	\$ 1,968	\$ 1,278
	-----	-----
Costs and expenses:		
Cost of sales	270	1,329
Landfill prevention activities	683	394
General and administrative	4,042	3,206
Depreciation and amortization	994	773
	-----	-----
Total costs and expenses	5,989	5,702
	-----	-----
Operating loss	(4,021)	(4,424)
Loss from subsidiaries	(2,817)	(823)
Interest expense, net	1,700	1,391
	-----	-----
Net loss before income taxes	(8,538)	(6,638)
Income tax benefit	-	641
	-----	-----
Net Loss	(8,538)	(5,997)
Less: Preferred stock dividends	(1,213)	(674)
Imputed dividend on		

preferred stock	-	(2,451)
	-----	-----
Net loss applicable to common stock	\$ (9,751)	\$ (9,122)
	=====	=====
Net loss per common share	\$ (.33)	\$ (.44)
	=====	=====
Weighted average shares outstanding	29,485	20,500
	=====	=====

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF CASH FLOWS (\$ in thousands):

	Year Ended December 31, 1997	Nine Months Ended December 31, 1996
	----	----
Cash flows from operating activities:		
Net loss	\$ (8,538)	\$ (5,997)
Adjustments to reconcile net loss to cash used for operating activities:		
Depreciation and amortization	1,462	1,388
Issuance of shares for services	470	-
Loss from subsidiaries	2,817	823
Provisions for loss on disposal of assets	138	-
Changes in operating assets and liabilities:		
Interest capitalized to debt	315	481
Decrease in accounts receivable	192	411
Decrease in inventories	7	259
Decrease (increase) in due from subsidiary	131	(923)
Increase in prepaid expenses and other	(56)	(317)
Decrease in accounts payable	(667)	(441)
Increase in accrued liabilities	506	219
Increase in deferred revenue	-	375
Decrease in other liabilities	(1,006)	-
	-----	-----
Net cash used for operating activities	(4,229)	(3,722)
Cash flows from investing activities:		
Additions to property, plant and equipment	(638)	(27)
Land purchase and development	-	(490)
Additions to water programs	(466)	(187)
Proceeds from disposal of property, plant and equipment	33	-
Acquisition of Sun World	-	(36,587)
Decrease in other assets	153	-
	-----	-----
Net cash used for investing activities	(918)	(37,291)
Cash flows from financing activities:		
Net proceeds from issuance of stock	1,690	37,761
Proceeds from short-term debt, net	-	330
Proceeds from issuance of long-term debt	5,084	-
Principal payments on long-term debt	(9,231)	-
Debt issuance costs	(38)	-
Dividends paid on conversion of preferred stock	-	(99)
Return of capital from subsidiary	9,100	-
	-----	-----
Net cash provided by financing activities	6,605	37,992
Net increase (decrease) in cash and cash equivalents	1,458	(3,021)

Cash and cash equivalents, beginning of period	2,132	5,153
	-----	-----
Cash and cash equivalents, end of period	\$ 3,590	\$ 2,132
	=====	=====

SCHEDULE II - VALUATION & QUALIFYING ACCOUNTS

For the year ended December 31, 1997, the nine months ended December 31, 1996 and the year ended March 31, 1996 (\$ in thousands)

	Additions				Balance at End of Period
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	
Year ended December 31, 1997					
Allowance for doubtful accounts	\$ 480	\$ -	\$ -	\$ 193	\$ 287
Amortization of excess of purchase price over net assets acquired	2,026	233	-	-	2,259
	-----	-----	-----	-----	-----
	\$ 2,506	233	-	193	2,546
	=====	=====	=====	=====	=====
Nine months ended December 31, 1996					
Allowance for doubtful accounts	\$ -	\$ 107	\$ 373	\$ -	\$ 480
Amortization of excess of purchase price over net assets acquired	1,851	175	-	-	2,026
	-----	-----	-----	-----	-----
	\$ 1,851	\$ 282	\$ 373	\$ -	\$ 2,506
	=====	=====	=====	=====	=====
Year ended March 31, 1996					
Allowance for doubtful accounts	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of excess of purchase price over net assets acquired	1,617	234	-	-	1,851
	-----	-----	-----	-----	-----
	\$ 1,617	\$ 234	\$ -	\$ -	\$ 1,851
	=====	=====	=====	=====	=====

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 33-73936, 33-83360, 33-63065, 33-63667, 333-34911, 333-35491, 333-41367 and 333-47057) of Cadiz Land Company, Inc. of our report dated February 13, 1998, appearing on page 28 of this Form 10-K.

Price Waterhouse LLP

Los Angeles, California  
March 26, 1998

## AMENDMENT TO INDENTURE

This AMENDMENT TO INDENTURE ("Amendment") is entered into as of January 23, 1998 by and between Sun World International, Inc. ("Issuer"), Cadiz Land Company, Inc. ("Parent Guarantor"), Sun World Management Corporation, Sun World Brands, Sun World/Rayo, Sun Desert, Inc., and Coachella Growers (collectively, "Subsidiary Guarantors"), and IBJ Schroder Bank & Trust Company (the "Trustee"). The parties to this Amendment are hereinafter sometimes referred to collectively as the "Parties."

## RECITALS:

WHEREAS, the Parties have entered into an Indenture dated as of April 16, 1997, as amended (the "Indenture"); and

WHEREAS, pursuant to Section 12.03(a) of the Indenture, Agri-Land Realty, Inc., Big Valley Leasing, Inc., Dinuba Packing Corporation, Pacific Farm Service, Inc., SFC Marketing Corporation, Sun World Avocado, Sun World Export, Inc., and SW Harvest, Inc. (formerly Sun Harvest, Inc.), each of which was originally a party to the Indenture, have merged with and into the Issuer effective as of December 31, 1997, as a consequence of which the Guarantees of such entities automatically terminated and such entities are no longer Subsidiary Guarantors under the Indenture; and

WHEREAS, the Parties wish to amend the Indenture in order to correct certain ambiguities, inconsistencies and defects within the Indenture; and

WHEREAS, this Amendment will serve to accurately reflect the intent of the parties and will not adversely affect the legal rights of any Holder of a Note (as defined in the Indenture); and

WHEREAS, pursuant to Section 9.01 of the Indenture, this Amendment may be entered into by the Parties without the consent of any Holder of a Note;

NOW THEREFORE, in consideration of the above recitals, the promises and the mutual representations, warranties, covenants and agreements herein contained, the Parties hereby agree as follows:

1. AMENDMENT OF INDENTURE. The Indenture is hereby amended as set forth below:

a. INVESTMENTS. The definition of the term "Investments" in Section 1.01 of the Indenture is hereby amended in full as follows:

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees of Indebtedness or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. Without limitation of the foregoing, any acquisition by a Person of assets which do not constitute an Investment under the preceding sentence and which are not classified as an investment on a balance sheet prepared by such Person in accordance with GAAP shall not be deemed an Investment hereunder. If the Issuer or any Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer shall be deemed to have made an Investment

on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in Section 4.07."

b. SECTION 12.03 (b). The initial paragraph of Section 12.03(b) of the Indenture is hereby amended by the addition, at the beginning of such paragraph, of the following language:

"(b) Except for transactions completed in furtherance of the requirements of Section 4.16(a) hereof,."

2. EXISTING INDENTURE. Except as otherwise amended or modified herein or hereby, the provisions of the Indenture are hereby reaffirmed and shall remain in full force and effect.

IN WITNESS WHEREOF, each of the Parties has caused this Amendment to Indenture to be executed and delivered by their duly authorized officers as of the date first above written.

SUN WORLD INTERNATIONAL, INC.

By: /s/ Stanley E. Speer

-----  
Name: Stanley E. Speer  
Title: Chief Financial Officer

CADIZ LAND COMPANY, INC.

By: /s/ Stanley E. Speer

-----  
Name: Stanley E. Speer  
Title: Chief Financial Officer

SUN WORLD MANAGEMENT CORPORATION  
SUN WORLD BRANDS  
SUN WORLD/RAYO  
SUN DESERT, INC.  
COACHELLA GROWERS

By: /s/ Stanley E. Speer

-----  
Name: Stanley E. Speer  
Title: Chief Financial Officer

IBJ SCHRODER BANK & TRUST COMPANY,  
as Trustee

By: /s/ Luis Perez

-----  
Name: Luis Perez  
Title: Assistant Vice President

## CREDIT AGREEMENT

dated as of

November 25, 1997

among

CADIZ LAND COMPANY, INC.,

The Lenders Party Hereto

and

ING BARING (U.S.) CAPITAL CORPORATION,  
as Administrative Agent

## =====

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- Exhibit C -- Form of Mortgage
- Exhibit D -- Form of Note
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- Exhibit F -- Form of Purchaser Certificate
- Exhibit G -- Forms of Warrants
- Exhibit H -- Form of Opinion of Borrower's Counsel

CREDIT AGREEMENT dated as of November 25, 1997, among CADIZ LAND COMPANY, INC., the LENDERS party hereto, and ING BARING (U.S.) CAPITAL CORPORATION, as Administrative Agent.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

"Administrative Agent" means ING Baring (U.S.) Capital Corporation, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" means this Credit Agreement, dated as of the date set forth above, among Borrower, the Lenders party hereto, and the Administrative Agent.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Cadiz Land Company, Inc., a Delaware corporation.

"Borrowing" means Loans of made, converted or continued on the same date.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"Cadiz Reaffirmation Agreement" means the agreement evidencing Borrower's assumption and reaffirmation of all liabilities and obligations of Cadiz Valley Development Corporation in the form as attached hereto in Exhibit B.

"Cadiz/Sun World Lease" means that certain Agricultural Lease by and between Southwest Fruit Growers, L.P. and the Borrower (both in its own capacity and as successor by merger to Cadiz Valley Development Corporation), the lessors, and Sun World, as lessee, dated as of September 13, 1996, as amended by that certain Amendment to Lease with Lender Cure Rights between Southwest Fruit Growers, L.P., Cadiz, Sun World and Credit Agricole, dated as of September 13, 1996, as further amended by that certain Amendment to Agricultural Lease, dated as of April 16, 1997, as further amended from time to time.

"Cadiz/Sun World Services Agreement" means that certain Services Agreement between Borrower and Sun World, dated September 13, 1996, as amended by that certain Amendment dated as of April 16, 1997, as further amended from time to time.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Equivalent" has the meaning assigned to such term in the Sun World Indenture.

"Cash Payment Rate" means 8% per annum, computed in accordance with Section 2.13.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Commission thereunder as in effect on the date hereof), of shares representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding

capital stock of the Borrower; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Borrower by any Person or group.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Closing Price", means the last sale price per share of Common Stock regular way or, in the case no such reported sale takes place on such day, the average of the last reported bid and asked prices regular way, in either case on the principal national securities exchange on which the Common Stock is admitted to trading on such exchange, the average of the last reported bid and asked prices as reported by Nasdaq, or other similar organization if Nasdaq is no longer reporting such information, or if not so available, the fair market price, as determined in good faith by the Administrative Agent.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commission" means the Securities and Exchange Commission.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Commitments is \$15,000,000.

"Common Stock" means authorized common stock, \$0.01 par value, of the Borrower.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in any periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Commission that are publicly available.

"dollars" or "\$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment,

preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Acquisition Asset" has the meaning set forth in Section 5.10(c) hereof.

"Equity Acquisition Threshold" has the meaning set forth in Section 5.10(c) hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Event of Default" has the meaning assigned to such term in Article VII.

"Exchange Act" has the meaning set forth in Section 9.17 hereof.

"Excluded Item" has the meaning set forth in Section 5.10(b) hereof.

"Excluded Items/Rolling Stock Threshold" has the meaning set forth in Section 5.10(b) hereof.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes

imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.17(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"Fixed Rate" means, with respect to any Borrowing for any Interest Period, either (a) if the Borrower does not elect the Stock Payment Option, the Cash Payment Rate or (b) if the Borrower elects the Stock Payment Option, the Stock Payment Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

"Global Amendment Agreement" means that certain Global Amendment Agreement, dated as of March 31, 1997, between Borrower and Cadiz Valley Development Corporation, as borrowers, and ING, as Lender.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Inactive Subsidiaries" means all Subsidiaries of the Borrower, excluding Sun World Entities, that (a) do not conduct any business activities and (b) hold no assets or properties (either tangible or intangible).

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"ING" means ING Baring (U.S.) Capital Corporation, a Delaware Corporation.

"ING Collateral" means the collateral security granted, pledged or hypothecated to the Administrative Agent or the Lenders under the Security Documents to secure the payment and satisfaction of the obligations hereunder and under the other Loan Documents.

"Initial Borrowing" means the Fixed Rate Borrowing made on the Effective Date in accordance with section 2.04.

"Interest Payment Date" means the last day of the Interest Period applicable to the Borrowing of which such Loan is a part.

"Interest Period" means each period commencing on the date of such Borrowing or the last day of the next preceding Interest Period for such Borrowing and ending thereafter on the first to occur of April 15 or October 15 in each year, provided, that (i) except as provided in clauses (ii) and (iii) below, if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period, and (iii) if any Interest Period

would end after the Maturity Date, such Interest Period shall end on the Maturity Date. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made.

"Lenders" means the Person or Persons, as the case may be, listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, each Security Document, each Note and any other document, instrument or agreement delivered, executed or to be executed under or in connection with any of the foregoing.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its obligations under this Agreement or any other Loan Document, (c) the rights of or benefits available to the Lenders under this Agreement or any other Loan Document, or (d) the Transactions.

"Material Indebtedness" means Indebtedness (other than the Loans), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Subsidiaries, but excluding SWFG and PSWRI, in an aggregate principal amount exceeding \$500,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means December 29, 2000.

"Moody's" means Moody's Investors Service, Inc.

"Mortgages" means, collectively, (a) any mortgage agreement or deed of trust dated as of the Effective Date for the benefit of Mortgagee pursuant to section 2.08 and (b) each other mortgage granted to Mortgagee pursuant to Sections 2.08, 5.10 and 5.11, each substantially in the form of Exhibit C.

"Mortgagee" means, with respect to any Mortgage, the Administrative Agent as mortgagee or beneficiary thereof, for itself and on behalf of the Lenders, under such Mortgage.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Non-Adverse Amendment" has the meaning set forth in Section 9.19 hereof.

"Notes" means the Revolving Loan Notes issued by Borrower and payable to the order of the Lenders, as evidence of the Revolving Loans, each in the form of Exhibit D hereto, and any extensions, renewals, modifications or replacements thereof or therefor.

"Obligors" has the meaning assigned to such term in the Pledge and Security Agreement attached hereto as Exhibit E.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participating Subsidiaries" means the Subsidiaries excluding (a) the Inactive Subsidiaries, (b) the Sun World Entities, and (c) SWFG.

"PBG" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Participating Subsidiary;

(f) Liens arising out of any judgment awarded against the Borrower which have been discharged, vacated, reversed or execution thereof stayed pending appeal;

(g) any other Lien with respect to which the Borrower or related lessee shall have provided a bond or other security in an amount and under terms reasonably satisfactory to the Required Lenders and which does not involve any material risk of the sale, forfeiture or loss of any interest in Borrower's real or personal property; and

(h) the Liens of the Security Documents; provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) Cash Equivalents; and

(b) transactions permitted pursuant to the provisions of Sections 5.10 and 5.11 hereof.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledge and Security Agreements" means, collectively, (a) any security agreement dated as of the Effective Date for the benefit of the Administrative Agent, for itself and on behalf of the Lenders, pursuant to Section 2.08, (b) any stock pledge agreement pursuant to which the shares of capital stock of each Participating Subsidiary are pledged to the Administrative Agent, and (c) each other security agreement executed pursuant to Sections 2.08, 5.10 and 5.11, each substantially (to the extent applicable) in the form of Exhibit E.

"Prepayment Date" has the meaning set forth in Section 2.11 hereof.

"PSWRI" means P.S.W.R.I. Limited, a Guernsey corporation.

"Purchaser Certificates" means the purchaser certificates relating to the Warrants in the form as attached hereto in Exhibit F.

"Register" has the meaning set forth in Section 9.04.

"Registrable Common Stock" means (a) Stock Payment Common Stock and (b) any additional shares of Common Stock issued or distributed by way of dividend, stock split or other distribution in respect of the Stock Payment Common Stock, or acquired by way of any rights offering or similar offering made in respect of the Stock Payment Common Stock or any of the foregoing.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing at least 66 2/3% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of capital stock of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Borrower or any option, warrant or other right to acquire any such shares of capital stock of the Borrower.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans.

"Rolling Stock": has the meaning assigned to such term in the Pledge and Security Agreement attached hereto as Exhibit E.

"Revolving Loan" means a Loan made pursuant to Section 2.03 or 2.04 hereof.

"S&P" means Standard & Poor's.

"Securities Act" has the meaning set forth in Section 9.17 hereof.

"Security Documents" means, collectively, the Mortgages and the Pledge and Security Agreement.

"Stock Payment" has the meaning set forth in Section 2.14 hereof.

"Stock Payment Common Stock" has the meaning set forth in Section 5.13 hereof.

"Stock Payment Rate" means 10% per annum, computed in accordance with Section 2.13.

"Stock Payment Election" has the meaning set forth in Section

2.14 hereof.

"Stock Payment Election Deadline" has the meaning set forth in Section 2.14 hereof.

"Stock Payment Election Request" means a request by Borrower to make a payment of accrued interest for a Borrowing through the remittance of the Stock Payment in accordance with Section 2.14.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Sun World" means Sun World International, Inc., a Subsidiary of the Borrower.

"Sun World Documents" has the meaning assigned to such term in the Global Amendment Agreement.

"Sun World Entities" means Sun World and its subsidiaries.

"Sun World Indenture" means that certain Indenture, dated as of April 16, 1997, among Sun World, Borrower, the Subsidiary Guarantors thereto, and the Sun World Trustee, as amended by that certain Amendment to Indenture, dated as of October 9, 1997, as further amended by any Non-Adverse Amendments.

"Sun World Notes" means the \$115,000,000 of 11 1/4% First Mortgage Notes due April 15, 2004 issued pursuant to the Sun World Indenture.

"Sun World Trustee" means IBJ Schroder Bank & Trust Company in its capacity as the trustee under the Sun World Indenture.

"SWFG" means Southwest Fruit Growers, L.P., a Delaware limited partnership.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Threshold" has the meaning assigned to such term in section 2.11(c).

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement, the other Loan Documents, the transactions contemplated herein and therein, the borrowing of Loans, and the use of the proceeds thereof.

"Warrants" means the warrant certificates entitling the holder thereof to purchase shares of Borrower's Common Stock on the terms and conditions set forth therein in the forms as attached hereto as Exhibit G.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. [Intentionally Omitted]

SECTION 1.03. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. ACCOUNTING TERMS; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

## ARTICLE II

### THE CREDITS

SECTION 2.01. COMMITMENTS. Subject to the terms and conditions set forth herein, each Lender severally agrees, upon Borrower's request, to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

#### SECTION 2.02. LOANS AND BORROWINGS.

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Each Borrowing shall be comprised entirely of Fixed Rate Loans as the Borrower may request in accordance herewith. Except for the Initial Borrowing (which shall be in an amount in accordance with Section 2.04), each Borrowing shall be in an aggregate amount equal to \$2,500,000 or a larger multiple of \$100,000 (provided that a Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments).

(c) The Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. REQUESTS FOR BORROWINGS. Except for the Initial Borrowing, to request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone not later than 1 p.m., New York City time, three Business Days before the date of the proposed Borrowing. Any such notices received after 1 p.m., New York time, shall be deemed received on the next Business Day. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) the location and number of the Borrower's account to which funds are to be disbursed.

Promptly following receipt of a Borrowing Request in accordance with this Section 2.03, the Administrative Agent shall (a) advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing and (b) advise the Borrower of the number of shares of the Borrower's Common Stock that may be purchased as a result of the requested Borrowing through the exercise of the Warrants.

SECTION 2.04. INITIAL BORROWING. As of the Effective Date, the Borrower shall be deemed to have requested a Borrowing in the aggregate amount of \$5,000,000, with the Effective Date being the date of such Borrowing. The location and number of the Borrower's account to which these funds are to be disbursed are set forth in Schedule 2.04 hereto.

SECTION 2.05. [Intentionally Omitted]

SECTION 2.06. FUNDING OF BORROWINGS.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account maintained and designated by the Borrower in the applicable Borrowing Request (or in the case of the Initial Borrowing, as set forth in Schedule 2.04 hereof).

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender hereby agrees to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at the interest rate applicable to that Loan. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.07. [Intentionally Omitted]

SECTION 2.08. SECURITY. The Borrower's obligations under this Agreement shall be secured in accordance with and/or have the benefit of the Pledge and Security Agreement, the Mortgages, any other Security Document, and each other mortgage, security interest, pledge agreement or other document granted pursuant to Sections 5.09, 5.10 and 5.11.

SECTION 2.09. TERMINATION AND REDUCTION OF COMMITMENTS.

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$500,000 and not less than \$2,500,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the Revolving Credit Exposures would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least six Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section 2.09 shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) If at any time the aggregate outstanding principal amount of all of the Revolving Loans made by any Lender shall exceed the amount of the Commitment of such Lender, the Borrower shall immediately upon receipt of notice thereof from the Administrative Agent or such Lender, or immediately upon the Borrower's acquiring actual knowledge thereof, prepay the Revolving Loans of such Lender to the extent necessary to eliminate such excess.

(e) Notwithstanding anything herein to the contrary, the sum of the aggregate outstanding principal balance of all Loans made by all Lenders at any one time shall not exceed the aggregate amount of all Commitments as then in effect. If at any time the aggregate outstanding principal balance of the Loans exceeds the applicable limit stated in the immediately preceding sentence, the Borrower shall immediately upon receipt of notice thereof from the Administrative Agent or such Lender, or immediately upon the Borrower's acquiring actual knowledge thereof, prepay the Revolving Loans to the extent necessary to eliminate such excess.

(f) Any reduction of the Commitments under this Section 2.09 shall apply as a proportional and permanent reduction of the Commitments of each of the Lenders. If the aggregate outstanding principal balance of the Loans exceeds any applicable limit specified hereunder after giving effect to any such reduction of the Commitments, Borrower shall immediately prepay such Loans to the extent necessary to eliminate such excess.

(g) In the event any reduction in the Commitments is made in accordance with this Section 2.09, the Administrative Agent will issue to the Borrower and each Lender a revised Schedule 2.01 to this Agreement reflecting such reduction, which revised Schedule 2.01 shall supersede and replace the prior version thereof and shall be substituted by each party in lieu thereof.

SECTION 2.10. REPAYMENT OF LOANS; EVIDENCE OF DEBT.

(a) The Borrower hereby unconditionally promises to pay to

the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) To further evidence the existence and amounts of the Borrower's obligations to pay principal and interest on each Revolving Loan made by a Lender hereunder, the Borrower shall execute and deliver to that Lender a Note payable to the Lender. The Borrower shall prepare, execute and deliver the Note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns). Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more Notes payable to the order of the payee named therein (or, if such Note is a registered note, to such payee and its registered assigns).

#### SECTION 2.11. PREPAYMENT OF LOANS; REBORROWINGS.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that unless all outstanding amounts are being repaid, each prepayment of Borrowing shall be in an amount that is an integral multiple of \$100,000 and not less than \$2,500,000.00.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by teletype) of any prepayment hereunder not later than 1 p.m., New York City time, six Business Days before the date of prepayment (the "Prepayment Date"). Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13 and Section 2.14. At its discretion, Borrower may elect to make such payment of accrued interest on the date of a prepayment through a Stock Payment in accordance with Section 2.14 hereof.

(c) Notwithstanding any other provision of this Agreement, until \$15,000,000 of Loans are made to the Borrower (without taking into account any repayments thereof) pursuant to the terms of this Agreement (the "Threshold"), the Borrower may not reborrow any amounts prepaid pursuant to this Section 2.11. After the Threshold is satisfied, and provided that the Borrower can satisfy the

requirements for obtaining a Loan set forth in Section 4.02 hereof, the Borrower may reborrow any principal amount repaid under this Section 2.11 in accordance with the provisions of this Article II. Each such reborrowing shall be treated as a Borrowing for all purposes hereunder.

SECTION 2.12. FEES.

(a) As a fee for this facility and the Loans to Borrower hereunder, on the Effective Date, the Borrower shall execute and deliver to the Administrative Agent for the account of each Lender (i) the Warrants and (ii) the Purchaser Certificate, each in form and substance satisfactory to the Administrative Agent (in Administrative Agent's absolute discretion).

(b) All fees payable hereunder shall be paid on the date due to the Administrative Agent for distribution to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. INTEREST.

(a) The Loans comprising each Borrowing shall bear interest at the Fixed Rate.

(b) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraph of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to Loans as provided in paragraph (a) of this Section.

(c) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand and (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) All interest hereunder shall be computed on the basis of a year of 360 days, and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.14. STOCK PAYMENT ELECTION.

(a) In its sole discretion, as provided in this section, Borrower may elect to pay accrued interest on a Borrowing on an Interest Payment Date (or, in the case of a prepayment under Section 2.11, on the Prepayment Date) for such Borrowing through the remittance of the Stock Payment (instead of immediately available funds) (such election a "Stock Payment Election").

(b) To make a Stock Payment Election pursuant to this Section 2.14 with respect to any Borrowing for any Interest Period (or in the case of a prepayment under Section 2.11, the portion of an Interest Period ending on the Prepayment Date), the Borrower shall notify the Administrative Agent of such election by telephone not later than 1:00 p.m., New York time, six (6) Business Days before the Interest Payment Date (or, in the case of a prepayment under Section 2.11, six (6) Business Days before the Prepayment Date) for the current Interest Period for such Borrowing (the "Stock Payment Election Deadline"). Each telephone Stock Payment Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Stock Payment Election Request in a form approved by the Administrative Agent and signed by the Borrower. Promptly upon receipt of the written Stock Payment Election Request, the Administrative Agent shall give notice of such Stock Payment Election Request to the Lenders.

(c) Each telegraphic and written Stock Payment Election

Request shall specify the Borrowing to which such Stock Payment Election Request applies;

(d) Following receipt of a Stock Payment Election Request, the Administrative Agent shall advise each Lender and the Borrower by 11 a.m., New York time, on the Interest Payment Date (or, in the case of a prepayment under Section 2.11, on the Prepayment Date) relating to such Stock Payment Election Request of the details thereof, including the Administrative Agent's determination of the Stock Payment (including its calculation thereof) as determined pursuant to subsection (g) hereof.

(e) If the Borrower fails to deliver a timely Stock Payment Election Request with respect to any Borrowing prior to the Stock Payment Election Deadline applicable thereto and in accordance with requirements of this section, then (a) the Borrower shall be deemed to have decided not to elect the Stock Payment Option for that Borrowing for that Interest Period and (b) the Fixed Rate for that Borrowing for that Interest Period shall be the Cash Payment Rate.

(f) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to make the Stock Payment Election or notify the Administrative Agent of a Stock Payment Election Request if a Default or an Event of Default has occurred and is continuing (unless this requirement is waived by the Required Lenders).

(g) With respect to any Borrowing for which a Stock Payment Election has been made in accordance with this Section 2.14, the Stock Payment shall mean the quantity of shares of the Borrower's Common Stock (with any fractional amount rounded to the next highest integer) that has a value at least equal to the amount of accrued interest at the Stock Payment Rate for that Borrowing for the Interest Period (or, in the case of a prepayment under Section 2.11, the portion of an Interest Period ending on the Prepayment Date) for which the Stock Payment Election has been made (the "Stock Payment"). For purposes of this Section 2.14, the value of each share of Common Stock shall equal the average daily Closing Price of the Common Stock over the five (5) Business Days immediately prior to the Interest Payment Date (or, in the case of a prepayment under Section 2.11, over the five (5) Business Days immediately prior to the Prepayment Date) for the Borrowing for which the Stock Payment Election has been made.

#### SECTION 2.15. INCREASED COSTS.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender; or

(ii) impose on any Lender any other condition affecting this Agreement or Fixed Rate Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for

any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.15 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section 2.15 for any increased costs or reductions incurred more than 270 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. [Intentionally Omitted]

SECTION 2.17. TAXES.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed

by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.18. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursements, or of amounts payable under Section 2.15 or 2.17, or otherwise) prior to 2:00 p.m., New York City time, on the date when due, in immediately available funds (or (a) with respect to accrued interest for a Borrowing for which the Borrower has made the Stock Payment Election in accordance with section 2.14, Common Stock, or (b) with respect to fees under Section 2.12, the Warrants), without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at c/o ING Baring (U.S.) Capital Corporation, 135 East 57th Street, New York, New York 10022 Attention: Joan Chiappe, Vice President, except that payments pursuant to Sections 2.15, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars (or, (a) in the case of a Stock Payment Election, Common Stock, or (b) in the case of the fees under Section 2.12, the Warrants).

(b) If at any time insufficient funds or property are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds or property shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal or interest on any of its Revolving Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it to the Administrative Agent pursuant to the terms of this Agreement, then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

#### SECTION 2.19. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

(a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

SECTION 3.01. ORGANIZATION; POWERS. Each of the Borrower and its Participating Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. AUTHORIZATION; ENFORCEABILITY. The Transactions are within the Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. GOVERNMENTAL APPROVALS; NO CONFLICTS. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries (except those imposed by the Loan Documents).

SECTION 3.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE.

(a) The Borrower has heretofore furnished to the Administrative Agent its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended December 31, 1996, reported on by Price Waterhouse LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended September 30, 1997, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since September 30, 1997, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries, taken as a whole.

SECTION 3.05. PROPERTIES.

(a) Each of the Borrower and its Participating Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for Permitted Encumbrances and minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Borrower and its Participating Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Participating Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. LITIGATION AND ENVIRONMENTAL MATTERS.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. COMPLIANCE WITH LAWS AND AGREEMENTS. Each of the Borrower and the Participating Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. INVESTMENT AND HOLDING COMPANY STATUS. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.09. TAXES. Each of the Borrower and its Participating Subsidiaries has timely filed or caused to be filed all tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Participating Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$500,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$500,000 the fair market value of the assets of all such underfunded Plans.

SECTION 3.11. DISCLOSURE. The Borrower has disclosed to the Administrative Agent all agreements, instruments and corporate or

other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. SECURITY INTERESTS. Except for (a) the filing of UCC financing statements in respect of the collateral covered by the Security Documents in the States of Delaware and California and such other applicable jurisdictions in the United States of America and (b) filing and recording of Mortgages in respect of the real property collateral in the county in which the real property is located, which filings shall have been made and be in effect on (or simultaneously with) the Effective Date, the taking of possession by the Administrative Agent of the certificates representing the shares of capital stock of the Participating Subsidiaries and various instruments pledged to it pursuant to the Pledge and Security Agreement, and the delivery of notice of the security interests granted in the accounts covered by the Pledge and Security Agreement to the bank or banks whereat such accounts are maintained and receipt of acknowledgements of such notices by such banks (which actions shall be effected as of or promptly following the Effective Date), no further filing or recording of any document and no other action is necessary or advisable in the States of Delaware or California or any other applicable jurisdiction in the United States of America in order to establish and perfect, under the laws of Delaware or California or such other applicable jurisdiction in the United States of America, the Administrative Agent's security interest in such collateral, to the extent required by the applicable Security Documents, on behalf of the Lenders.

SECTION 3.13. PARTICIPATING SUBSIDIARIES. The Borrower has no Participating Subsidiaries except as set forth on Schedule 3.13 hereto.

SECTION 3.14. INACTIVE SUBSIDIARIES. The Borrower has no Inactive Subsidiaries except as set forth on Schedule 3.14 hereto. The Inactive Subsidiaries (a) do not conduct any business activities of any type or nature, and (b) do not own or have any interest in any assets or property of any type or nature.

SECTION 3.15. SOLVENCY. After giving effect to the Transactions, (i) the assets of the Borrower, at a fair valuation, will exceed its debts, (ii) the Borrower's capital will not be unreasonably small to conduct its business, (iii) the Borrower will not have incurred debts, or have intended to incur debts, beyond its ability to pay such debts as they mature, and (iv) the then-current fair salable value of the Borrower's assets will be greater than the amount that will be required to pay its probable liabilities (including debts) as they become absolute and matured. For purposes of this Section, "debt" means any liability on a claim, and "claim" means (x) the right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, or (y) the right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. For purposes of this Section, the Borrower may assume that the Loans will be refinanced on the Maturity Date.

SECTION 3.16. EXCLUDED ITEMS. The aggregate acquisition cost of (i) all Excluded Items plus (ii) all Rolling Stock (in existence as of the Effective Date or thereafter acquired) for which the Borrower or other Obligor, as the case may be, has not granted Liens in favor of the Administrative Agent, for itself and on behalf of

the Lenders, is not more than \$2,000,000.

SECTION 3.17. EQUITY ACQUISITION ASSETS. The aggregate acquisition cost of all Equity Acquisition Assets for which the Borrower or other Obligor, as the case may be, has not granted Liens in favor of the Administrative Agent, for itself and on behalf of the Lenders, is not more than \$2,000,000.

SECTION 3.18. ROLLING STOCK. The aggregate acquisition cost of all Rolling Stock for which the Borrower, without the consent of the Administrative Agent, has not granted Liens in favor of the Administrative Agent, for itself and on behalf of the Lenders, is not more than \$2,000,000.

#### ARTICLE IV

#### CONDITIONS

SECTION 4.01. EFFECTIVE DATE. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent shall have received the following documents, each in form and substance satisfactory to the Administrative Agent, and in the case of the document referred to in clauses (i), (v) and (vii) , duly executed and delivered by all the parties thereto:

(i) this Agreement;

(ii) the Borrower filed or registered Charter Documents, as amended, modified, restated or supplemented to the date hereof and certified as of the Effective Date as being a true and correct copy thereof by the Secretary of State (or comparable Governmental Authority) of the jurisdiction of its formation;

(iii) a copy, certified as of the Effective Date of the resolutions of the board of directors of the Borrower duly authorizing the execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents to which it is a party, and each other document required to be executed and delivered by the Borrower pursuant to this Agreement;

(iv) a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (h) and (j) of this Section 4.01;

(v) the Pledge and Security Agreement (together with the share certificates representing all of the issued and outstanding shares of the Participating Subsidiaries, endorsed in blank), and the Mortgages;

(vi) a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Miller & Holguin, counsel for the Borrower, substantially in the form of Exhibit H, and covering such other matters relating to the Borrower, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion;

(vii) the Cadiz Reaffirmation Agreement; and

(viii) such other documents relating to the transactions contemplated hereby as the Administrative Agent or any Lender may reasonably request.

(b) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization,

existence and good standing of the Borrower, the authorization of the Transactions and any other legal matters relating to the Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(c) UCC financing statements covering all the security interests created by or pursuant to the Pledge and Security Agreements in the collateral pledged pursuant thereto, shall have been executed and delivered by the Borrower to the Administrative Agent and such financing statements, or other statements or documents to the same purposes, shall have been duly filed or shall be duly filed simultaneously with the Initial Borrowing in all other applicable jurisdictions in the United States of America necessary or desirable to perfect said security interests and there shall have been taken all other action as the Administrative Agent or any Lender through the Administrative Agent may reasonably request or as shall be necessary to perfect such security interests to the extent required by the applicable Security Documents.

(d) The Administrative Agent shall have received evidence of the insurance required to be carried pursuant to Section 5.05(b).

(e) The representations and warranties of the Borrower set forth in this Agreement and each other Loan Document shall be true and correct on and as of the Effective Date of such Borrowing.

(f) No Default shall have occurred and be continuing.

(g) The Borrower shall have performed or observed and be continuing to perform each term, covenant or agreement contained in any Loan Document.

(h) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(i) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(j) All governmental and third party approvals necessary or, in the discretion of the Administrative Agent, advisable in connection with the Transaction, the financing contemplated hereby and the continuing operations of the Borrower shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the Transactions or the financing thereof.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on December 1, 1997 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. EACH CREDIT EVENT. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct on and as of the date of such Borrowing.

(b) At the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

## ARTICLE V

### AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. FINANCIAL STATEMENTS AND OTHER INFORMATION. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 15 days following Borrower's filing each Annual Report on Form 10-K with the Commission, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Price Waterhouse LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 15 days following Borrower's filing each Quarterly Report on Form 10-Q with the Commission, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under subsection (a) or (b) above, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, and (ii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) [Intentionally omitted]

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be; and

(f) promptly following any request therefor, such other

information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02. NOTICES OF MATERIAL EVENTS. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section 5.02 shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. EXISTENCE; CONDUCT OF BUSINESS. The Borrower will, and will cause each of its Subsidiaries (including Sun World, but excluding Borrower's Inactive Subsidiaries and the subsidiaries of Sun World) to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.04. PAYMENT OF OBLIGATIONS. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. MAINTENANCE OF PROPERTIES; INSURANCE. The Borrower will, and will cause each of its Participating Subsidiaries and SWFG to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. BOOKS AND RECORDS; INSPECTION RIGHTS. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries (excluding the Sun World Entities) to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. COMPLIANCE WITH LAWS. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. USE OF PROCEEDS. Subject to the terms and restrictions set forth herein, the proceeds of the Loans will be used solely for the purpose of (a) financing a Permitted Investment and (b) financing the working capital and general corporate needs of the Borrower. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations G, U and X.

SECTION 5.09. NEW SUBSIDIARIES. In the event that any Person shall become a Participating Subsidiary of Borrower after the date hereof, Borrower shall execute (or cause such other Participating Subsidiary as may be the direct parent company of the new Participating Subsidiary to execute) a Pledge and Security Agreement, as the case may be, sufficient to subject all of the capital stock of such new or additional Participating Subsidiary to a Lien in favor of the Administrative Agent, on behalf of the Lenders, and any other documents as the Administrative Agent may reasonably request from time to time in order to perfect or maintain the perfection of the Administrative Agent's Liens thereunder, each in form and substance reasonably satisfactory to the Administrative Agent.

SECTION 5.10. ACQUISITIONS BY BORROWER.

(a) In the event that after the date of this Agreement the Borrower acquires ownership of any additional real or personal property of any type or nature (including, but not limited to, notes or other obligations from a Subsidiary or Affiliate to Borrower), the Borrower shall promptly give written notice of such acquisition to the Administrative Agent, and if requested by the Administrative Agent at the direction of the Required Lenders, Borrower shall execute and deliver any and all Security Documents or collateral assignments, security agreements, mortgages, deeds of trust, pledge agreements, financing statements, fixture filings, notice filings or other documents as the Administrative Agent may reasonably request from time to time in order for the Administrative Agent to acquire a Lien on the property so acquired by Borrower as additional security for the obligations under this Agreement or to perfect or maintain the perfection of such Lien.

(b) Notwithstanding paragraph (a) of this Section 5.10, so long as no Event of Default is then in existence, Borrower shall not be required to deliver to the Administrative Agent any Security Documents or collateral assignments, security agreements, mortgages, deeds of trust, pledge agreements, financing statements, fixture filings, notice filings or other documents for any item of real or personal property acquired by Borrower on or after the Effective Date if both (i) the acquisition cost of each such item of real or personal property (including, but not limited to, Rolling Stock) is less than \$250,000 and (ii) the aggregate acquisition cost of (A) all such real or personal property (including, but not limited to, Rolling Stock) in which no Lien has been granted in favor of the Administrative Agent pursuant to this paragraph (b) of this Section (collectively, the "Excluded Items") plus (B) Rolling Stock in existence as of the Effective Date is not more than \$2,000,000. To the extent that the aggregate acquisition cost of (i) all Excluded Items plus (ii) Rolling Stock in existence as of the Effective Date is more than \$2,000,000 (the "Excluded Items/Rolling Stock Threshold"), Borrower will, and will cause its Subsidiaries to, grant (and such Liens shall be deemed immediately to have been granted) Liens on such assets to the extent in excess of the Excluded Items/Rolling Stock Threshold in favor of the Administrative Agent, for itself and on behalf of the Lenders.

(c) Notwithstanding paragraph (a) and (b) of this Section 5.10, so long as no Event of Default is then in existence, Borrower also shall not be required to deliver to the Administrative Agent

any Security Documents or collateral assignments, security agreements, mortgages, deeds of trust, pledge agreements, financing statements, fixture filings, notice filings or other documents for any item of real or personal property acquired on or after the Effective Date if each of the following conditions are satisfied: (a) each such item of real or personal property is acquired or purchased on or after the Effective Date solely in exchange for the Common Stock or other equity interest in the Borrower (an "Equity Acquisition Asset"), (b) no Lien is created, imposed, or permitted to exist on any Equity Acquisition Asset, and (c) the aggregate acquisition value of all Equity Acquisition Assets does not exceed \$2,000,000. To the extent that the aggregate acquisition value of all Equity Acquisition Assets is more than \$2,000,000 ("Equity Acquisition Threshold"), Borrower will, and will cause its Subsidiaries to, grant Liens (and such Liens shall be deemed immediately to have been granted) on such assets to the extent in excess of the Equity Acquisition Threshold in favor of the Administrative Agent, for itself and on behalf of the Lenders.

SECTION 5.11. ACQUISITIONS WITH PROCEEDS OF LOANS. In the event that after the date of this Agreement, a Subsidiary or Borrower's Affiliate utilizes the proceeds of any Loans, which are either directly or indirectly transferred or otherwise forwarded to such Subsidiary or Borrower's Affiliate from Borrower, to acquire real or personal property of any type or nature, Borrower shall promptly give written notice of such acquisition to the Administrative Agent, and if requested by the Administrative Agent at the direction of the Required Lenders, Borrower shall cause such Subsidiary or Borrower's Affiliate to execute and deliver Security Documents or collateral assignments, security agreements, mortgages, deeds of trust, pledge agreements, financing statements, fixture filings, notice filings or other documents the Administrative Agent may reasonably request from time to time in order for the Administrative Agent to acquire a Lien on the property so acquired by the Subsidiary or Borrower's Affiliate as the case may be, as additional security for the obligations under this Agreement or to perfect or maintain the perfection of such Lien.

SECTION 5.12. WARRANTS. On the date hereof, the Borrower shall issue the Warrants and the Purchaser Certificate. The Warrants shall be duly executed and registered in such name or names and in such denominations as each Lender shall have notified the Borrower and shall be deemed earned in accordance with section 2.12 hereof and the terms and conditions of the Warrants. The Borrower shall keep available for issuance upon exercise of the Warrants a sufficient quantity of Common Stock to satisfy the exercise in full of the Warrants from time to time outstanding. The Borrower will comply in all respects with its obligations under the Warrants and shall take all steps as shall be necessary to insure that the Lenders and any subsequent holders of the Warrants receive all of the benefits which they are intended to receive thereunder.

SECTION 5.13. STOCK PAYMENT COMMON STOCK. On each Interest Payment Date that the Borrower has made a Stock Payment Election on account of a Borrowing, the Borrower shall issue Common Stock to the Lenders equal to the applicable Stock Payment ("Stock Payment Common Stock"). All shares of Common Stock issued pursuant to a Stock Payment shall be duly authorized, validly issued, fully paid, non-assessable, and free and clear of all Liens and other encumbrances.

## ARTICLE VI

### NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. INDEBTEDNESS. The Borrower will not, and will not permit any Participating Subsidiary or SWFG to, create, incur, assume or permit to exist any Indebtedness of Borrower, the Participating Subsidiaries or SWFG, except:

- (a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(c) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary;

(d) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary;

(e) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this subsection (e) shall not exceed \$135 million at any time outstanding;

(f) Indebtedness of the Borrower or any Subsidiary as an account party in respect of trade letters of credit;

(g) "Parent Permitted Debt" (as defined in the Sun World Indenture), to the extent such debt may be incurred by Borrower pursuant to the terms of the Sun World Indenture without any action or authorization by the Sun World Trustee under the Sun World Indenture or by the holders of the Sun World Notes; provided, however, no "Parent Permitted Debt" (as defined in the Sun World Indenture) may be created, incurred, assumed or permitted to exist that would have a Material Adverse Effect upon Borrower's ability to satisfy the Borrower's obligations hereunder and under the other Loan Documents.

SECTION 6.02. LIENS. The Borrower will not, and will not permit any Subsidiary (excluding the Sun World Entities) to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Borrower or any Subsidiary (excluding the Sun World Entities) existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on assets acquired, constructed or improved by the

Borrower or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by subsection (e) of Section 6.01, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 90% of the cost of acquiring, constructing or improving such assets and (iv) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary;

(e) Liens to the extent permitted pursuant to the terms of the Sun World Indenture without any action or authorization by the Sun World Trustee under the Sun World Indenture or by the holders of the Sun World Notes; provided that such Liens do not include any Liens on the ING Collateral; and

(f) Liens on the Excluded Items or any portion thereof; notwithstanding the foregoing, the Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any Equity Acquisition Asset now owned or hereafter acquired, or any proceeds thereof.

#### SECTION 6.03. FUNDAMENTAL CHANGES.

(a) The Borrower will not, and will not permit any Subsidiary, excluding the Sun World entities, to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) any substantial part of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Subsidiary/Person may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Subsidiary/Person may merge into any Subsidiary in a transaction in which the surviving entity is a Subsidiary, (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Borrower or to another Subsidiary and (iv) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) The Borrower will not, and will not permit any of its Subsidiaries (excluding the Sun World Entities) to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and its Subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto.

(c) Notwithstanding the foregoing, the Borrower may sell assets to the extent such sale may be consummated pursuant to the terms of the Sun World Indenture without any action or authorization by the Sun World Trustee under the Sun World Indenture or the holders of the Sun World Notes; provided that such sales do not include or affect in any manner the ING Collateral.

(d) Unless an Inactive Subsidiary shall comply with each and every obligation that Participating Subsidiaries (either directly or indirectly) have hereunder or under any of the Loan Documents, (a) the Borrower will not permit such Inactive Subsidiary to engage in any business of any type or nature, (b) the Borrower will not permit the Inactive Subsidiaries, and will cause the Inactive Subsidiaries to refrain from, obtaining any assets or properties of any type or nature, (c) the Borrower will not permit any Inactive Subsidiary to, create, incur, assume or permit to exist any Indebtedness, and (d) the Borrower will not permit any Inactive Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues.

SECTION 6.04. INVESTMENTS, LOANS, ADVANCES, GUARANTEES AND ACQUISITIONS. The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(a) Permitted Investments;

(b) investments by the Borrower existing on November 15, 1997 in the capital stock, other securities or equity interests of its Subsidiaries;

(c) loans or advances made by the Borrower to any Subsidiary and made by any Subsidiary to the Borrower or any other Subsidiary;

(d) Guarantees constituting Indebtedness permitted by Section 6.01; and

(e) assets acquired by Borrower solely in exchange for the equity interests of the Borrower.

SECTION 6.05. HEDGING AGREEMENTS. The Borrower will not, and will not permit any of its Subsidiaries (excluding the Sun World Entities) to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.06. RESTRICTED PAYMENTS. The Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment; except that the Borrower and its Affiliates may make "Restricted Payments" (as defined in the Sun World Indenture) to the extent such payments may be effected pursuant to the terms of the Sun World Indenture without any action or authorization by the Sun World Trustee under the Sun World Indenture or by the holders of the Sun World Notes, provided, however, that no such "Restricted Payments" (as defined in the Sun World Indenture) may be made that would have a Material Adverse Effect upon Borrower's ability to satisfy the Borrower's obligations hereunder and under the other Loan Documents.

SECTION 6.07. TRANSACTIONS WITH AFFILIATES. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and its Subsidiaries not involving any other Affiliate, (c) any Restricted Payment permitted by Section 6.06, and (d) "Affiliate Transactions" (as defined in the Sun World Indenture), to the extent such transactions may be incurred by Borrower and its Subsidiaries pursuant to the terms of the Sun World Indenture without any action or authorization by the Sun World Trustee under the Sun World Indenture or by the holders of the Sun World Notes, provided, however, that no such "Affiliate Transactions" (as defined in the Sun World Indenture) may be undertaken that would have a Material Adverse Effect upon Borrower's ability to satisfy the Borrower's obligations hereunder and under the other Loan Documents.

SECTION 6.08. RESTRICTIVE AGREEMENTS. The Borrower will not, and will not permit any of its Subsidiaries (excluding the Sun World Entities) to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts

or imposes any condition upon (a) the ability of the Borrower or any Subsidiary (excluding the Sun World Entities) to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary (excluding the Sun World Entities) to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement or any other Loan Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 (but shall apply to any amendment or modification expanding the scope of any such restriction or condition), (iii) except as may be required pursuant to Section 5.10 hereof, the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) except as may be required pursuant to Section 5.10 hereof, subsection (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) except as may be required pursuant to Section 5.10 hereof, subsection (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 6.09. USE OF PROCEEDS. Borrower shall not use the proceeds of any of the Revolving Loans for any purpose other than as and to the extent permitted by Section 5.08 hereof.

SECTION 6.10. MANAGEMENT FEES FROM SUN WORLD. Borrower shall not, and will cause Sun World to refrain from taking any action to, either directly or indirectly, amend, modify, alter or voluntarily terminate or suspend the Cadiz/Sun World Services Agreement in any manner that would restrict, limit, affect, modify, suspend or terminate Borrower's right to receive at least \$1,500,000.00 annually for management fees paid by Sun World to Cadiz under the terms of the Cadiz/Sun World Services Agreement.

## ARTICLE VII

### EVENTS OF DEFAULT

If any of the following events ("Events of Default") shall occur:

- (a) the Borrower shall fail to pay any principal of, or interest on, any Loan or any fee or any other amount payable under this Agreement or any other Loan Document when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;
- (b) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect in any material respect when made or deemed made;
- (c) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Borrower's existence) or 5.08 or in Article VI;
- (d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clauses (a), (b) or (c) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the

request of any Lender);

(e) the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable; provided that this clause (e) shall not apply solely by reason of a failure to make a payment when and as the same shall become due and payable under the Sun World Indenture or other Sun World Documents unless (i) such failure would cause an Event of Default hereunder pursuant to a section other than this section (e), (ii) the Sun World Notes or any of the obligations under the Sun World Documents to the Sun World Trustee or the holders of the Sun World Notes have been accelerated pursuant to the provisions of the Sun World Indenture or otherwise, (iii) the Sun World Trustee and/or any of the holders of the Sun World Notes have instituted legal proceedings to enforce the Sun World Notes, the Sun World Indenture, or any obligations referred to in any of the Sun World Documents, (iv) the Sun World Trustee and/or any of the holders of the Sun World Notes have commenced foreclosure proceedings (judicial or nonjudicial) with respect to any collateral held as security for the obligations under the Sun World Documents, or (v) such failure to make payments has a Material Adverse Effect upon Borrower's ability to satisfy its obligations under this Agreement or any other Loan Document (as determined solely in the Administrative Agent's reasonable judgment); provided further that this clause (e) shall not apply solely by reason of a failure to make a payment when and as the same shall become due and payable under any other Sun World Indebtedness unless (i) such failure would cause an Event of Default hereunder pursuant to a section other than this section (e), (ii) such Sun World Indebtedness have been accelerated pursuant to the terms thereof or otherwise, (iii) the holders of such Sun World Indebtedness or any agent therefor have instituted legal proceedings to enforce such Sun World Indebtedness, (iv) the holders of such Sun World Indebtedness or any agent therefor have commenced foreclosure proceedings (judicial or nonjudicial) with respect to any collateral held as security for such Indebtedness, or (v) such failure to make payments has a Material Adverse Effect upon Borrower's ability to satisfy its obligations under this Agreement or any other Loan Document (as determined solely in the Administrative Agent's reasonable judgment).

(f) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (f) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness; provided further that this clause (f) shall not apply solely by reason of an "Event of Default" under the Sun World Indenture or other Sun World Documents unless (i) such event would cause an Event of Default hereunder regardless of its classification as an "Event of Default" under the Sun World Indenture or other Sun World Documents, (ii) the Sun World Notes or any of the obligations under the Sun World Documents to the Sun World Trustee or the holders of the Sun World Notes have been accelerated pursuant to the provisions of the Sun World Indenture or otherwise, (iii) the Sun World Trustee and/or any of the holders of the Sun World Notes have instituted legal proceedings to enforce the Sun World Notes, the Sun World Indenture, or any obligations referred to in any of the Sun World Documents, (iv) the Sun World Trustee and/or any of the holders of the Sun World Notes have commenced foreclosure proceedings (judicial or nonjudicial) with respect to any collateral held as security for the obligations under the Sun World Documents, or (v) such event has a Material Adverse Effect upon Borrower's ability to satisfy its obligations under

this Agreement or any other Loan Document (as determined solely in the Administrative Agent's reasonable judgment); provided further that this clause (f) shall not apply solely by reason of an "Event of Default" under any other Sun World Indebtedness unless (i) such event would cause an Event of Default hereunder regardless of its classification as an "Event of Default" for such other Sun World Indebtedness, (ii) such Sun World Indebtedness has been accelerated pursuant to the terms thereof or otherwise, (iii) the holders of such Sun World Indebtedness or any agent therefor have instituted legal proceedings to enforce the Sun World Indebtedness, (iv) the holders of such Sun World Indebtedness or any agent therefor have commenced foreclosure proceedings (judicial or nonjudicial) with respect to any collateral held as security for such Indebtedness, or (v) such event has a Material Adverse Effect upon Borrower's ability to satisfy its obligations under this Agreement or any other Loan Document (as determined solely in the Administrative Agent's reasonable judgment).

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(i) the Borrower or any Subsidiary (other than PSWRI and SWFG) shall become unable, admit in writing or fail generally to pay its debts as they become due;

(j) one or more judgments for the payment of money in excess of insurance coverage in an aggregate amount in excess of \$500,000 shall be rendered against the Borrower, any Participating Subsidiary, SWFG or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Participating Subsidiary to enforce any such judgment;

(k) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(l) a Change in Control shall occur;

(m) any of the Security Documents shall for any reason cease to be a valid perfected security interest in favor of the Administrative Agent, for itself and on behalf of the Lenders, in the Borrower's right, title and interest in and to the collateral subject thereto (subject only to Permitted

Encumbrances), to the extent required by such Security Document, and in the case of any Mortgage, such cessation continues unremedied for more than 10 days; or

(n) an "Event of Default" shall have occurred and be continuing under any other Loan Document;

then, and in every such event (other than an event with respect to the Borrower described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower. In addition to any other remedies available to the Administrative Agent and the Lenders hereunder or at law or otherwise, if an Event of Default shall have occurred and so long as the same shall be continuing unremedied, then and in every such case, the Administrative Agent and the Required Lenders may exercise any or all of the rights and powers and pursue any and all of the remedies set forth in any Security Document in accordance with terms thereof.

## ARTICLE VIII

### THE ADMINISTRATIVE AGENT

#### SECTION 8.01. APPOINTMENT, POWERS AND IMMUNITIES.

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof and by the other Loan Documents, together with such actions and powers as are reasonably incidental thereto.

#### SECTION 8.02. ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY.

The Lender serving as the Administrative Agent hereunder and under the other Loan Documents shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Lender and its Affiliates may lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder. In that regard, the terms "Lenders", "Required Lenders", or any similar terms used herein shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent may lend money to, and generally engage in any kind of financial, financial advisory or other business with the Borrower or any Affiliate of the Borrower as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrower for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

SECTION 8.03. NATURE OF DUTIES OF ADMINISTRATIVE AGENT. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing (a) the Administrative Agent shall not be subject to any fiduciary or other

implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein or in any other Loan Document, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the Lender serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

SECTION 8.04. CERTAIN RIGHTS OF ADMINISTRATIVE AGENT. If the Administrative Agent shall request instructions from the Required Lenders with respect to any act or action (including the failure to act) in connection with this Agreement or any other Credit Document, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received instructions from the Required Lenders; and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, but subject to the terms of Section 9.02 hereof, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders.

SECTION 8.05. RELIANCE BY ADMINISTRATIVE AGENT. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent pursuant to Section 9.04 below. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or any Note issued in exchange therefor.

SECTION 8.06. SUB-AGENTS. The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the

Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 8.07. RESIGNATION BY ADMINISTRATIVE AGENT. Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

SECTION 8.08. NON-RELIANCE ON ADMINISTRATIVE AGENT AND OTHER LENDERS. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

SECTION 8.09. SECURITY DOCUMENTS.

(a) Each Lender hereby authorizes the Administrative Agent to enter into each of the Security Documents and to take all actions contemplated thereby. All rights and remedies under the Security Documents may be exercised by the Administrative Agent for the benefit of the Lenders and the other beneficiaries thereof upon the terms thereof. With the consent of the Required Lenders, the Administrative Agent may assign its rights and obligations as Administrative Agent under any of the Security Documents to any Affiliate of the Administrative Agent, and such Affiliate thereafter shall be entitled to (i) all the rights of the Administrative Agent under the applicable Security Document and (ii) all rights hereunder of the Administrative Agent with respect to the applicable Security Document.

(b) In each circumstance where, under any provision of any Security Document, the Administrative Agent shall have the right to grant or withhold any consent, exercise any remedy, make any determination or direct any action by the Administrative Agent under such Security Document, the Administrative Agent shall act in respect of such consent, exercise of remedies, determination or action, as the case may be, with the consent of and at the direction of the Required Lenders; provided, however, that no such consent of the Required Lenders shall be required with respect to any consent, determination or other matter that is, in the Administrative Agent's

judgment, ministerial or administrative in nature. In each circumstance where any consent of or direction from the Required Lenders is required, the Administrative Agent shall send to the Lenders a written notice setting forth a description in reasonable detail of the matter as to which consent or direction is requested and the Administrative Agent's proposed course of action with respect thereto. In the event the Administrative Agent shall not have received a response from any Lender within five (5) Business Days after the giving of such notice, such Lender shall be deemed to have agreed to the course of action proposed by the Administrative Agent.

## ARTICLE IX

### MISCELLANEOUS

SECTION 9.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at:

Cadiz Land Company, Inc.  
Attn: Chief Financial Officer  
100 Wilshire Blvd.  
Sixteenth Floor  
Santa Monica, CA 90401-1115  
Telephone No.: 310-899-4700  
Facsimile No.: 310-899-4747

with a copy to:

Howard Unterberger, Esq.  
Miller & Holguin  
1801 Century Park East  
Seventh Floor  
Los Angeles, CA 90067  
Telephone No.: 310-556-1990  
Facsimile No.: 310-557-2205

(b) if to the Administrative Agent, to it at:

ING Baring (U.S.) Capital Corporation  
135 E. 57th Street  
New York, NY 10022-2101  
Attention: Joan Chiappe, Vice President  
Reference: Cadiz  
Telephone No.: 212-409-1742  
Facsimile No.: 212-371-9295

with a copy to:

Milbank, Tweed, Hadley & McCloy  
1 Chase Manhattan Plaza  
New York, New York 10005  
Attention: Michael J. Edelman, Esq.  
Telephone No.: 212-530-5000  
Facsimile No.: 212-530-5219

(c) if to ING, as a Lender, to it at:

ING Baring (U.S.) Capital Corporation  
135 E. 57th Street  
New York, NY 10022-2101  
Attention: Joan Chiappe, Vice President  
Reference: Cadiz  
Telephone No.: 212-409-1742  
Facsimile No.: 212-371-9295

with a copy to:

Milbank, Tweed, Hadley & McCloy  
1 Chase Manhattan Plaza  
New York, New York 10005  
Attention: Michael J. Edelman, Esq.  
Telephone No.: 212-530-5000  
Facsimile No.: 212-530-5219

(d) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

#### SECTION 9.02. WAIVERS; AMENDMENTS.

(a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section 9.02 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, or (vi) release any security interest in any material collateral for the obligations evidenced by the Loan Documents (except in accordance with the Loan Documents) without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

#### SECTION 9.03. EXPENSES; INDEMNITY; DAMAGE WAIVER.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and the other Loan Documents or any

amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement or any other Loan Document, including its rights under this Section 9.03, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated therein, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section 9.03 shall be payable promptly after written demand therefor.

#### SECTION 9.04. SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right,

remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$2,000,000 unless each of the Borrower and the Administrative Agent otherwise consents, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$1,000, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other financial institutions (a "Participant") in all or a

portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section 9.04 shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and

understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section 9.08 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of California.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of (i) the Supreme Court of the State of New York sitting in New York County, (ii) the United States District Court of the Southern District of New York, (iii) any United States federal court sitting in the Central District of California, or (iv) any other court of appropriate jurisdiction sitting in the County of Los Angeles, City of Los Angeles, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or California Court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.10.

SECTION 9.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower; provided, however, that such information, to the Administrative Agent's or Lender's knowledge, without any duty of inquiry, has not been provided in violation of any obligation owed by the source thereof to the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. FORECLOSURE OF CADIZ/SUN WORLD LEASE. If, in enforcing remedies hereunder, the Administrative Agent or a Lender forecloses on the property subject to that certain Cadiz/Sun World Lease, whether judicially or non-judicially, or obtains title to such property by deed in lieu of foreclosure, by purchase, or otherwise, then (a) so long as Sun World is not in default under the Cadiz/Sun World Lease: (i) Sun World and the Sun World Trustee under the Sun World Indenture shall be named or joined in any foreclosure, trustee's sale or other proceeding only if required by law; and (ii) the enforcement of any remedies hereunder that effects a transfer of title to the property subject to the Cadiz/Sun World Lease shall not terminate the Cadiz/Sun World Lease nor terminate nor affect in any

manner the lien of the Sun World Trustee thereon, nor disturb Sun World in the possession and use of the property subject thereto.

SECTION 9.14. WAIVER OF ANTI-DEFICIENCY PROTECTION. Borrower hereby waives, as to this Agreement and any and all Loan Documents heretofore or hereafter executed in connection with the Transactions any defense, protection or right under:

- (a) California Code of Civil Procedure ("CCP") Section 580(d) concerning the bar against rendition of a deficiency judgment after foreclosure under a power of sale;
- (b) CCP Section 580(a) purporting to limit the amount of a deficiency judgment which may be obtained following exercise of a power of sale under a deed of trust; and
- (c) CCP Section 726 concerning exhaustion of collateral, the form of foreclosure proceedings with respect to real property security located in California and otherwise limiting the amount of a deficiency judgment which may be recovered following completion of judicial foreclosure by reference to the "fair value" of the foreclosed collateral.

SECTION 9.15. COSTS BORNE BY NON-PREVAILING PARTY. In the event of any dispute with respect to this Agreement or any other Loan Document, the prevailing party shall be entitled to recover from the non-prevailing party all costs and attorneys' fees.

SECTION 9.16. INTEREST RATE LIMITATION. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.17. REGISTRATION UNDER THE SECURITIES ACT OF 1933.

(a) The Borrower shall advise the Lenders, as holders of the Registrable Common Stock (if any) or any then holder of Registrable Common Stock (such persons being collectively referred to in this Section as "holders") by written notice at least four weeks prior to the filing of any new registration statement under the Securities Act of 1933, as amended, or the Rules and Regulations promulgated thereunder (such Act and Rules and Regulations being hereinafter referred to as the "Securities Act") covering securities of the Borrower and will for a period ending on the first anniversary of the final Interest Payment Date on which a Stock Payment was made and commencing as of the date hereof, upon the request of any such holder, include in any such registration statement such information as may be required to permit a public offering of the Registrable Common Stock which is eligible to be included in such Registration Statement. The Borrower shall supply prospectuses, use its best efforts to cause the registration statement to become effective and to qualify the Registrable Common Stock for sale in such state as any such holder designates and furnish indemnification in the manner as set forth in section (b) of this Section. Such holders shall furnish information and indemnification as set forth in section (b) of this Section.

(b) The Borrower shall bear the entire cost and expense of

any registration of securities initiated by it under section (a) of this Section notwithstanding that Registrable Common Stock may be included in any such registration. Any holder whose Registrable Common Stock is included in any such registration statement pursuant to this Section shall, however, bear the fees of such holder's own counsel and any registration fees, transfer taxes or underwriting discounts or commissions applicable to the Common Stock sold by such holder pursuant thereto.

(c) The Borrower shall indemnify and hold harmless each such holder and each underwriter, within the meaning of the Securities Act, who may purchase from or sell for any such holder any Registrable Common Stock for any such holder (in the case of indemnification of such underwriter) from and against any and all losses, claims, damages and liabilities ("Losses") arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or any post-effective amendment thereto under the Securities Act or any prospectus included therein required to be filed or furnished by reason of this Section or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such Losses arise out of or are based upon any such untrue statement or alleged untrue statement or omission or alleged omission based upon information furnished or required to be furnished in writing to the Borrower by such holder, or underwriter, in the case of indemnification of such underwriter, expressly for use therein, which indemnification shall include each person, if any, who controls any such holder or each person, if any, who controls any such holder or underwriter within the meaning of such Securities Act; provided, however, that the Borrower shall not be obliged so to indemnify any such holder or underwriter or controlling person unless such holder or underwriter shall at the same time indemnify, severally and not jointly, the Borrower, its directors, each officer signing the related registration statement and each person, if any, who controls the Borrower within the meaning of such Securities Act, from and against any and all Losses arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or any prospectus required to be filed or furnished by reason of this Section or arising out of or based upon any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement or omission made in conformity with information furnished in writing to the Borrower by any such holder or underwriter expressly for use therein.

(d) If the indemnify obligation provided for above is unavailable or insufficient to hold harmless an indemnified party in respect of any Losses, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such Losses in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, in connection with statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or the indemnified parties and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties agree that it would not be just and equitable if contributions pursuant to this paragraph were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the previous sentence.

(e) Notwithstanding anything herein to the contrary, a holder shall have no rights to have the Registrable Common Stock registered if in the opinion of either counsel for the Borrower, knowledgeable and experienced in Federal securities matters (said counsel to be acceptable to such holder in the reasonable judgement of such holder), or counsel for the holder knowledgeable and

experienced in Federal securities matters (said counsel to be acceptable to the Borrower in the Borrower's reasonable judgement), the holder may lawfully sell publicly, at the time and in the manner the holder proposes to sell the Registrable Common Stock, all of the securities proposed to be sold without registering the sale under the Securities Act, whether pursuant to an exemption from registration available under Section 4(1) of the Securities Act, Rule 144 or Rule 144(k) under the Securities Act, or otherwise.

(f) The Borrower will (i) file reports in compliance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (ii) comply with all rules and regulations of the Commission applicable in connection with the use of Rule 144 under the Securities Act and take such other actions and furnish the holder with such other information as such holder may request in order to avail itself of such rule or any other rule or regulations of the Commission allowing such holder to sell any Registrable Common Stock without registration, and (iii) at its expense, upon the request of the holder, deliver to such holder a certificate, signed by the Borrower's principal financial officer, stating (A) the Borrower's name, address and telephone number (including area code), (B) the Borrower's Internal Revenue Service identification number, (C) the Borrower's Commission file number, (D) the number of shares of each class of stock outstanding as shown by the most recent report or statement published by the Borrower, and (E) whether the Borrower has filed the reports required to be filed under the Exchange Act for a period of at least ninety (90) days prior to the date of such certificate and in addition has filed the most recent annual report required to be filed thereunder. If at any time the Borrower is not required to file reports in compliance with either Section 13 or Section 15(d) of the Exchange Act, the Borrower at its expense will, upon the written request of the holder, make available adequate current public information with respect to the Borrower within the meaning of paragraph (c) (2) of Rule 144 under the Securities Act.

(g) The holders of the Registrable Common Stock and any transferee thereof, by their acceptance hereof, hereby agree that: (a) the Registrable Common Stock to be being acquired hereunder are being purchased for investment purposes only and not with a view to distribution and will not be transferred unless registered or unless there is an exemption available from the registration requirement of the Securities Act, which exemption has been established to the reasonable satisfaction of the Borrower; (b) no public distribution of the Registrable Common Stock Warrants will be made in violation of the provisions of the Securities Act or any applicable state laws; and (c) during such period as delivery of a prospectus with respect to the Registrable Common Stock may be required by the Securities Act, no public distribution of Registrable Common Stock Warrants will be made in a manner or on terms different from those set forth in, or without delivery of, a prospectus then meeting the requirements of Section 10 of the Securities Act and in compliance with all applicable state laws. The Lenders and any such assignee of the Lenders further agree that if any public distribution of any of the Registrable Common Stock is proposed to be made by them otherwise than by delivery of a prospectus meeting the requirements of Section 10 of the Securities Act, which action shall be taken only after submission to the Borrower of an opinion of counsel, reasonably satisfactory in form and substance to the Borrower's counsel, to the effect that the proposed distribution will not be in violation of the Securities Act or of applicable state law. Furthermore, it shall be a condition to the transfer of the Registrable Common Stock that the transferee thereof deliver to the Borrower such holder's written agreement to accept and be bound by all of the terms and conditions of this Section.

SECTION 9.18. STATUS OF ING. ING hereby represents to the Borrower that it is not a Foreign Lender.

SECTION 9.19. AMENDMENTS TO SUN WORLD INDENTURE. An amendment or modification of the Sun World Indenture will be a Non-Adverse Amendment only upon the satisfaction of each and every one of the following conditions (such amendment or modification that satisfies all of the following requirements, a "Non-Adverse Amendment"):

(a) the Borrower, in accordance with section 9.01 of this

Credit Agreement, gives notice of, and delivers to, the Administrative Agent, a true and correct copy of such amendment or modification;

- (b) as determined solely in the Administrative Agent's reasonable judgment, the terms of the amendment or modification of the Sun World Indenture do not, and will not, adversely affect either (i) the ability of the Borrower or the other Obligors to satisfy their respective obligations under this Credit Agreement and/or the other Loan Documents or (ii) the rights of the Administrative Agent or Lenders hereunder or under the other Loan Documents; and
- (c) such amendment or modification of the Sun World Indenture is validly effected and becomes effective pursuant to the terms of the Sun World Indenture.

The failure of the Borrower to notify, and deliver to, the Administrative Agent any amendment or modification of the Sun World Indenture will preclude such amendment or modification from being a Non-Adverse Amendment until each of the requirements set forth in the previous sentence are satisfied. If, however,

- (x) the Borrower gives notice of, and delivers to, the Administrative Agent, a true and correct copy of an amendment or modification to the Sun World Indenture; and
- (y) the Administrative Agent does not notify the Borrower within five (5) Business Days after the Administrative Agent's receipt of the documents set forth in subclause (x) above that the amendment or modification (in the Administrative Agent's reasonable judgment) has or will have an adverse effect upon (i) the ability of the Borrower or the other Obligors to satisfy their respective obligations under this Credit Agreement and/or the other Loan Documents or (ii) the rights of the Administrative Agent or Lenders hereunder or under the other Loan Documents;

then such amendment or modification of the Sun World Indenture shall be deemed to be a Non-Adverse Amendment for all purposes hereunder. Notwithstanding the foregoing, and without requiring any action by the Borrower or the Administrative Agent, any amendments or modifications of the Sun World Indenture that may be validly effected pursuant to the terms of the Sun World Indenture without any action or authorization by the holders of the Sun World Notes (or any portion of such holders) shall also be deemed to be a Non-Adverse Amendment provided that such amendment or modification does not, and will not, in the Administrative Agent's reasonable judgment, adversely affect (i) Borrower's ability to satisfy the Borrower's obligations hereunder and under the other Loan Documents or (ii) the rights of the Administrative Agent or Lenders hereunder or under the other Loan Documents.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CADIZ LAND COMPANY, INC.,  
the Borrower

by: /s/ Stanley E. Speer

-----  
Name: Stanley E. Speer  
Title: Chief Financial Officer

ING BARING (U.S.) CAPITAL CORPORATION,  
individually and as

Administrative Agent

by /s/ Joan M. Chiappe

-----  
Name: Joan M. Chiappe  
Title: Vice President

SCHEDULE 2.01

COMMITMENTS

1. Lender: ING Baring (U.S.) Capital Corporation  
135 E. 57th Street  
New York, NY 10022-2101  
Attention: Joan Chiappe, Vice President  
Telephone No.: 212-409-1742  
Facsimile No.: 212-371-9295

Commitment: \$15,000,000.00

SCHEDULE 2.04

BORROWER'S WIRING INSTRUCTIONS FOR INITIAL BORROWING

BANK

ABA #: 121000248  
Wells Fargo Bank  
10270 Foothill Blvd.  
Rancho Cucamonga, CA

Account

Cadiz Land Company, Inc.  
Acct. 4896044211

SCHEDULE 3.13

BORROWER'S PARTICIPATING SUBSIDIARIES

None

SCHEDULE 3.14

BORROWER'S INACTIVE SUBSIDIARIES

Pacific Packing, Inc., a California corporation;  
Pacific Real Estate, Inc., a California corporation;  
Rancho Cadiz Mutual Water Company, a California mutual water  
company; and  
PSWRI, a Guernsey corporation.

SCHEDULE 6.01

SCHEDULE OF INDEBTEDNESS FOR BORROWER,  
PARTICIPATING SUBSIDIARIES AND SWFG

The "Term Loan", as defined in the Pledge and Security Agreement.

SCHEDULE 6.02

SCHEDULE OF LIENS ON PROPERTY OF BORROWER  
AND/OR SUBSIDIARIES (Excluding the Sun World Entities)

Liens granted to secure the "Term Obligations", as defined in the Pledge and Security Agreement.

Liens described in Title Policy No. 7222428 (the "Title Policy") issued by Chicago Title Insurance Company, insuring priority in the Mortgage, and showing Cadiz as owner in fee simple absolute and ING as insured.

With respect to property owned of record by Southwest Fruit Growers, a Delaware limited partnership ("SWFG"), (i) Liens arising pursuant to the SWFG-Farming Deed of Trust and the SWFG-Grape Deed of Trust (as such terms are defined in the Pledge and Security Agreement); (ii) such Liens as may be described in the Title Policy which affect such property; and (iii) such additional Liens on such property as may be non-material in effect and amount.

Liens on Rolling Stock existing as of the Effective Date.

Lien on telephone system at San Bernardino, CA office by Mellon First United Leasing (monthly payment \$164.00).

Lien on Mita DC-6590 copier at Santa Monica, CA office by Mita Financial Services (monthly payment \$580.00).

Lien on Minolta EP 3050 copier at Santa Monica, CA office by GE Capital (monthly payment \$254.08).

Lien on Mita 4086 copier at San Bernardino, CA office by Capelco Capital, Inc. (monthly payment \$240.00).

SCHEDULE 6.08

SCHEDULE OF RESTRICTIVE AGREEMENTS OF BORROWER  
AND/OR SUBSIDIARIES (Excluding the Sun World Entities)

1. Restrictions and conditions arising under and pursuant to the Term Loan, as defined in the Pledge and Security Agreement.
2. Restrictions and conditions arising under and pursuant to the Sun World Documents.
3. Restrictions and conditions arising under and pursuant to the Limited Partnership Agreement of SWFG.

EXHIBIT A

[FORM OF]

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of [ ] (as amended and in effect on the date hereof, the "Credit Agreement"), among Cadiz Land Company, Inc., the Lenders named therein and ING Baring (U.S.) Capital Corporation, as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named on the reverse hereof hereby sells and assigns, without recourse, to the Assignee named on the reverse hereof, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth herein in the Commitment of the Assignor on the Assignment Date and Revolving Loans owing to the Assignor which are outstanding on the Assignment Date, held by the Assignor on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of

a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.17(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 9.04(b) of the Credit Agreement.

This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of California.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment  
("Assignment Date") (1):

Facility	Principal Amount Assigned	Percentage Assigned of Commitment (set forth, to at least 8 decimals, as a percentage of the Commitments of all Lenders thereunder)
Commitment Assigned:	\$	%

The terms set forth above and on the reverse side hereof are hereby agreed to:

[Name of Assignor] , as Assignor

By: \_\_\_\_\_  
Name:  
Title:

[Name of Assignee] , as Assignee

By: \_\_\_\_\_  
Name:  
Title:

(1) Must be at least five Business Days after execution hereof by all required parties.

The undersigned hereby consent to the within assignment (2):

CADIZ LAND COMPANY, INC., the Borrower	ING BARING (U.S.) CAPITAL CORPORATION, as Administrative Agent,
---	---

By: _____	By: _____
Name:	Name:
Title:	Title:

-----  
(2) Consents to be included to the extent required by Section 9.04(b)  
of the Credit Agreement.



Made, Continued Or Converted	Principal Amount of Loan	Prepaid, Continued or Converted	Unpaid Principal Amount	Notation Made by
-----	-----	-----	-----	-----

AGREEMENT BETWEEN METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA AND CADIZ LAND COMPANY, INC. TO DEVELOP  
PRINCIPLES AND TERMS FOR AGREEMENT  
AND TO VERIFY PROGRAM FEASIBILITY

THIS AGREEMENT TO DEVELOP PRINCIPLES AND TERMS FOR AGREEMENT AND TO VERIFY PROGRAM FEASIBILITY (hereinafter "Agreement") is entered into this 23rd day of December, 1997, by Cadiz Land Company, Inc. ("CLCI"), a Delaware corporation with its principal office in Santa Monica, California, and Metropolitan Water District of Southern California ("Metropolitan"), a public agency formed under the Metropolitan Water District Act, 1969 Cal. Stat. 492, Ch. 209 et seq., as amended, Water Code Uncodified Act 9129 (b) (the "Act").

CLCI and Metropolitan are sometimes referred to individually as a "Party" or collectively as the "Parties".

RECITALS

A. WHEREAS, CLCI is a publicly-held agricultural company that owns and manages substantial land and water resources throughout Central and Southern California, including more than 27,000 acres (43 square miles) of land located in the Cadiz and Fenner valleys of San Bernardino County, California (the "Property");

B. WHEREAS, CLCI, as one of the largest United States growers and marketers of table grapes, stone fruit, and specialty row crops, has developed farming operations at the Property using water-conserving irrigation techniques and has completed an Environmental Impact Report certified by the County of San Bernardino, which approved the development of up to 9,600 acres of irrigated agriculture and the withdrawal of approximately 1,000,000 acre-feet of indigenous groundwater;

C. WHEREAS, Metropolitan was created in 1928 under the Act for the purpose of providing supplemental water supplies to the cities and communities of Southern California within its 5,155 square-mile service area, which includes portions of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties;

D. WHEREAS, Metropolitan has entitlements to Colorado River water pursuant to the 1928 Boulder Canyon Project Act, the United States Supreme Court 1983 opinion in Arizona v. California and subsequent decrees, and contracts with the United States and others;

E. WHEREAS, Metropolitan owns and operates the Colorado River Aqueduct ("CRA"), which imports water from the Colorado River for use in Southern California;

F. WHEREAS, Metropolitan employs an Integrated Resources Planning process which has identified a full CRA as an integral component to achieving long-term supply reliability required for the region;

G. WHEREAS, Metropolitan's Integrated Resources Plan, California law and water policy all recognize the importance of groundwater storage and conjunctive use programs in meeting the water supply needs of the state;

H. WHEREAS, various studies and reports prepared by public agencies and private companies indicate that the Property overlies a large groundwater basin that has significant water recharge and storage capabilities, and which can yield substantial amounts of high-quality water in excess of the present and projected agricultural requirements of CLCI;

I. WHEREAS, various hydrological, environmental, and engineering studies and reports, together with empirical data acquired by CLCI from more than ten years of groundwater pumping, support the proposition that the Property is well suited technically and

economically for a conjunctive use and storage program, involving both storage of Colorado River water and transfer of indigenous groundwater, subject to Metropolitan's final review and verification of such studies, reports, and empirical data;

J. WHEREAS, the Parties have discussed and are reviewing the feasibility of such a program on the Property and therefore desire to commence negotiating an appropriate water management strategy and program that achieves reasonable and beneficial conjunctive use of Colorado River water and CLCI's indigenous groundwater by the operation of a conjunctive use and storage program that entails the delivery of high quality, reliable, supplemental water supplies to Metropolitan on a long-term basis for use within its service area, provided mutually satisfactory terms and conditions for the storage and extraction of Metropolitan's Colorado River water and transfer of CLCI's indigenous groundwater can be reached by the Parties; and

K. WHEREAS, the Parties desire to document their demonstrated commitment by entering into this Agreement.

NOW, THEREFORE, the Parties hereby enter into this Agreement and agree to work jointly and cooperatively to complete the following tasks by March 31, 1998: (i) verify the feasibility of such a program in accordance with Section 1, (ii) negotiate the material terms of an agreement for a conjunctive use and storage program as described in Section 2 ("Principles and Terms For Agreement") and (iii) explore the viability of implementing certain additions to the program identified in Section 3. In negotiating the Principles and Terms For Agreement, the Parties will have the responsibilities and will follow the procedures set forth in Section 4.

#### SECTION 1: ISSUES FOR VERIFICATION.

CLCI has provided to Metropolitan a number of studies, reports, and documents that support the feasibility of a conjunctive use and storage program on the Property that would result in the ability to deliver high-quality and reliable supplemental water supplies to Metropolitan on a long-term basis for use in Metropolitan's service area. Metropolitan has performed a preliminary review of these studies, reports and documents and, based on this preliminary review, believes that such a program is technically feasible and merits serious consideration by Metropolitan. The Parties agree to cooperate in verifying the findings in the studies, reports and documents, the technical feasibility of such a program, the practical and financial feasibility of such a program, and the Parties' relative legal rights to enter into the proposed program as the first phase of work under this Agreement.

#### SECTION 2: PRINCIPLES AND TERMS FOR AGREEMENT.

Assuming negotiations result in terms which are acceptable to both Parties, the negotiated Principles and Terms For Agreement will be sent to the respective governing Boards of both Parties for approval and for direction for the Parties to then draft a comprehensive agreement based on the Principles and Terms For Agreement and completion of all environmental documentation. The Principles and Terms For Agreement will set forth the significant terms and principles for a comprehensive agreement for a conjunctive use and storage program at the Property ("Core Program") that would provide for the cost-effective and beneficial storage of Metropolitan's Colorado River water, produce a new and reliable dry-year source of significant water supplies, and improve the quality of water conveyed through the CRA.

The Principles and Terms For Agreement would reflect certain material terms negotiated between the Parties, including but not limited to the following, which are described below in greater detail: refinement and review of a Core Program proposal, the financing and ownership of any Core Program facilities, the duration and appropriate fee structure of a Core Program, a schedule for the implementation of the water supply benefits available under a Core Program, and full and complete compliance with applicable environmental laws.

##### 2.1. CORE PROGRAM.

2.1.1. The Core Program would provide Metropolitan with a dry-year source for up to 100,000 acre-feet/year of water having a low concentration of total dissolved solids ("TDS"). This dry-year source would be made up of a combination of stored imported water and indigenous low-TDS groundwater. The storage operations of the Core Program would involve conveyance of Colorado River water via a 35-mile pipeline from the CRA to the Property during periods of available supply. The imported water would be stored in the groundwater aquifers underlying the Property. This water and indigenous groundwater would be extracted by wells and conveyed to the CRA according to scheduled delivery periods as agreed upon by the Parties.

2.1.2. The capabilities of the Core Program would be on the order of the following:

- \* Put operations ("Put") refer to the conveyance of water from the forebay of the Iron Mountain Pumping Plant ("IMPP") on the CRA to the Property. Put capacity at 100,000 acre-feet/year.
- \* Storage operations ("Storage") refer to the storage of CRA water in the aquifers underlying the Property. Storage capacity at 500,000 acre-feet.
- \* Take operations ("Take") refer to extraction of stored water and conveyance back to the CRA. Take capacity for the Core Program at 100,000 acre-feet/year.
- \* Transfer operations ("Transfer") refer to extraction and conveyance of low-TDS indigenous groundwater to the CRA. Transfer capacity for the Core Program at 100,000 acre-feet/year (such transfers to be consistent with a comprehensive groundwater management plan).

Operation of the Core Program would be conducted in accordance with a comprehensive basin management program to ensure long-term protection of the groundwater basin.

## 2.2. FINANCING.

CLCI is prepared to arrange to privately finance all costs, maintain ownership of, and fully operate the Core Program. Alternatively, the Principles and Terms For Agreement may include the following:

- \* Financial participation and/or ownership by Metropolitan.
- \* Financial participation and/or ownership by other public water agencies.

## 2.3. FEE STRUCTURE.

Metropolitan and CLCI agree to negotiate a fee structure for the various Core Program elements, examples of which may include the following:

- \* Put, Take, Storage, and Transfer fees.
- \* Minimum standby fees.
- \* Options to purchase indigenous groundwater.
- \* Fee escalation formulas.

## 2.4. CONSTRUCTION SCHEDULE.

The Principles and Terms For Agreement would reflect construction needs and schedule for the Core Program.

## 2.5. TIMETABLE AND MILESTONES.

The Principles and Terms For Agreement would reflect the Parties commitment to establish a timetable for completing the Core Program on the Property prior to the year 2000.

## 2.6. ENVIRONMENTAL COMPLIANCE.

The Parties would cooperate to ensure compliance with all federal and state environmental laws, including but not limited to the California Environmental Quality Act ("CEQA"), upon the execution of a final agreement, including the designation of an appropriate lead agency under CEQA for implementing and operating the Core Program on the Property and for the transportation of water supplies to the service area.

## SECTION 3: POTENTIAL FUTURE ADDITIONS TO CORE PROGRAM.

Several engineering additions ("Additions") have been identified which could potentially be added to the Core Program in the future, based on further investigations and evaluations. Potential Additions include, but are not limited to, the following:

### \* "Danby Lake Addition"

CLCI controls approximately 7,000 acres (11 square miles) near Danby Lake, approximately 10 miles north of the IMPP. If this property were developed as an addition to the Core Program, total Put, Storage, Take, and Transfer capacities could be significantly increased.

### \* "Dual Pipeline Addition"

A second transmission pipeline from the CRA to the Property could be employed to increase Put, Take, and Transfer capacities or to allow continuous cycling for increased water quality benefits to Metropolitan's service area.

## SECTION 4: RESPONSIBILITIES OF THE PARTIES UNDER THE AGREEMENT.

### 4.1. REVIEW PROCEDURES.

The Parties acknowledge that Metropolitan is developing a process for the uniform evaluation of potential storage and water supply programs that will coincide with the activities contemplated by this Agreement. This process will include analysis of potential programs by a review committee established by Metropolitan. The Parties desire to move forward expeditiously with evaluation of the Core Program as part of Metropolitan's review process. Accordingly, the review committee will be regularly briefed on the progress made in the activities contemplated by this Agreement and any completed Principles and Terms For Agreement will be brought to the review committee for its consideration. Subject to this process, the Parties agree to complete their respective review and evaluation procedures with respect to the Core Program and, as appropriate, negotiate the Principles and Terms For Agreement by March 31, 1998.

### 4.2. NEGOTIATION OF THE PRINCIPLES AND TERMS FOR AGREEMENT.

The Parties agree to negotiate and, as appropriate, draft the Principles and Terms For Agreement by March 31, 1998, to be brought to Metropolitan's governing Board for direction at the next appropriate Board meeting. The Principles and Terms For Agreement shall be used as the basis for drafting a comprehensive agreement.

### 4.3. MUTUAL UNDERSTANDING.

The Parties, by execution of this Agreement, confirm their mutual understanding and desire to enter into good faith negotiations toward preparation of the Principles and Terms For Agreement as soon as reasonably practicable for the performance of the responsibilities identified in this Agreement, including those pertaining to the refinement and review of the Core Program proposal, the financing and ownership of Core Program facilities, the duration and appropriate fee structure of the Core Program, a schedule for the implementation for the water supply benefits available under the Core Program, and full and complete compliance with applicable environmental laws.

4.4. APPROVAL OF AGREEMENT.

This Agreement has been approved by the management of each Party.

4.5. CONFIDENTIAL INFORMATION.

To promote the open exchange of information between the Parties necessary to negotiate the Principles and Terms For Agreement and investigate the Additions, each of the Parties will, to the extent allowed by applicable law, execute concurrently with this Agreement a Confidentiality Agreement to preserve the Parties' protected trade secrets, proprietary information, and confidential business plans.

4.6. NOTICE.

Any notice to a Party shall be in writing and effective when delivered to:

METROPOLITAN:

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John R. Wodraska  
General Manager  
Metropolitan Water District of  
Southern California  
350 South Grand Avenue  
Los Angeles, California 90071

CLCI:

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Keith Brackpool  
Chief Executive Officer  
Cadiz Land Company, Inc.  
100 Wilshire Boulevard, 16th Floor  
Santa Monica, California 90401

IN WITNESS WHEREOF, The Parties hereto have executed this Agreement as of the day and year first above written.

Metropolitan Water District of Southern California

By: /s/ John R. Wodraska

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John R. Wodraska  
General Manager

Approved as to form:

By: /s/ N. Gregory

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N. Gregory Taylor  
General Counsel

Cadiz Land Company, Inc.

By: /s/ Keith Brackpool

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Keith Brackpool  
Chief Executive Officer

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of February 1, 1998, by and between Cadiz Land Company, Inc., a Delaware corporation (the "Company") and Keith Brackpool, an individual ("Brackpool").

WHEREAS, the Company wishes to employ Brackpool and Brackpool wishes to accept such employment on the terms and conditions set forth herein;

NOW, THEREFORE, the parties agree as follows:

1. TERM OF EMPLOYMENT. The Company hereby employs Brackpool and Brackpool accepts such employment for an initial term of three (3) years commencing as of the date of this Agreement (the "Commencement Date"), and automatically continuing thereafter upon the same terms and conditions until terminated in accordance with the termination provisions of Section 6 below (the "Term").

2. DUTIES. Brackpool shall be employed as the Chief Executive Officer of the Company. Brackpool's base of operations shall be at the corporate headquarters office of the Company in Santa Monica, California unless changed by mutual agreement. However, Brackpool shall also render services at such other sites at which the Company's operations are conducted as necessary to properly perform his duties. Brackpool's duties and responsibilities shall relate, generally, to the operational management of the Company. Brackpool shall report to, and take direction from, the Board of Directors of the Company. Brackpool shall also perform such other duties pertaining to the operations of the Company as the Board of Directors of the Company (the "Board") may from time to time direct. Brackpool hereby consents to serve in further capacities as an officer and/or director of the Company or any subsidiary or affiliate (including, without limitation, Chairman of the Company's wholly owned subsidiary, Sun World International, Inc. ("Sun World")) without any additional salary or compensation.

3. NECESSARY SERVICES.

a. PERFORMANCE OF DUTIES. Brackpool agrees that he will at all times faithfully, industriously and to the best of his ability, experience and talents, perform to the reasonable satisfaction of the Company all of the duties that may be assigned to him hereunder and shall devote such time to the performance of these duties as may be necessary therefor.

b. FULL-TIME SERVICE. During the term of the Agreement, Brackpool shall be available on a full-time basis to perform the duties assigned him in accordance with paragraph 2 hereof; provided, however, that nothing herein shall preclude Brackpool from spending a reasonable amount of time in the management of his personal investments or with any charitable or civic venture with which Brackpool may be involved as of the date hereof; and provided, further, that such involvement shall not detract from the performance of Brackpool's duties hereunder.

c. EXCLUSIVE SERVICES. Brackpool agrees that during the period of his employment, Brackpool shall provide services exclusively pursuant to this Agreement, and Brackpool will not, without the prior written consent of the Company (which consent may be granted or withheld in the sole and absolute discretion of the Company), directly or indirectly:

(i) engage in the business of, or own or control any interest in (except as a passive investor owning less than 10% of the equity securities of a publicly held company), or act as director, officer or employee of, or consultant to, any individual, partnership, joint venture, corporation or other business entity, directly or indirectly engaged anywhere in the United States, its possessions or territories, in any business

competitive with the business then being carried on by the Company or any affiliate;

(ii) plan or organize any business activity competitive with the business or planned business of the Company or its affiliates, or combine, participate, or conspire with other employees of the Company or its affiliates or other persons or entities for the purpose of organizing any such competitive business activity; or

(iii) divert or take away, or attempt to divert or take away, any of the customers or potential customers of the Company or its affiliates, either for himself or for any other person, firm, partnership, corporation or other business entity.

4. BASIC COMPENSATION. Brackpool shall be paid an initial base salary of \$500,000 per annum, commencing as of the Commencement Date. Payments shall be made in equal monthly installments in accordance with the normal payroll practices of the Company. Such base salary will be subject to annual increase by the Compensation Committee of the Board, in its sole and absolute discretion.

Brackpool agrees to accept the foregoing, along with any other compensation to which Brackpool may be entitled under Section 5 below, as payment in full for all services rendered by him to or for the benefit of the Company and its subsidiaries.

Brackpool acknowledges and agrees that a portion of the compensation payable to him pursuant to this Agreement may be paid directly by Sun World or any other affiliate of the Company, and that any compensation payments received by Brackpool from such entities shall be credited against and applied to the total compensation to which Brackpool is entitled under this Agreement.

#### 5. OTHER COMPENSATION.

a. ANNUAL BONUS. Brackpool will be entitled to receive an annual bonus comprised of an EBITDA Bonus, a Water Development Bonus and a Discretionary Bonus (in the aggregate not to exceed 120% of the annual base compensation payable to Brackpool pursuant to Section 4 above) as follows:

i. EBITDA BONUS. Prior to the commencement of each fiscal year during the term of this Agreement, the Company's budgeted EBITDA Amount for such year shall be established by the Board. For purposes hereof, the term "EBITDA Amount" shall mean the Company's earnings before interest, taxes, depreciation and amortization (subject to such adjustments for extraordinary items as the Board may establish at the time it establishes the budgeted EBITDA Amount), as certified by the independent outside auditors of the Company. In the event of a change in the fiscal year end of the Company, suitable pro-rata adjustments shall be made to the foregoing EBITDA Amount. If the Company achieves 100% of its budgeted EBITDA Amount for the year, Brackpool will be paid a bonus equal to 20% of Brackpool's annual base salary. The amount of this bonus will be subject to increase if the EBITDA Amount for the year is greater than 100% of budget, up to a maximum of 40% of Brackpool's annual base salary if the EBITDA Amount is 120% of budget. If the EBITDA Amount for the year is greater than 100% of budget, but lower than 120% of budget, the amount of the bonus payable shall be calculated on a pro-rata basis. By way of example only, if the Company achieves 110% of budget, the bonus will equal 30% of Brackpool's annual base salary. Similarly, the amount of this bonus will be subject to decrease if the EBITDA Amount for the year is less than 100% of budget, with no bonus payable unless the EBITDA Amount exceeds 80% of budget. If the EBITDA Amount for the year is greater than 80% of budget, but lower than 100% of budget, the amount of the bonus payable shall be calculated on a pro-rata basis. By way of example only, if the Company achieves 90% of budget, the bonus will equal 10% of Brackpool's annual base salary.

ii. WATER DEVELOPMENT BONUS. Prior to the commencement of each fiscal year during the term of this Agreement, the Board shall establish a set of criteria based on advancements to be made during such year in fulfilling the Company's water development business plan which, if met, will result in the payment to Brackpool of a bonus in an amount not to exceed 40% of Brackpool's annual base salary. In establishing such criteria, the Board shall use 20% of Brackpool's annual base salary as a target bonus; provided, however, that the criteria shall be established by the Board so that the actual amount of the bonus may range anywhere from 0% to 40% of Brackpool's annual base salary depending upon the degree to which such criteria are met during the year.

iii. DISCRETIONARY BONUS. Following the conclusion of each fiscal year during the term of this Agreement, the Board shall make a good faith evaluation of the performance of the Company under Brackpool's direction during such year, on the basis of which Brackpool shall receive a bonus in an amount not to exceed 40% of Brackpool's annual base salary for such year. In determining the amount of such bonus, the Board shall use 20% of Brackpool's annual base salary as a target bonus; provided, however, that the actual amount of the bonus may range anywhere from 0% to 40% of Brackpool's annual base salary depending upon the Board's subjective evaluation of the performance of the Company under Brackpool's direction during the year.

iv. TIMING AND FORM OF BONUS PAYMENT. Any annual bonus payments payable to Brackpool hereunder shall be paid as soon as possible following the end of the fiscal year to which such bonus relates and the determination of the amounts owed; provided, however, that all such payments shall be made within 90 days of the end of the appropriate fiscal year. Bonus payments payable to Brackpool hereunder shall be paid in cash except that the Board, in its discretion, may pay up to 50% of the aggregate amount of any annual bonus earned in the form of theretofore authorized but unissued common shares of the Company, valued for such purpose at a price equal to the market value of the Company's common stock upon the date of the Board's determination to issue shares in lieu of cash. Upon the issuance of such shares, Brackpool shall provide to the Company such written documentation, including representations and warranties, as the Company may require in order to establish compliance with any applicable state or federal securities laws.

v. ADDITIONAL CONDITIONS TO BONUSSES. It shall be a further condition to the payment of any bonuses described in this paragraph 5(a) that Brackpool be an employee of the Company at the end of the fiscal year to which such bonuses relate.

b. FRINGE BENEFITS. In addition to the compensation set forth above, Brackpool shall be entitled to the following benefits:

i. Four (4) weeks annual vacation, provided that no more than two weeks are to be taken consecutively;

ii. Sick leave and personal leave with pay in accordance with the prevailing policies of the Company;

iii. Medical coverage under the group medical insurance plan of the Company (or COBRA coverage, at the election of Brackpool);

iv. Participation in any life insurance plans generally made available by the Company to its employees;

v. Additional life insurance through the

purchase, by the Company, of a \$1,000,000 face-value term life insurance policy for the benefit of Brackpool (or, alternatively, the payment of premiums by the Company with respect to a policy in such amount purchased by Brackpool);

vi. Participation in any disability plan generally made available by the Company to its employees, which, as of the date of this Agreement, provides for 60% of base compensation after 90 days of disability up to \$10,000 per month;

vii. Additional individual disability insurance coverage providing for 75% of Brackpool's base compensation (or such greater percentage as the Board may determine); provided, however, that the additional monthly premium payable by the Company for such coverage shall not exceed \$750.00 per month;

viii. Participation in any retirement or pension plan maintained by the Company for the general benefit of its employees, including any nonqualified or supplemental retirement plans that are implemented after the effective date of this Agreement;

ix. A fully equipped automobile of Brackpool's choice but at the Company's expense (with a retail value not to exceed \$85,000) for Brackpool's use during the term of this Agreement;

x. Participation in any long term incentive plans maintained by the Company for the general benefit of its employees; provided, however that the terms and conditions of any long-term incentive awards (including form, amount and vesting conditions) shall be established by the Board in its sole and absolute discretion;

xi. Participation in any other benefit plan maintained by the Company for the general benefit of its employees; and

xii. Any other benefits not specifically set forth herein as may be granted by the Company in its sole and absolute discretion.

c. VESTING OF RIGHTS UPON CHANGE IN CONTROL. As further consideration for the execution by Brackpool of this Agreement and the provision of services hereunder, the Company hereby agrees that if a Change in Control of the Company (as defined in the Company's 1996 Stock Option Plan) occurs, then any conditions to (i) the vesting of Brackpool's right to exercise outstanding stock options or (ii) the issuance to Brackpool of shares of the Company's common stock pursuant to outstanding stock bonus plans to which Brackpool is a party shall be deemed to have been satisfied, and any such options shall become fully exercisable and any such shares shall become immediately issuable as of the date such Change in Control occurred; provided, however, that the acceleration of exercisability or issuance shall be subject to the imposition of such restrictions on transferability of the subject shares of the Company's common stock as are necessary to permit stock issued upon exercise of such options or under such stock bonus plans to continue to qualify for the exception from Section 16(b) of the Securities Act of 1933, as amended, as provided under Rule 16(b)(3).

d. DEDUCTION AND REIMBURSEMENT. Brackpool hereby agrees that the Company may deduct and withhold from the compensation payable to Brackpool hereunder any amounts of money required to be deducted or withheld by the Company under the provisions of any and all applicable local, state or federal statutes or regulations or any amendments thereto hereafter enacted requiring the withholding or deducting of compensation. In the event the Company makes any payments or incurs any charges for Brackpool's account, the Company shall have the right, and Brackpool hereby authorizes the Company, to deduct from any compensation payable to Brackpool hereunder any charges so paid or incurred by the Company, but such right of deduction shall not be deemed to limit or exclude any other rights of credit or

recovery or any other remedies the Company otherwise may have. Nothing hereinabove set forth shall be deemed to obligate the Company to make any such payments or incur any such charges. If it is determined that such deduction is unauthorized, the Company agrees to reimburse Brackpool promptly, it being understood, however, that notwithstanding the determination that any deduction was unauthorized, the making of such deductions shall not be deemed to be a breach by the Company of any of its obligations to Brackpool hereunder.

## 6. TERMINATION.

a. INITIAL TERM AND AUTOMATIC EXTENSIONS. Except as provided in subsection (b) below, this Agreement shall terminate three (3) years from the date of this Agreement (the "Initial Term"); provided, however, that in the event that neither Brackpool nor the Company (acting through its Board of Directors) has given the other party written notice at least 30 days prior to the expiration of the Initial Term of such party's desire not to extend this Agreement then, upon the expiration of the Initial Term (and provided that this Agreement has not otherwise been terminated pursuant to the provisions of subsection (b) below) this Agreement shall automatically be extended for a period of one (1) year. This Agreement shall continue thereafter to be automatically extended for successive one (1) year periods unless and until (i) Brackpool or the Company gives the other party written notice at least 30 days prior to the expiration of any one (1) year extension period of such party's desire not to further extend this Agreement, or (ii) this Agreement is otherwise terminated pursuant to the provisions of subsection (b) below.

b. OTHER TERMINATION EVENTS. Notwithstanding the provisions of subsection (a) above, this Agreement shall terminate:

i. At the election of the Company, upon the death or permanent disability of Brackpool, "permanent disability" being defined as any continuous loss of one-half (1/2) or more of the time spent by Brackpool in the usual daily performance of his duties as a result of physical or mental illness for a continuous period in excess of ninety (90) days.

ii. At the election of the Company, at such time, if any, as the Company ceases to conduct business for any reason whatsoever.

iii. At the election of the Company, upon the breach by Brackpool of any term or condition of this Agreement or upon the dismissal of Brackpool by the Company for cause. For purposes of this Agreement, the Company shall have "cause" to terminate Brackpool's employment if he (1) engages in one or more acts constituting a felony; (2) engages in one or more acts involving fraud or serious moral turpitude; (3) misappropriates Company assets or engages in gross misconduct materially injurious to the Company or its affiliates or subsidiaries; or (4) willfully fails to comply with the written instructions of the Board.

iv. At the election of Brackpool, upon a breach by the Company of this Agreement by reason of a material change in Brackpool's job title or a material reduction in Brackpool's duties and responsibilities hereunder.

c. PAYMENTS FOLLOWING TERMINATION. Following termination of this Agreement, whether for any of the reasons specifically set forth above or for any other reason, the Company shall have no obligation to make payments to, or bestow benefits upon, Brackpool after the date of termination (otherwise than as required by law), except as follows:

i. In the event of termination by the Company pursuant to Section b(ii) as the result of Brackpool's death, payment of the base compensation otherwise payable to Brackpool pursuant to Section 4 hereof shall continue to be paid to

Brackpool's estate for a period of 90 days following Brackpool's death (such payments to be in addition to, and not in lieu of, any payments made pursuant to any Company provided death benefit plans).

ii. In the event of termination of this Agreement by Brackpool pursuant to Section (b)(iv) above, or in the event of termination of this Agreement by the Company prior to the expiration of the term of this Agreement for any reason not specifically set forth above, Brackpool shall be entitled to receive for the entire remaining term of this Agreement as though Brackpool were continuing to provide services to the Company under this Agreement (i) base compensation as set forth in Section 4 above as in effect on the date of termination and (ii) all fringe benefits as described in Section 5(b) above (other than use of an automobile) to the extent that such benefits can then lawfully be made available by the Company to Brackpool. In addition, in the event of termination of this Agreement by the Company prior to the expiration of the term of this Agreement for any reason not specifically set forth above, Brackpool shall be entitled to receive for the entire remaining term of this Agreement as though Brackpool were continuing to provide services to the Company a monthly payment equal to one-twelfth of his annual bonus target (i.e. 60% of Brackpool's base compensation as set forth in Section 4 above as in effect on the date of termination).

iii. The termination of this Agreement shall not affect the right of Brackpool to exercise any stock options or other rights to purchase securities of the Company which may have vested in full prior to the date of termination or Brackpool's right to any as yet unpaid bonus payable under Section 5(a) with respect to a fiscal year ending prior to the date of termination.

d. RETURN OF COMPANY'S PROPERTY. If this Agreement is terminated for any reason, the Company may, at its option, require Brackpool to vacate his offices prior to the effective date of a termination and to cease all activities on the Company's behalf. Brackpool agrees that on the termination of his employment in any manner, he will immediately deliver to the Company all notebooks, brochures, documents, memoranda, reports, price lists, files, invoices, purchase orders, books, correspondence, customer lists, or other written or graphical records, and the like, relating to the business or work of the Company, which are or have been in his possession or under his control and which have not been returned to the Company. Brackpool hereby expressly acknowledges that all such materials referenced above are the property of the Company.

e. PUBLIC IDENTIFICATION. If this Agreement is terminated for any reason, Brackpool shall immediately and forever thereafter cease to hold himself out to any person, firm, partnership, corporation or other entity as an employee, agent, independent contractor or representative of the Company or of any entity owned by, or affiliated with, the Company.

7. EXPENSES. The Company shall reimburse Brackpool for all out-of-pocket expenses incurred by Brackpool in the performance of his duties hereunder, including, but not limited to, telephone, travel, and office expenses, all subject to such written guidelines and/or requirements for verification as the Company may, in its sole and absolute discretion, establish.

8. CONFIDENTIALITY AND TRADE SECRETS. For purposes of this Section 8, the term "Company" shall collectively refer to the Company and any affiliate thereof.

a. CONFIDENTIAL INFORMATION. Brackpool shall keep in strictest confidence all information relating to the business, affairs, customers and suppliers of the Company (collectively hereinafter referred to as "Trade Secrets"), including, among other things but without limitation, the Company's cost of performing services, pricing formulae, methods or procedures, and customer lists, which Brackpool may acquire during the performance of his services and duties hereunder and which is not

otherwise generally known to the public. Brackpool acknowledges that such Trade Secrets are of great value, and have been developed and/or acquired at great expense to the Company, and the Company would not enter into this contract of employment and such information would not be made available to Brackpool in Brackpool's fiduciary capacity unless the Company were assured that all such information will be used for the exclusive benefit of the Company. Accordingly, during the term of this Agreement, and at all times thereafter, Brackpool shall not publish, communicate, divulge, disclose or use, whether or not for his own benefit, any such information without the prior written consent of the Company. Further, Brackpool agrees that during the period of his employment, Brackpool will not, directly or indirectly, engage in the business of, or own or control any interest in (except as a passive investor owning less than 10% of the equity securities of a publicly held company), or act as a director, officer of employee of, or consultant to, any individual, partnership, joint venture, corporation or other business entity, directly or indirectly engaged anywhere in the United States, its possessions and territories, in any business competitive with the business then being carried on by the Company; nor will Brackpool engage in any such activity following the termination of his employment hereunder (however and by whomever caused and irrespective of whether or not such termination is for cause), if the loyal and complete fulfillment by Brackpool of such activities would demand, inherently, that Brackpool reveal Trade Secrets.

b. CUSTOMER INFORMATION. Brackpool hereby specifically agrees that he will not utilize any information concerning the customers of the Company which Brackpool acquires during the term of this Agreement, whether or not the same originated through Brackpool's efforts, for any purpose detrimental to the business of the Company. Without limitation of the foregoing, Brackpool agrees that he shall not at any time interfere with any existing contracts of the Company, and further agrees that he shall not engage in business discussions with any person or entity with whom he or the Company are in negotiations at the time he ceases to be an employee of the Company until after such negotiations have been concluded.

c. SOLICITATION OF EMPLOYEES. Brackpool acknowledges that important factors in the Company's business and operations are the loyalty and good will of its employees and its customers. Accordingly, Brackpool agrees that both during the term of this Agreement and after the expiration or termination of this Agreement he will not enter into, and will not participate in, any plan or arrangement to cause any of the Company's employees to terminate his employment with the Company or hire any of such employees in connection with business initiated by Brackpool or any other person, firm or corporation. Brackpool further agrees that information as to the capabilities of the Company's employees, their salaries and benefits, and the other terms of their employment is confidential and proprietary to the Company and constitutes its valuable trade secrets.

d. ONGOING OBLIGATION. The provisions in this Section 8 shall be binding during Brackpool's employment and at all times thereafter, regardless of the circumstances or reasons for termination of this Agreement. In the event the provisions in this Section 8 are more restrictive than permitted by the laws of the jurisdiction in which enforcement of this provision is sought, such provisions shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

9. REMEDY FOR BREACH. Brackpool acknowledges that the services to be rendered by him hereunder are of a special, unique and extraordinary character, which gives this Agreement a peculiar value to the Company, the loss of which cannot be reasonably or adequately compensated in damages in an action at law, and a breach by Brackpool of the provisions of this Agreement will cause the Company irreparable injury. It is, therefore, expressly acknowledged that this Agreement may be enforced by injunction and other equitable remedies, without

bond. Such relief shall not be exclusive, but shall be in addition to any other rights or remedies Company may have for such breach, and Company shall be entitled to recover all costs and expenses, including reasonably attorneys' fees, incurred by reason of any breach of the covenants of this Agreement.

10. LITIGATION AND ATTORNEYS FEES. In the event of any litigation between the parties hereto in connection with this Agreement or to enforce any provision or right hereunder, the unsuccessful party to such litigation shall pay to the successful party therein all costs and expenses, including but not limited to reasonable attorneys' fees incurred therein by such successful party, which costs, expenses and attorneys' fees shall be included as a part of any judgment rendered in such action in addition to any other relief to which the successful party may be entitled.

11. BOARD ACTIONS. Any actions required to be taken or determinations to be made by the Board under this Agreement may, at the discretion of the Board, be taken or made by the Compensation Committee or any other duly authorized committee of the Board.

12. GENERAL PROVISIONS.

a. The failure of the Company at any time to enforce performance by Brackpool of any provisions of this Agreement shall in no way affect the Company's rights thereafter to enforce the same, nor shall the waiver by the Company of any breach of any provision hereof be held to be a waiver of any other breach of the same or any other provision.

b. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company; provided, however, it is understood and agreed that the services to be rendered and the duties to be performed by Brackpool hereunder are of a special, unique and personal nature and that it would be difficult or impossible to replace such services; by reason thereof, Brackpool may not assign either the benefits or the obligations of this Agreement.

c. Brackpool shall be considered an employee of the Company within the meaning of all federal, state and local laws and regulations governing unemployment insurance, workers' compensation, industrial accident, labor and taxes.

d. This Agreement is the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior oral and written agreements and negotiations between the parties.

e. The headings of the several paragraphs in this Agreement are inserted solely for the convenience of the parties and are not a part of and are not intended to govern, limit or aid in the construction of any term or provision hereof.

f. This Agreement may not be modified except by a written instrument signed by all parties hereto.

g. All clauses and covenants contained in this Agreement are severable, and in the event any of them shall be held to be invalid by any court, such clauses or covenants shall be limited as permitted under applicable law, or, if the same are not susceptible to such limitation, this Agreement shall be interpreted as if such invalid clauses or covenants were not contained herein.

h. This Agreement is made with reference to the laws of the State of California and shall be governed by and construed in accordance therewith. Any litigation concerning or to enforce the provisions of this Agreement shall be brought in the courts of the State of California.

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

BRACKPOOL:

/s/ Keith Brackpool  
-----  
Keith Brackpool

THE COMPANY

Cadiz Land Company, Inc.

By: /s/ Dwight Makins  
-----  
Dwight Makins  
Chairman

EXHIBIT 21.1

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CADIZ LAND COMPANY, INC.

SUBSIDIARIES OF THE COMPANY

Pacific Packing, Inc.  
Pacific Real Estate, Inc.  
Rancho Cadiz Mutual Water Company  
Southwest Fruit Growers, LP  
Sun World International, Inc.

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