

Morningstar[®] Document ResearchSM

FORM 10-K

CADIZ INC - CDZI

Filed: March 31, 2005 (period: March 31, 2005)

Annual report with a comprehensive overview of the company

YES NO X
--- ---

As of Feb 28, 2005, the Registrant had 10,326,339 shares of common stock outstanding. The aggregate market value of the common stock held by nonaffiliates as of June 30, 2004 was approximately \$41,050,122 based on 4,773,270 shares of common stock outstanding held by nonaffiliates and the closing price on that date. Shares of common stock held by each executive officer and director and by each entity that owns more than 5% of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant is not incorporating by reference any other documents within this Annual Report on Form 10-K except those footnoted in Part IV under the heading "Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K".

TABLE OF CONTENTS

PART I

Item 1.	Business	1
Item 2.	Properties	8
Item 3.	Legal Proceedings	10
Item 4.	Submission of Matters to a Vote of Security Holders .	10

PART II

Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	11
Item 6.	Selected Financial Data	12
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	26
Item 8.	Financial Statements and Supplementary Data	26
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	27
Item 9A.	Controls and Procedures	27
Item 9B.	Other Information	27

PART III

Item 10.	Directors and Executive Officers of the Registrant .	28
----------	--	----

Item 11.	Executive Compensation31
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters36
Item 13.	Certain Relationships and Related Transactions . . .	40
Item 14.	Principal Accountant Fees and Services	40
PART IV		

Item 15.	Exhibits, Financial Statements and Reports of Form 8-K42

PART I

ITEM 1. BUSINESS

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

OVERVIEW

Our primary asset consists of three separate properties, each of which consists of largely contiguous land in eastern San Bernardino County, California. This land position totals approximately 45,000 acres. Virtually all of this land is underlain by high-quality groundwater resources with demonstrated potential for various applications, including water storage and supply programs and agricultural, municipal, recreational, and industrial development. Two of the three properties are located in proximity to the Colorado River Aqueduct, the major source of imported water for southern California. The third property is located near the Colorado River.

The value of these assets derives from a combination of population increases and limited water supplies throughout southern California. In addition, most of the major population centers in southern California are not located where significant precipitation occurs, requiring the importation of water from other parts of the state. We therefore believe that a competitive advantage exists for those companies that possess or can provide high quality, reliable, and affordable water to major population centers.

To this end, in 1997 we commenced discussions with the Metropolitan Water District of Southern California ("Metropolitan") in order to develop a long-term agreement for a joint venture groundwater storage and supply program on our land in the Cadiz and Fenner valleys of eastern San Bernardino County (the "Cadiz Program"). Under the Cadiz Program, surplus water from the Colorado River would be stored in the aquifer system underlying our land during wet years. When needed, the stored water, together with indigenous groundwater, would be returned to the Colorado River Aqueduct for distribution to Metropolitan's member agencies throughout six southern California counties.

During the next several years, we engaged in extensive negotiations with Metropolitan concerning the Cadiz Program and actively pursued and received substantially all of the various permits required to construct and operate the project. However, in October 2002, Metropolitan's Board voted to not proceed with the Cadiz Program.

Notwithstanding Metropolitan's actions in 2002, we expect to be able to use our land assets and related water resources to participate in a broad variety of water storage and supply,

Page 1

exchange, and conservation programs with public agencies and other parties. Southern California's need for water storage and supply programs has not abated. We believe there are many different scenarios to maximize the value of this water resource, all of which are under current evaluation. See "Water Resource Development", below.

We expect that these alternative scenarios will have different capital requirements and implementation periods than those previously established for the Cadiz Program. Therefore, following Metropolitan's actions in 2002, we have entered into a series of agreements with our senior secured lender, ING Capital LLC ("ING") pursuant to which we reduced our debt to ING to \$25 million and extended the maturity date of the ING debt until March 31, 2010, conditioned upon a further principal reduction of \$10 million on or before March 31, 2008. In addition, we have raised approximately \$35 million in equity through private placements completed in 2003 and 2004.

Further, in February 2005, our wholly owned subsidiary Sun World International, Inc. ("Sun World") completed the sale of substantially all of its assets. See "General Development of Business", below. Sun World had entered bankruptcy proceedings in January 30, 2003, following which the financial statements of Sun World are no longer consolidated with ours.

With the implementation of these steps, we have been able to retain ownership of all of our assets relating to our water programs and to obtain working capital needed to continue our efforts to develop our water programs, albeit with the divestiture of our interests in Sun World's assets. Because many of our pre-existing common stockholders have participated in the 2003 and 2004 private placements, our base of common stockholders remains largely the same as before these placements.

We remain committed to our water programs and we continue to explore all opportunities for development of these assets. We cannot predict with certainty which of these various opportunities will ultimately be utilized.

(A) GENERAL DEVELOPMENT OF BUSINESS

We are a Delaware corporation formed in 1992 to act as the surviving corporation in a Delaware reincorporation merger between us and our predecessor, Pacific Agricultural Holdings, Inc., a California corporation formed in 1983.

As part of our historical business strategy, we have conducted our land acquisition, water development activities, agricultural operations and search for international water and agricultural opportunities for the purpose of enhancing the long-term appreciation of our properties and future prospects. See "Narrative Description of Business" below.

The focus of our water development activities has been the Cadiz Program. The actions of Metropolitan in late 2002 have, at a minimum, delayed implementation of the Cadiz Program. In 2004, our business development activities consisted largely of continued adjustments to our capital structure by way of amendments to our lending agreements and equity issuances. See "Overview", above. Our primary goal in this process has been to maintain ownership of our San Bernardino County properties and to create a capital structure that would allow us to continue our development of the Cadiz Program. We believe that we have succeeded in achieving this goal. Subsequent to Metropolitan's actions in 2002, we have paid down our debt facility with ING to \$25 million, and have obtained a maturity date extension and interest rate reduction with respect to such debt. We have obtained an additional equity infusion of approximately \$35 million through the issuance of common stock. Substantially all of the assets of Sun World have

Page 2

been sold. These transactions are described in more detail in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation."

We acquired all of the outstanding capital stock of Sun World in 1996. Since that time, until late 2002, we provided to Sun World various management and administrative services and facilities, and supplemented Sun World's annual working capital requirements. In late 2002, it became apparent that we would not be able to continue to provide such ongoing financial support to Sun World. In order to obtain the new financing needed to provide working capital for its 2003-2004 growing seasons, on January 30, 2003 (the "Petition Date") Sun World and three of its wholly owned subsidiaries filed voluntary petitions under Chapter 11 of the Bankruptcy Code. As of the Petition Date, the financial statements of Sun World are no longer consolidated with those of ours, but instead we account for our investment in Sun World on the cost basis of accounting. See Consolidated Financial Statements - Note 2 - Summary of Significant Accounting Policies - Principals of Consolidation.

In December 2003 we entered into a global settlement agreement with Sun World and with the holders of a majority, and subsequently all, of Sun World's First Mortgage Notes (the "Bondholders"). This global settlement agreement provided for the grant by Sun World to us of an unsecured claim against Sun World of \$13.5 million in full and final settlement of all claims and causes of action between us. This unsecured claim was then transferred to a trust controlled by the Bondholders. The Bondholders, in turn, waived any right of recovery from us on account of our previously issued guarantee of Sun World's obligations under the First Mortgage Notes.

In order to maximize Sun World's ability to make payments to the holders of the Series B First Mortgage Notes ("First Mortgage

Notes") and other creditors, Sun World, with Bankruptcy Court approval, pursued the sale of substantially all of its assets by way of auction. As a result of this auction, which was conducted in January 2005, Sun World sold substantially all of its assets in exchange for cash and credit consideration of \$127.8 million, plus payment and assumption of certain liabilities totaling an estimated \$14 million, including the trade claims, which approximates net book value as of December 31, 2004 of the assets sold. Sun World plans to file an amended Plan to distribute the remaining consideration left in Sun World (estimated at approximately \$50 million after interim distributions/credits to the holders of First Mortgage Notes of approximately \$78 million upon closing as authorized by the Court) and the distribution will be sufficient to enable Sun World to repay all holders of the First Mortgage Notes.

(B) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

During the year ended December 31, 2004 we continued to develop the water resource segment of our business. The operations of our agricultural resources segment were discontinued with the deconsolidation of Sun World upon Sun World's January 30, 2003 bankruptcy filing. See Consolidated Financial Statements. See also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(C) NARRATIVE DESCRIPTION OF BUSINESS

Our business strategy is the development of our holdings for their highest and best uses. At present, our development activities are focused on water resource development at our San Bernardino County properties.

Page 3

WATER RESOURCE DEVELOPMENT

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

(a) CADIZ GROUNDWATER STORAGE AND DRY-YEAR SUPPLY PROGRAM.

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

In 1997 we commenced discussions with Metropolitan in order to develop principles and terms for a long-term agreement for a joint venture groundwater storage and supply program on this land (the "Cadiz Program"). The Cadiz Program would provide Metropolitan with a valuable increase in water supply during periods of drought or other emergencies, as well as greater reliability and flexibility in operation of its Colorado River Aqueduct. During wet years, surplus water from the Colorado River would be stored in the aquifer system that underlies the Cadiz property. When needed, the stored water and indigenous

groundwater would be returned to the Colorado River Aqueduct for distribution to Metropolitan's member agencies throughout six southern California counties. Metropolitan provides supplemental water to approximately 17 million people.

In addition, temporary withdrawals of indigenous groundwater would also be available from the Cadiz Program during emergencies, in full compliance with the GROUNDWATER MONITORING & MANAGEMENT PLAN approved by the U.S. Department of the Interior in its RECORD OF DECISION. With this provision of the MANAGEMENT PLAN the effective long-term storage capacity of the Cadiz Program may exceed two million acre-feet.

Following extensive negotiations with us, in April 2001 Metropolitan's Board of Directors approved definitive economic terms and responsibilities, which were to serve as the basis for a final agreement to be executed between us, subject to the then-ongoing environmental review process. Pursuant to these definitive terms, during storage operations, Metropolitan would pay a \$50 fee per acre-foot for put of Colorado River water into storage, and a \$40 fee per acre-foot for return of Colorado River water from storage, or a total of \$90 per acre-foot to cycle water into and out of the Cadiz Program facilities. On the transfer of indigenous water, Metropolitan would pay a base rate of \$230 per acre-foot, which would be adjusted according to a fair market value adjustment procedure. Metropolitan would commit to minimum levels of utilization of the Cadiz Program for both storage of Colorado River Aqueduct water (900,000 acre-feet) and transfer of indigenous groundwater (up to 1,500,000 acre-feet). In addition, the definitive terms provided for the grant to us of the option to sell a portion of the indigenous groundwater (30,000 acre-feet per year for 25 years or a total of 750,000 acre-feet) to outside third parties within Metropolitan's service area at fair market value.

Cadiz Program facilities would include, among other things:

- * Spreading basins, which are shallow ponds that percolate water from the ground surface to the water table;

Page 4

- * High yield extraction wells designed to extract stored Colorado River water and indigenous groundwater from beneath the Cadiz Program area;
- * A 35-mile conveyance pipeline to connect the spreading basins and wellfield to the Colorado River Aqueduct near the Iron Mountain pumping plant; and
- * A pumping plant to pump water through the conveyance pipeline from the Colorado River Aqueduct near the Iron Mountain pumping plant to the Cadiz Program spreading basins.

The expected cost of these facilities was estimated at approximately \$150 million, which was to be jointly shared.

The definitive terms for the Cadiz Program also call for the establishment of a comprehensive GROUNDWATER MONITORING AND MANAGEMENT PLAN to ensure long-term protection of the aquifer system and related environmental resources in and surrounding the area in which the Cadiz Program is located.

In October 2001, the environmental report was issued by Metropolitan and the U.S. Bureau of Land Management, in collaboration with the U.S. Geological Survey and the National

Park Service. On August 29, 2002, the U.S. Department of Interior approved the Final Environmental Impact Statement for the Cadiz Program and issued its Record of Decision, the final step in the federal environmental review process for the Cadiz Program. The Record of Decision amended the California Desert Conservation Area Plan for an exception to the utility corridor element and offered to Metropolitan a right-of-way grant necessary for the construction and operation of the Cadiz Program.

On October 8, 2002, Metropolitan's Board considered acceptance of the terms and conditions of the right-of-way grant pursuant to the published Record of Decision. The Board voted not to adopt Metropolitan staff's recommendation to approve the terms and conditions of the right-of-way grant issued by the Department of the Interior for the Cadiz Program by a vote of 47.11% in favor and 47.36% against the recommendation. Instead, the Board voted for an alternative motion to reject the terms and conditions of the right-of-way grant and to not proceed with the Cadiz Program by a vote of 50.25% in favor and 44.22% against.

Subsequent to Metropolitan's actions, negotiations toward a final agreement for the Cadiz Program on the basis of the previously approved definitive terms have ceased.

With Metropolitan's actions, we have not been able to complete the environmental review phase of the Cadiz Program. It is our position that Metropolitan's actions of October 2002 breached various contractual and fiduciary obligations of Metropolitan to us, and interfered with the economic advantage we would have obtained from the Cadiz Program. Therefore, in April 2003 we filed a claim against Metropolitan seeking compensatory and punitive damages. See Item 3 - "Legal Proceedings".

Irrespective of Metropolitan's actions, the need for new water storage and supply programs in the southwestern United States has not diminished. Over the five years preceding the 2004 - 2005 winter season, the Colorado River watershed has experienced a prolonged drought that continues to present major challenges to the economies of California, Nevada, and Arizona. As population continues to grow at record rates, these states are faced with the very real possibility that current and future supplies of water will not be able to meet demand.

Page 5

We believe there are a variety of scenarios under which the value of the Cadiz Program may be realized. Exploratory discussions have been initiated with representatives of governmental organizations, water agencies, and private water users with regard to their expressed interest in implementation of the Cadiz Program. Several such discussions have been held with water agencies that are independently seeking reliability of supply. Other discussions have focused on the possibility of exchanging water stored at the Cadiz Program with water contractors in other regions in California. In addition, the drought within the Colorado River watershed has served as an impetus to cooperative discussions between states, with the goal that interstate exchanges and transfers may also become feasible in the future.

Because of our long-term relationship with Metropolitan, we also intend to pursue discussions with the agency in an effort to determine whether there are terms acceptable to both parties under which the Cadiz Program could be implemented. With the recent finalization of the Quantification Settlement Agreement (QSA), an agreement involving the Secretary of the Interior, the State of California, Metropolitan and three other southern

California water agencies quantifying the amount of water California's Colorado River users could expect on an annual basis, Metropolitan's Colorado River supplies are now specified and limited only by the variable volume of flow on the river. To meet the growing needs of its service area, Metropolitan must take advantage of all opportunities to store available Colorado River water during periods of surplus. With virtually all environmental permits and approvals in place for the Cadiz Program, except for those dependent upon Metropolitan's certification of the Environmental Impact Report (EIR), we believe a partnership with Metropolitan could be renewed in a timely manner if terms acceptable to both parties were to be negotiated.

In the absence of a negotiated resolution, we would continue to seek an administrative resolution of our claim against Metropolitan. In April 2003 we filed an administrative notice of claim with Metropolitan asserting the breach by Metropolitan of various obligations specified in the PRINCIPLES OF AGREEMENT. We believe that by failing to complete the environmental review process, as specified in the PRINCIPLES OF AGREEMENT, Metropolitan violated this contract, breached its fiduciary duties to us and interfered with our prospective economic advantages. In discussions following presentation of this claim, we and Metropolitan agreed to evaluate alternative approaches to implementation of the Cadiz Program. Metropolitan has not to date responded to the claim and we have until October 2005 to file a lawsuit against the agency.

(b) OTHER EASTERN MOJAVE PROPERTIES

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

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

AGRICULTURAL OPERATIONS

We are no longer engaged in agricultural operations. Historically, we have leased our Cadiz Valley farming property to Sun World and other third parties. In the fourth quarter of 2004, the lease with Sun World expired. We continue to lease to a third party approximately 1,000 acres of juice grape vineyards and citrus orchards at our Cadiz Valley property. The lease is renewable on a year to year basis with annual revenues of approximately \$50,000.

On January 30, 2003, Sun World filed voluntary petitions under Chapter 11 of the Bankruptcy Code. In February 2005, with

Bankruptcy Court approval, Sun World sold substantially all of its assets. See "General Development of Business", above. Following the filing date and until the sale of its assets, Sun World operated its business and managed its affairs as debtor and debtor in possession. As of the filing date the financial statements of Sun World are no longer consolidated with those of ours, but instead, we account for our investment in Sun World on the cost basis of accounting. As a result of changing to the cost basis of accounting on January 31, 2003, we had a net investment in Sun World of approximately \$195 thousand consisting of loans and other amounts due from Sun World of \$13,500,000 less losses in excess of investment in Sun World of \$13,305,000. We wrote off the net investment in Sun World of \$195 thousand at the Chapter 11 filing date because we do not anticipate being able to recover our investment.

SEASONALITY

Our water resource development activities are not seasonal in nature.

With our divestiture of Sun World our operations will no longer be subject to the general seasonal trends that are characteristic of the agricultural industry.

COMPETITION

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

EMPLOYEES

As of December 31, 2004, we employed 5 full-time employees (i.e. those individuals working more than 1,000 hours per year). We believe that our employee relations are good.

REGULATION

Our operations are subject to varying degrees of federal, state and local laws and regulations. As we proceed with the development of our properties, including the Cadiz Program, we will be required to satisfy various regulatory authorities that we are in compliance with the laws, regulations and policies enforced by such authorities. Groundwater development, and the export of surplus groundwater for sale to single entities such as public water agencies, is not subject to regulation by existing statutes other than general environmental statutes applicable to all development projects. Additionally, we must obtain a variety of approvals and permits from state and federal governments with respect to issues that may include

Page 7

environmental issues, issues related to special status species, issues related to the public trust, and others. Because of the discretionary nature of these approvals and concerns which may be raised by various governmental officials, public interest groups and other interested parties during both the development and approval process, our ability to develop properties and realize income from our projects, including the Cadiz Program, could be delayed, reduced or eliminated.

ITEM 2. PROPERTIES

The following is a description of our significant properties.

THE CADIZ/FENNER PROPERTY

In 1984, we conducted investigations of the feasibility of agricultural development of land located in the Cadiz and Fenner valleys of eastern San Bernardino County, California. These investigations confirmed the availability of high-quality water in commercial quantities appropriate for agricultural development. Since 1985, we have acquired approximately 35,000 acres of largely contiguous land in this area, which is located approximately 30 miles north of the Colorado River Aqueduct.

Additional numerous independent geotechnical and engineering studies conducted since 1985 have confirmed that the Cadiz/Fenner property overlies a natural groundwater aquifer system that is ideally suited for the underground water storage and dry year transfers as contemplated in the Cadiz Program. See Item 1, "Business - Narrative Description of Business - Water Resource Development".

In November 1993, the San Bernardino County Board of Supervisors unanimously approved a General Plan Amendment establishing an agricultural land use designation for 9,600 acres in the Cadiz Valley for which approximately 1,600 acres have been developed for agriculture. 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 aquifer system underlying our property.

OTHER EASTERN MOJAVE PROPERTIES

We also own approximately 10,900 additional acres in the eastern Mojave Desert, including the Piute and Danby Lake properties.

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

Additionally, we own or control additional acreage located near Danby Dry Lake, approximately 30 miles southeast of our landholdings in the Cadiz and Fenner valleys. Our Danby Lake property is located approximately 10 miles north of the Colorado River Aqueduct.

Page 8

Initial hydrological studies indicate that it has excellent potential for a groundwater storage and supply project.

FARM PROPERTY

Approximately 1,600 acres of our Cadiz Valley property has

been developed for agricultural use. We are currently leasing to a third party approximately 1,000 acres of this property, consisting of juice grape vineyards, and until the fourth quarter of 2004 were leasing approximately 300 acres of this property, consisting of citrus orchards, to Sun World. The lease provides for the lessee to be responsible for all costs associated with growing crops on the leased property. The lease with the third party is renewable on a year to year basis with annual revenues of approximately \$50,000.

EXECUTIVE OFFICES

We currently lease our executive offices in Los Angeles, California, which consist of approximately 4,770 square feet, pursuant to a sublease that expires on June 14, 2006. Current base rent under the lease is approximately \$8,350 per month.

CADIZ REAL ESTATE

In December 2003, we transferred substantially all of our assets (with the exception of our office sublease, certain office furniture and equipment and any Sun World related assets) to Cadiz Real Estate LLC, a Delaware limited liability company ("Cadiz Real Estate"). We hold 100% of the equity interests of Cadiz Real Estate, and therefore we continue to hold 100% beneficial ownership of the properties that we transferred to Cadiz Real Estate. Cadiz Real Estate was created at the behest of our senior secured lender, ING. The Board of Managers of Cadiz Real Estate consists of two managers appointed by us and one independent manager named by ING.

Cadiz Real Estate is a co-obligor under our credit facilities with ING, for which assets of Cadiz Real Estate have been pledged as security.

Because the transfer of our properties to Cadiz Real Estate has no effect on our ultimate beneficial ownership of these properties, we refer throughout this Report to properties owned of record either by Cadiz Real Estate or by us as "our" properties.

DEBT SECURED BY PROPERTIES

Our outstanding debt at December 31, 2004 of \$25 million represents loans secured by our properties (including properties held of record by Cadiz Real Estate). Information regarding interest rates and principal maturities is provided in Note 7 to the consolidated financial statements.

Page 9

ITEM 3. LEGAL PROCEEDINGS

CLAIM AGAINST METROPOLITAN

On April 7, 2003 we filed an administrative claim against The Metropolitan Water District of California ("Metropolitan"), asserting the breach by Metropolitan of various obligations specified in our Principles of Agreement with Metropolitan. We believe that by failing to complete the environmental review process for the Cadiz Program, as specified in the Principles of Agreement, Metropolitan violated this contract, breached its fiduciary duties to us and interfered with our prospective economic advantages. See Item 1, "Business - Narrative Description of Business - Water Resource Development". The filing was made with the Executive Secretary of Metropolitan. We are seeking recovery of compensatory and punitive damages.

In discussions following presentation of this claim, we have continued to evaluate alternative approaches to implementation of the Cadiz Program. Metropolitan has not to date responded to the claim and we have until October 2005 to file a lawsuit against the agency.

SUN WORLD BANKRUPTCY FILING

On January 30, 2003, (the "Petition Date") Sun World and three of its wholly owned subsidiaries (Sun Desert, Inc., Coachella Growers and Sun World/Rayo) filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court, Central District of California, Riverside Division (Case Nos: RS 03-11370 DN, RS 03-11369 DN, RS 03-11371 DN, RS 03-11374 DN). See Item 1, "Business - General Development of Business".

OTHER PROCEEDINGS

There are no other material pending legal proceedings to which we are a party or of which any of our property is the subject.

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

No matters were submitted to a vote of our stockholders during the fourth quarter of 2004.

PART II

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

Our common stock is currently traded over the counter on the OTC Bulletin Board under the symbol "CDZI". Prior to March 27, 2003, the Company's common stock was listed on the Nasdaq National Market (Nasdaq). On March 27, 2003, the Company's common stock was delisted from Nasdaq, and thereafter traded on the OTC Bulletin Board until May 23, 2003, at which time our common stock was removed from the Bulletin Board and began trading on the OTC U.S. Market, often referred to as the "Pink Sheets". On November 11, 2004 our stock resumed trading on the OTC Bulletin Board. The following table reflects actual sales transactions for the dates that the Company was trading on Nasdaq, and high and low bid information for dates subsequent. The OTC Bulletin Board and Pink Sheet market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. The high and low ranges of the common stock for the dates indicated have been provided by Bloomberg LP. Please note that all stock prices listed throughout this annual report on Form 10K have been adjusted for the one for 25 reverse stock split that took place in December 2003.

QUARTER ENDED	HIGH SALES PRICE	LOW SALES PRICE
-----	-----	-----
2003:		
March 31	\$ 20.25	\$ 2.625
June 30	\$ 4.75	\$ 2.425
September 30	\$ 4.00	\$ 1.425
December 31	\$ 5.90	\$ 3.375
2004:		
March 31	\$ 7.60	\$ 4.80
June 30	\$ 8.75	\$ 7.10

September 30	\$	15.50	\$	8.50
December 31	\$	17.00	\$	11.70

On February 28, 2005, the high, low and last sales prices for the shares, as reported by Bloomberg, were \$15.00, \$14.50, and \$15.00, respectively.

We also have an authorized class of 100,000 shares of preferred stock. There is one series of preferred stock (Series F) authorized for issuance. All 100,000 authorized shares of Series F Preferred Stock were issued in December 2003. Effective November 30, 2004, 99,000 shares of Series F Preferred Stock were converted to 1,711,665 shares of our common stock leaving 1,000 shares of Series F Preferred Stock issued and outstanding.

On May 10, 1999 we adopted a Stockholders' Rights Plan. In connection with the Rights Plan, and as further described in the Rights Plan, we declared a dividend of one preferred share purchase right for each outstanding share of our common stock outstanding at the close of business on June 1, 1999, and filed a Certificate of Designations designating for issuance 40,259 shares of Series A Junior Participating Preferred Stock. No shares of Series A Participating Preferred Stock were ever issued. The Rights Plan was amended and terminated by our Board of Directors on March 25, 2004. On March 26, 2004, Cadiz filed a certificate of elimination which eliminated this series of preferred stock.

Page 11

As of February 28, 2005, the number of stockholders of record of our common stock was 245 and the estimated number of beneficial owners was approximately 2,268.

To date, we have not paid a cash dividend on our common stock and we do not anticipate paying any cash dividends in the foreseeable future. Our ability to pay such dividends is subject to covenants pursuant to agreements with our primary lender that prohibits the payment of dividends.

All equity securities sold by us during the quarter ended December 31, 2004 that were not registered under the Securities Act were previously reported in our Current Report on Form 8-K dated November 30, 2004. All other securities sold by us during the three years ended December 31, 2004 which were not registered under the Securities Act have previously been reported in our Annual and Quarterly Reports on Forms 10K and 10-Q.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data insofar as it relates to the years ended December 31, 2004, 2003, 2002, 2001 and 2000 has been derived from our audited financial statements. The information that follows should be read in conjunction with the audited consolidated financial statements and notes thereto for each of the three years in the period ended December 31, 2004 included in Part IV of this Form 10-K. See also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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

	YEAR ENDED DECEMBER 31,				
	2004	2003	2002	2001	2000
	----	----	----	----	----

Statement of Operations Data:

Total revenues	\$ 47	\$ 3,162	\$114,250	\$ 92,402	\$107,745
Net loss	(16,037)	(11,536)	(22,225)	(25,722)	(22,458)
Less: Preferred stock dividends	-	918	1,125	591	-
Imputed dividend on preferred stock	-	1,600	984	441	-
	-----	-----	-----	-----	-----
Net loss applicable to common stock	\$ (16,037)	\$ (14,054)	\$ (24,334)	\$ (26,754)	\$ (22,458)
	=====	=====	=====	=====	=====
Per share:					
Net loss (basic and diluted)	\$ (2.32)	\$ (6.39)	\$ (16.76)	\$ (18.66)	\$ (15.89)
	=====	=====	=====	=====	=====
Weighted-average common shares outstanding	6,911	2,200	1,452	1,434	1,414
	=====	=====	=====	=====	=====

DECEMBER 31,

-----	-----	-----	-----	-----
2004	2003	2002	2001	2000
----	----	----	----	----

Balance Sheet Data:

Total assets	\$ 51,071	\$ 49,526	\$ 191,883	\$ 198,275	\$ 203,617
Long-term debt	\$ 25,000	\$ 30,253	\$ 115,447	\$ 141,429	\$ 145,610
Redeemable preferred stock	\$ -	\$ -	\$ 10,942	\$ 9,958	\$ 3,950
Preferred stock, common stock and additional paid-in capital	\$ 209,718	\$ 185,040	\$ 156,166	\$ 152,765	\$ 143,063
Accumulated deficit	\$ (184,860)	\$ (168,823)	\$ (157,287)	\$ (135,062)	\$ (109,340)
Stockholders' equity	\$ 24,858	\$ 16,217	\$ (1,121)	\$ 17,703	\$ 33,723

Page 12

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

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the following discussion contains trend analysis and other forward-looking statements. Forward-looking statements can be identified by the use of words such as "intends", "anticipates", "believes", "estimates", "projects", "forecasts", "expects", "plans" and "proposes". Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. These include, among others, our ability to maximize value from our Cadiz, California land and water resources and our ability to obtain new financings as needed to meet our ongoing working capital needs. See additional discussion under the heading "Certain Trends and Uncertainties" below.

OVERVIEW

As discussed in further detail below, as of January 30, 2003 the financial statements of our Sun World subsidiary are no longer being consolidated with ours. Presently, our operations (and, accordingly, our working capital requirements) relate

primarily to our water development activities and, more specifically, to the Cadiz Groundwater Storage and Dry-Year Supply Program. Our results of operations for periods subsequent to January 2003 have been, and in future fiscal periods will be, largely reflective of the operations of our water development activities.

In 1997 we commenced discussions with the Metropolitan Water District of Southern California ("Metropolitan") in order to develop a long-term agreement for a joint venture groundwater storage and supply program on our land in the Cadiz and Fenner valleys of eastern San Bernardino County (the "Cadiz Program"). Under the Cadiz Program, surplus water from the Colorado River would be stored in the aquifer system underlying our land during wet years. When needed, the stored water, together with indigenous groundwater, would be returned to the Colorado River Aqueduct for distribution to Metropolitan's member agencies throughout six southern California counties.

During the next several years, we engaged in extensive negotiations with Metropolitan concerning the Cadiz Program and actively pursued and received substantially all of the various permits required to construct and operate the project. However, in October 2002, Metropolitan's Board voted to not proceed with the Cadiz Program.

Notwithstanding Metropolitan's actions in 2002, we expect to be able to use our land assets and related water resources to participate in a broad variety of water storage and supply, exchange, and conservation programs with public agencies and other parties. Southern California's need for water storage and supply programs has not abated. We believe there are many different scenarios to maximize the value of this water resource, all of which are under current evaluation. See "Item 1. Water Resource Development", above.

We expect that these alternative scenarios will have different capital requirements and implementation periods than those previously established for the Cadiz Program. Therefore, following Metropolitan's actions in 2002, we have entered into a series of agreements with our senior secured lender, ING Capital LLC ("ING") pursuant to which we reduced our debt to ING to \$25 million and extended the maturity date of the ING debt until March 31, 2010, conditioned upon a further principal reduction of \$10 million on or before March 31, 2008. In addition, we

Page 13

have raised approximately \$35 million in equity through private placements completed in 2003 and 2004. Most recently, on November 30, 2004, we completed a private placement of 400,000 Units at the price of \$60.00 per Unit. Each Unit consisted of five (5) shares of the Company's common stock and one (1) common stock purchase warrant. Each Warrant will entitle the holder to purchase, commencing 180 days from the date of issuance, one (1) share of common stock at an exercise price of \$15.00 per share. Each Warrant will have a term of three (3) years, but will be callable by us commencing twelve months following completion of the placement if the closing market price of our common stock exceeds \$18.75 for 10 consecutive trading days.

We used approximately half of the proceeds of the placement to reduce our senior debt to ING. The balance of the proceeds are being used by the Company for working capital.

Further, in February 2005, Sun World completed the sale of substantially all of its assets in exchange for cash and credit consideration of \$127.8 million, plus payment and assumption of

certain liabilities totaling an estimated \$14 million, including the trade claims, which approximates net book value as of December 31, 2004 of the assets sold. Sun World plans to file an amended Plan to distribute the remaining consideration left in Sun World (estimated at approximately \$50 million after interim distributions/credits to the holders of First Mortgage Notes of approximately \$78 million upon closing as authorized by the Court). See "Item 1. General Development of Business", above. Sun World had entered bankruptcy proceedings in January 30, 2003, following which the financial statements of Sun World are no longer consolidated with ours.

With the implementation of these steps, we have been able to retain ownership of all of our assets relating to our water programs and to obtain working capital needed to continue our efforts to develop our water programs, albeit with the divestiture of our interests in Sun World's assets. Because many of our pre-existing common stockholders have participated in the 2003 and 2004 private placements, our base of common stockholders remains largely the same as before these placements.

RESULTS OF OPERATIONS

On January 30, 2003, Sun World filed a voluntary petition for Chapter 11 bankruptcy protection. As of that date due to the Company's loss of control over the operations of Sun World, the financial statements of Sun World are no longer consolidated with ours, but instead, we are accounting for our investment in Sun World on the cost basis of accounting. As a result of changing to the cost basis of accounting on January 31, 2003, we had a net investment in Sun World of approximately \$195 thousand consisting of loans and other amounts due from Sun World of \$13,500,000 less losses in excess of investment in Sun World of \$13,305,000. As a result, the Company wrote off its net investment in Sun World of \$195 thousand at the Chapter 11 filing date because it does not anticipate being able to recover its investment.

Our consolidated financial statements for the year ended December 31, 2003 include the results of operations for Sun World only for the period January 1, 2003 through January 30, 2003. The results of operations of Sun World subsequent to January 30, 2003 are not included in these consolidated financial statements. As a result of the foregoing, direct comparisons of our consolidated results of operations for year ended December 31, 2004 with results for the year ended December 31, 2003 do not, in our view, prove meaningful.

For this reason, we believe that material trends and developments with respect to our results of operations from period to period are more readily identifiable by comparing the

Page 14

unconsolidated results of Cadiz Inc. for the year ended December 31, 2003, which do not include the January 2003 operations of Sun World, rather than our consolidated results of operations, which include the January 2003 operations of Sun World.

Tables which disclose the results of Cadiz Inc. separate from its consolidated subsidiary Sun World for the year ended December 31, 2003, and from which the numbers used in the following discussion are derived, can be found in Note 7 to the Consolidated Financial Statements.

(A) YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED
DECEMBER 31, 2003

We have not received significant revenues from our water resource activity to date. As a result, we continue to incur a net loss from operations. We had revenues of \$47 thousand for the year ended December 31, 2004 and \$3.2 million for the year ended December 31, 2003, including \$3.0 million from Sun World for the month ended January 30, 2003. Our net loss totaled \$16.0 million for the year ended December 31, 2004 compared to \$11.5 million for the year ended December 31, 2003 which included a \$2.5 million loss from Sun World for the period ended January 30, 2003. The increase for the 2004 period resulted from the write off of permanent and developing crops in the amount of \$3.4 million, a \$2.8 million increase in interest cost resulting from amortization of deferred borrowing costs, and write offs of unamortized deferred borrowing costs of \$1.4 million. General and administrative costs declined by \$2.2 million in 2004.

Our primary expenses are our ongoing overhead costs (i.e. general and administrative expense) and our interest expense. In addition, during the upcoming years ending December 31, 2005 and 2006 we expect that we will incur an additional significant non-cash expense in connection with the issuance of shares and options under our Management Equity Incentive Plan, which provides for the issuance of up to 1,472,051 shares of our common stock. See Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters - Management Equity Incentive Plan," below. The issuance of these shares, or options to purchase these shares, will result in a charge to our earnings based on the value of our common stock at the time of issue and the valuation of options at the time of their award and will be recorded over the vesting period in proportion to the quantities vested. The value of our common stock at the time of issue and the valuation of options at the time of their award will be added to additional paid-in capital with the result that there will not be a net reduction to shareholders' equity as a result of the issuances.

REVENUES Revenue totaled \$47 thousand during the year ended December 31, 2004 compared to \$3.2 million the preceding year. The \$3.2 million in 2003 includes \$0.3 million attributable to Cadiz with the remainder attributable to Sun World for the period ending January 30, 2003. The Cadiz decrease from \$0.3 million to \$47 thousand is primarily due to discontinuation of the management fee and other fees payable to Cadiz by Sun World as of January 30, 2003 due to Sun World's Chapter 11 filing. The revenue during the year ended December 31, 2004 was derived primarily from the lease of farming property to a third party. No revenue was derived from the lease to Sun World during the year ended December 31, 2004 as such revenue was contingent on profitability of the harvest, which profitability was not achieved, under the terms of the lease.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses during the year ended December 31, 2004 totaled \$3.1 million compared to \$5.2 million for the year ended December 31, 2003. Excluding Sun World, Cadiz general

Page 15

and administrative expenses during the year ended December 31, 2003 were \$4.7 million. The decrease in Cadiz' general and administrative expenses in 2004 is primarily due to reductions in salaries which included a contract termination payment to the Company's CEO (see Item 11) of \$0.8 million in 2003 and increased professional fees in 2003 related to transactions with our secured lender, our equity raising activities, and the Sun World bankruptcy.

WRITE OFF OF INVESTMENT IN SUBSIDIARY On January 30, 2003, Sun World and certain of its subsidiaries filed voluntary

petitions for relief under Chapter 11 of the Bankruptcy Code. As of that date, due to the Company's loss of control over the operations of Sun World, the financial statements of Sun World are no longer consolidated with those of Cadiz, but instead Cadiz accounts for its investment in Sun World on the cost basis of accounting. As a result of changing to the cost basis of accounting and because the Company does not believe it will be able to recover its investment, the Company wrote off its investment in Sun World of \$195,000 in 2003. There was no similar expense in 2004.

REORGANIZATION COSTS Reorganization costs totaled \$0.7 million during 2003. These costs were incurred by Sun World during January 2003 related to the Chapter 11 bankruptcy filing. No such costs occurred during 2004.

WRITE OFF OF PERMANENT CROPS AND DEVELOPING CROPS In the last quarter of the year ended December 31, 2004, the long-standing lease for a portion of our Cadiz Valley farming property to Sun World expired and the crops have not been leased to another party. The remaining property, which is leased to an independent third party, on a year to year basis, does not generate a significant amount of revenue. Based on the uncertainty as to possible recovery of the carrying value of the permanent crops and developing crops on this property, during the last quarter of 2004 we wrote off our investment in permanent and developing crops at this property in the amount of \$3.4 million, net of depreciation. See Note 2 to our Consolidated Financial Statements. No such write offs occurred during 2003.

DEPRECIATION AND AMORTIZATION Depreciation and amortization for Cadiz totaled \$0.5 million for the year ended December 31, 2004 compared to \$0.7 million for the 2003 year. The reduction in depreciation and amortization is due to certain assets becoming fully depreciated during 2004 and \$0.2 million attributable to Sun World included in the period ended January 30, 2003 which did not exist in 2004.

INTEREST EXPENSE, NET. Net interest expense totaled \$9.1 million during the year ended December 31, 2004, compared to \$4.9 million during 2003, of which \$3.6 million was attributable to Cadiz excluding Sun World. The following table summarizes the components of Cadiz net interest expense and that of Sun World for the two periods (in thousands):

	YEAR ENDED	
	DECEMBER 31,	
	2004	2003
	----	----
Cadiz		
Interest on outstanding debt	\$ 3,970	\$ 3,053
Amortization of financing costs	3,767	641
Write off of unamortized financing costs	1,369	-
Interest income	(42)	(58)
Sun World interest expense	-	1,269
	-----	-----
	\$ 9,064	\$ 4,905
	=====	=====

Financing costs, which include legal fees, warrant costs and preferred stock, are amortized over the life of the ING debt agreement. In December 2003 we entered into an agreement with ING

which extended the maturity date of our loan, which had a prior maturity date of January 31, 2003. As a result there was little amortization during 2003 as the deferred financing costs were fully amortized at the January 2003 maturity date. Following several months of discussion with ING, our loan was amended in December 2003 and the financing costs associated with the debt amendment of \$5.3 million (consisting of fees of \$0.3 million and preferred stock valued at \$5.0 million) were being amortized through the maturity date of March 31, 2005. On November 30, 2004 we entered into another amendment of the loan agreement, under which the term of the loan was extended, the interest rate was reduced, and a portion of the principal balance was repaid necessitating the write off of the remaining \$1.4 million in unamortized financing costs associated with the loan under the terms applicable as of December 2003.

(B) YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED
DECEMBER 31, 2002

The Company had revenues of \$3.2 million for the year ended December 31, 2003 and \$114.3 million for the year ended December 31, 2002. Cadiz, excluding Sun World, had revenues of \$0.3 million for the year ended December 31, 2003 and \$2.1 million for the year ended December 31, 2002. The Company had a net loss of \$11.5 million for the year ended December 31, 2003 compared to \$22.2 million for the year ended December 31, 2002. Cadiz' net loss, excluding the loss from Sun World, totaled \$9.2 million for the year ended December 31, 2003 compared to \$12.7 million for the year ended December 31, 2002, with the decrease for the 2003 period resulting from decreases in general and administrative and interest expense offset by a reduction in revenue and no cost incurred for the removal of underperforming crops in 2003.

REVENUES Our revenue totaled \$3.2 million during the year ended December 31, 2003 compared to \$114.2 million the preceding year. Cadiz' standalone revenue, excluding the revenue of Sun World, totaled \$0.3 million during the year ended December 31, 2003 compared to \$2.1 million the preceding year. The decrease is primarily due to discontinuation of the management fee payable by Sun World as of January 30, 2003 due to Sun World's Chapter 11 filing.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses during the year ended December 31, 2003 totaled \$5.2 million compared to \$17.0 million for the year ended December 31, 2002. Cadiz' general and administrative expenses, excluding that of Sun World, during the year ended December 31, 2003 totaled \$4.7 million compared to \$7.5 million for the year ended December 31, 2002. The decrease in general and administrative expenses is primarily due to reductions in salaries and other costs associated with a reduction in staffing, elimination of foreign water programs, and reduced facility and insurance costs, partly offset by increased professional fees related to transactions with our secured lender, our equity raising activities, and the Sun World bankruptcy.

WRITE OFF OF INVESTMENT IN SUBSIDIARY On January 30, 2003, Sun World and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. As of that date, due to the Company's loss of control over the operations of Sun World, the financial statements of Sun World are no longer consolidated with those of Cadiz, but instead Cadiz accounts for its investment in Sun World on the cost basis of accounting. As a result of changing to the cost basis of accounting and because the Company does not believe it will be able to recover its investment, in 2003 the Company wrote off its investment in Sun World of \$195,000.

REORGANIZATION COSTS Reorganization costs totaled \$0.7 million during 2003. These costs were incurred by Sun World during January 2003 related to the Chapter 11 bankruptcy filing. No such costs occurred during 2002.

REMOVAL OF UNDERPERFORMING CROPS Removal of underperforming crops totaled \$4.5 million for the year ended December 31, 2002. During 2002, Cadiz removed 200 acres of underperforming table grapes and citrus at the Cadiz Ranch resulting in a charge of \$1.0 million in connection with the removal of these crops. The remaining \$3.5 million related to Sun World. No such removals occurred during 2003.

DEPRECIATION AND AMORTIZATION Depreciation and amortization totaled \$0.7 million for the year ended December 31, 2003 compared to \$7.5 million for the 2002 year. Depreciation and amortization for Cadiz, excluding that of Sun World, totaled \$0.6 million for the year ended December 31, 2003 compared to \$1.0 million for the 2002 year. The reduction in depreciation and amortization is primarily due to the removal of underperforming crops in 2002 and certain assets becoming fully depreciated during the past year.

INTEREST EXPENSE, NET. Net interest expense totaled \$4.9 million during the year ended December 31, 2003, which included Sun World expense for the period to January 30, 2003, compared to \$21.2 million during the same period in 2002, which included Sun World expense for the full year. Net interest expense for Cadiz, excluding that of Sun World, totaled \$3.6 million during the year ended December 31, 2003, compared to \$5.1 million during the same period in 2002. The following table summarizes the components of Cadiz' net interest expense and that of Sun World for the two periods (in thousands):

	YEAR ENDED DECEMBER 31, -----	
	2003	2002
	----	----
Cadiz		
Interest on outstanding debt	\$ 3,053	\$ 3,101
Amortization of financing costs	641	2,712
Interest income	(58)	(705)
Sun World interest expense	1,269	16,064
	-----	-----
	\$ 4,905	\$ 21,172
	=====	=====

Financing costs, which include legal fees and warrant costs, are amortized over the life of the debt agreement. In December 2003 we entered into an agreement with ING which extended the maturity date of our loan which had a prior maturity date of January 31, 2003. The financing costs associated with the December 2003 debt amendment of \$5.3 million (consisting of fees of \$0.3 million and preferred stock valued at \$5.0 million) were being amortized through the maturity date of March 31, 2005 starting in December 2003. The deferred financing costs of the loan that matured in January 2003 were fully amortized as at the January 2003 maturity date. As a result there was little amortization during 2003. The lower interest income was the result of no interest accruing on the intercompany loans to Sun World following the Chapter 11 petition.

LIQUIDITY AND CAPITAL RESOURCES

(A) CURRENT FINANCING ARRANGEMENTS

CADIZ OBLIGATIONS. As we have not received significant revenues from our water resource activity to date, we have 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, we have addressed these needs primarily through secured debt financing arrangements with our lenders, private equity placements and the exercise of outstanding stock options.

Subsequent to the vote of Metropolitan's Board in October 2002 to not proceed with the Cadiz Program and Sun World's January 2003 bankruptcy filing, we have worked with our primary secured lender, ING Capital LLC, to structure our debt in a way which would allow us to continue our development of the Cadiz Program. We believe that we have accomplished this goal with a series of agreements with ING, in the most recent of which concluded in November 2004.

In November 2004 we entered into our most recent series of agreements with ING which provided for:

- * the repayment in full of our senior term loan facility with ING and the reduction to \$25 million of the outstanding principal balance under our existing revolving credit facility; and
- * amendments to the terms and conditions of our revolving credit facility with ING in order to:
 - (i) extend the maturity date of the debt until March 31, 2010, conditioned upon a further principal reduction of \$10 million on or before March 31, 2008, and
 - (ii) reduce the interest rate through March 31, 2008 on the new outstanding balance to 4% cash plus 4% PIK (increasing to 4% cash plus 6% PIK for interest periods commencing on and after April 1, 2008).

Also in November 2004 ING agreed to convert 99,000 shares of the Company's Series F Preferred Stock (representing 99% of the outstanding shares of Series F Preferred Stock) into 1,711,665 shares of the Company's common stock. We had issued 100,000 shares of Series F preferred stock to ING as part of our agreements in December 2003.

Concurrently with this conversion, the terms and conditions of the remaining outstanding Series F Preferred Stock were amended to fix the conversion ratio at its original conversion ratio of 17.28955 shares of common stock for each share of Series F Preferred Stock converted. In addition to its conversation rights, as the holder of this preferred stock ING holds:

- The right to appoint two members of our Board of Directors as long as both (a) the outstanding principal balance of ING's loan is at least \$15 million, and (b) the Series F Preferred Stock holdings of ING (including both the common stock into which outstanding Series F Preferred Stock is then convertible and any common stock received by ING upon previous

conversions of Series F Preferred Stock which remains held by, and has not been disposed of, by ING) represent at least 5% of our common stock;

- The right to approve the authorization or issuance of any other class or shares of our preferred stock;
- Anti-dilution protection;
- Pre-emptive rights;
- Registration rights; and
- Dividend, liquidation and voting rights shared on an as-converted basis with common stock.

Pursuant to our loan arrangements with ING, ING also has the right to appoint an independent manager to the Board of Managers of Cadiz Real Estate LLC, a Delaware limited liability company ("Cadiz Real Estate"), in which we hold 100% of the economic interests. In December 2003 we transferred substantially all of our assets (with the exception of our office sublease, certain office furniture and any Sun World related assets) to Cadiz Real Estate. Cadiz Real Estate is a co-obligor with us on our credit facilities with ING, and the properties now held of record by Cadiz Real Estate secure our obligations under these facilities. We have entered into a management agreement with Cadiz Real Estate pursuant to which we manage the assets now held by Cadiz Real Estate, subject to the requirements of the Operating Agreement of Cadiz Real Estate. The Operating Agreement of Cadiz Real Estate provides for a Board of Managers consisting of two managers appointed by us and one independent manager named by ING. As long as our obligations to ING are outstanding, Cadiz Real Estate may not institute bankruptcy proceedings without the unanimous consent of this Board of Managers (including the independent manager).

The debt covenants associated with our ING credit facility were negotiated by the parties with a view towards our operating and financial condition as it existed at the time our current revised agreements were entered into. Given current circumstances, we do not consider it likely that we will be in material breach of such covenants.

As we continue to actively pursue our business strategy, additional financing specifically in connection with our water programs will be required. See "Outlook", below. As the parties have anticipated this need, the covenants in the credit facility which would otherwise prohibit our incurrence of additional debt (or our use of our assets as security for such debt) contain an exception for debt and liens incurred in order to finance the acquisition, construction or improvement of any assets (up to a maximum of \$135 million at any one time outstanding). The covenants in the credit facility do not prohibit our use of equity financing, but do provide that 35% of the proceeds of such issuance be applied as a prepayment against such facility. We do not expect these covenants to materially limit our ability to undertake debt or equity financing in order to finance our water development activities.

At December 31, 2004, we have no outstanding credit facilities or preferred stock other than that held by ING as described above.

SUN WORLD OBLIGATIONS

Sun World has outstanding \$115 million of First Mortgage Notes. The First Mortgage Notes were originally to mature on April 15, 2004. The First Mortgage Notes went into default as a consequence of the Sun World bankruptcy filing. In February 2005, Sun World completed the sale of substantially all of its assets for cash and credit consideration of \$127.8 million, plus

payment and assumption of certain liabilities totaling an estimated \$14 million, including the trade claims, which approximates net book value of the acquired assets as of December 31, 2004. Sun World plans to file an amended Plan to distribute the remaining consideration left in Sun World (estimated at approximately \$50 million after interim distributions/credits to the holders of First Mortgage Notes of approximately \$78 million upon closing as authorized by the Court) and the distribution will be sufficient to enable Sun World to repay all holders of the First Mortgage Notes.

We have obtained waivers and/or releases with respect to our previously issued guarantees of the First Mortgage Notes from all the holders of outstanding First Mortgage Notes. Further, as part of a December 2003 global settlement, we have settled all of our claims and obligations with Sun World. Although we continue to be the record owner of Sun World's stock, with the recently completed sale by Sun World of all of its assets, Sun World does not conduct any business operations. We therefore have no further obligations or working capital needs with respect to Sun World.

CASH USED FOR OPERATING ACTIVITIES. Cash used for operating activities totaled \$7.6 million for the year ended December 31, 2004, as compared to cash used for operating activities of \$6.6 million for the year ended December 31, 2003. The above amounts are not comparable because of the deconsolidation of Sun World in January 2003.

Cash used by Cadiz (exclusive of Sun World) for operating activities for the year ended December 31, 2004 totaled \$7.6 million compared to \$4.9 million for the previous year. The increase in cash used for operating activities was due to an increase in net loss by \$4.5 million in the year ended December 31, 2004 as compared to the same period in 2003. This was offset by an increase in non-cash expenses, the major items being write-off of permanent crops of \$3.4 million in the year ended December 31, 2004 compared to \$2.5 million loss from subsidiary in January of the preceding year.

CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES. Cash provided by investing activities totaled \$2.1 million for the year ended December 31, 2004, as compared to \$3.5 million used for investing activities during the same period in 2003.

Cash provided by investing activities for the year ended December 31, 2004 was almost entirely due to the reduction of restricted cash that had been placed in a restricted bank account to pay for interest on the \$35 million term loan facility with ING. The use of a restricted bank account for this purpose had been a requirement under our pre-November 2004 arrangements with ING. The 2003 expenditures of \$2.0 million (exclusive of Sun World) were primarily the placing of the \$2.1 million in the restricted bank account.

CASH PROVIDED BY FINANCING ACTIVITIES. Cash provided by financing activities totaled \$11.1 million for the year ended December 31, 2004 consisting primarily of \$21.3 million in net proceeds from the issuance of capital stock by Cadiz, offset by \$10.0 million in repayment of term loan borrowings. For the same period in 2003, cash provided by financing activities totaled \$10.2 million consisting primarily of \$10.3 million from the issuance of capital stock by Cadiz.

(B) OUTLOOK

SHORT TERM OUTLOOK. The proceeds of our 2003 and 2004 private placements have provided us with sufficient cash to meet our expected working capital needs for current operations until the Company will need to raise additional capital in order to fund the \$10 million

Page 21

repayment of its borrowing from ING required to be made by March 2008 in order to obtain a further two year extension of the maturity date of the ING loan. See "Long Term Outlook", below. Approximately \$12.7 million of the proceeds of our November 2004 private placement were used to reduce the principal balance, which included approximately \$2.7 million in interest payable in kind ("PIK"), owed to ING under our ING credit facilities to \$25 million. 40 Units in the 2004 private placement were issued to ING for \$2.4 million of prepaid interest under the Company's \$25 million borrowing from the lender. The remainder of the proceeds from the placements will be used to meet our ongoing working capital needs.

LONG TERM OUTLOOK. In the longer term, the current maturity date of our loan with ING is March 2008, although we may obtain a further extension of this loan by making a \$10 million repayment. Otherwise, our working capital needs will be determined based upon the specific measures we pursue in the development of our water resources. We will evaluate the amount of cash needed, and the manner in which such cash will be raised, on an ongoing basis. We may meet any such future cash requirements through a variety of means to be determined at the appropriate time. Such means may include equity or debt placements, or the sale or other disposition of assets. Equity placements would be undertaken only to the extent necessary so as to minimize the dilutive effect of any such placements upon our existing stockholders.

(C) CERTAIN TRENDS AND UNCERTAINTIES

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we are filing cautionary statements identifying important risk factors that could cause our actual results to differ materially from those projected in our forward-looking statements made by or on our behalf.

We wish to caution readers that these factors, among others, could cause our actual results to differ materially from those expressed in any projected, estimated or forward-looking statements relating to us. The following factors should be considered in conjunction with any discussion of operations or results by us or our representatives, including any forward-looking discussion, as well as comments contained in press releases, presentations to securities analysts or investors, or other communications to us.

In making these statements, we are not undertaking to address or update each factor in future filings or communications regarding our business or results, and are not undertaking to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. In addition, certain of these matters may have affected our past results and may affect future results.

OUR REVENUES ARE DEPENDENT UPON THE SUCCESS OF OUR WATER DEVELOPMENT PROJECTS. We may never generate revenues or become profitable unless we are able to successfully implement our water development programs. At present, we do not know the terms, if

any, upon which we may be able to proceed with the Cadiz Program, or of any alternative means which we may be able to use in order to implement our water development programs. Regardless of the form of our water development programs, the circumstances under which transfers or storage of water can be made and the profitability of any transfers or storage are subject to significant uncertainties, including hydrologic risks of variable water supplies, risks presented by allocations of water under existing and prospective priorities, and risks of adverse changes to or interpretations of U.S. federal, state and local laws, regulations and policies. Additional risks attendant to such programs include our ability to obtain all necessary regulatory approvals and permits, possible litigation by environmental or other groups, unforeseen technical difficulties, and general market conditions for water supplies.

Page 22

OUR FAILURE TO MAKE TIMELY PAYMENTS OF PRINCIPAL AND INTEREST ON OUR INDEBTEDNESS MAY RESULT IN A FORECLOSURE ON OUR ASSETS. As of December 31, 2004, we had indebtedness outstanding to our senior secured lender of approximately \$25 million. Our assets have been put up as collateral to secure the payment of this debt. If we cannot generate sufficient cash flow to make timely payments of principal and interest on this indebtedness, or if we otherwise fail to comply with the terms of agreements governing our indebtedness, we may default on our obligations. If we default on our obligations, our lenders may sell off the assets that we have put up as collateral. This, in turn, may result in a cessation or sale of our operations.

THE ISSUANCE OF SHARES UNDER OUR MANAGEMENT EQUITY INCENTIVE PLAN WILL IMPACT EARNINGS. Under applicable accounting rules, the issuance of shares and options under our Management Incentive Equity Plan will result in a charge to earnings based on the value of our common stock at the time of issue and the valuation of options at the time of their award and will be recorded over the vesting period in proportion to the quantities vested. Our Management Equity Incentive Plan provides for the issuance of up to 1,472,051 shares of common stock. We expect that during the year ended December 31, 2005 we will issue stock or options to purchase stock representing most or all of the shares authorized for issuance under this Management Equity Incentive Plan. Based on the trading price at February 28, 2004 such issuances will result in significant charges to our earnings for the years ending December 31, 2005 and 2006. If all shares are issued under this plan in the year ending December 31, 2005, the cost of approximately 83% of shares will be an expense during 2005.

OUR STOCK IS NOT TRADED ON A NATIONAL SECURITIES EXCHANGE. Effective March 27, 2003, our common stock was delisted from trading on the Nasdaq National Market. While we have reapplied for a Nasdaq listing, certain requirements for such a listing, such as minimum trading price, are not within our control, and therefore we cannot be certain when or if Nasdaq will approve our listing application.

FURTHER EQUITY FINANCINGS WOULD RESULT IN THE DILUTION OF OWNERSHIP INTERESTS OF CURRENT STOCKHOLDERS. We may require additional capital to finance our operations until such time as our water development operations produce revenues. We cannot assure you that our current lenders, or any other lenders, will give us additional credit should we seek it.

THE REGISTRATION FOR RESALE OF COMMON STOCK PURSUANT TO EXISTING REGISTRATION RIGHTS AGREEMENTS WILL INCREASE THE NUMBER OF OUTSTANDING SHARES OF OUR COMMON STOCK ELIGIBLE FOR RESALE. The sale, or availability for sale, of these shares could cause

decreases in the market price of our common stock, particularly in the event that a large number of shares were sold in the public market over a short period of time. Similarly, the perception that additional shares of our common stock could be sold in the public market in the future, could cause a reduction in the trading price of our stock.

WE ARE RESTRICTED BY CONTRACT FROM PAYING DIVIDENDS AND WE DO NOT INTEND TO PAY DIVIDENDS IN THE FORESEEABLE FUTURE. Any return on investment on our common stock will depend primarily upon the appreciation in the price of our common stock. To date, we have never paid a cash dividend on our common stock. The loan documents governing our credit facilities with ING prohibit the payment of dividends while such facilities are outstanding. As we have a history of operating losses, we have been unable to date to pay dividends. Even if we post a profit in future years, we currently intend to retain all future earnings for the operation of our business. As a result, we do not anticipate that we will declare any dividends in the foreseeable future.

Page 23

(D) CRITICAL ACCOUNTING POLICIES

As discussed in Note 2 to the Consolidated Financial Statements of Cadiz, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements based on all relevant information available at the time and giving due to consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Management has concluded that the following critical accounting policies described below affect the most significant judgments and estimates used in the preparation of the consolidated financial statements.

(1) PRINCIPLES OF CONSOLIDATION The Consolidated Financial Statements have been prepared by Cadiz Inc., sometimes referred to as "Cadiz" or "the Company". On January 30, 2003, Sun World filed voluntary petitions under Chapter 11 of the Bankruptcy Code. Since the filing date, Sun World has operated its business and managed its affairs as debtor and debtor in possession. As of that date due to the Company's loss of control over the operations of Sun World, the financial statements of Sun World are no longer consolidated with those of Cadiz, but instead, Cadiz is accounting for its investment in Sun World on the cost basis of accounting. As a result, the Company wrote off its net investment in Sun World of \$195 thousand at the Chapter 11 filing date because it did not anticipate being able to recover its investment. The foregoing Consolidated Financial Statements include the accounts of the Company and, until January 30, 2003, those of its then wholly-owned subsidiary, Sun World International, Inc. and its subsidiaries collectively referred to as "Sun World", and contain all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation. Certain reclassifications have been made to the prior period to conform to the current period presentation.

(2) Intangible and Other Long-Lived Assets. Property, plant and equipment, intangible and certain other long-lived assets are amortized over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. At Sun World, management regularly reviews crop portfolios in an attempt to identify crops that are underperforming generally at the conclusion of each growing season. As a result of these reviews, management determines which crops will be removed immediately or at the conclusion of the next growing season. As such, appropriate writedowns and accruals for estimated removal costs are made and where appropriate, remaining useful lives are shortened to correspond to the estimated period that the assets are expected to generate future revenues. As a result of the actions taken by Metropolitan in the fourth quarter of 2002 as described in Note 1, the Company, with the assistance of a valuation firm, evaluated the carrying value of its water program and determined that the asset was not impaired and that the costs expect to be recovered through sale or operation of the project.

During the fourth quarter of the year ended December 31, 2004, the long-standing lease to Sun World for a portion of the permanent and developing crops at the Cadiz Valley property terminated and the crops have not been leased to any other party. The lease to an independent

Page 24

third party for the remainder of the crops is on a year to year basis and does not generate a significant amount of revenue. Based on the uncertainty as to possible recovery of the carrying value of the permanent crops and developing crops the Company recorded a charge of \$3.4 million to write off the capitalized costs related to these crops which is shown under the heading "Write-off of permanent and developing crops" on the Consolidated Statement of Operations.

(3) GOODWILL. As a result of a merger in May 1988 between two companies, which eventually became known as Cadiz Inc., goodwill in the amount of \$7,006,000 was recorded. Approximately \$3,193,000 of this amount was amortized until the adoption of Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, ("SFAS No. 142") "Goodwill and Other Intangible Assets" on January 1, 2002. Goodwill is tested for impairment annually in the first quarter, or if events occur which require an impairment analysis be performed. As a result of the actions taken by Metropolitan in the fourth quarter of 2002 as described in Note 1, the Company, with the assistance of a valuation firm, performed an impairment test of its goodwill and determined that its goodwill was not impaired. In addition, in the first quarter of 2004 and 2003, the Company, performed its annual impairment test of goodwill and determined its goodwill was not impaired.

(4) DEFERRED TAX ASSETS AND VALUATION ALLOWANCES. To date, we have had a history of net operating losses as we have not generated significant revenue from our water development programs and Sun World had experienced losses from its agricultural operations. As such, we have generated significant deferred tax assets, including large net operating loss carry forwards for federal and state income taxes for which we have a full valuation allowance. Management is currently working on initiatives at Cadiz that are designed to generate future taxable income, although there can be no guarantee that this will occur. As taxable income is generated, some portion or all of the valuation allowance will be reversed and an increase in net income would

consequently be reported in future years.

(E) NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board issued SFAS no. 123(R) (revised 2004), "Share-Based Payment" which amends SFAS Statement 123 and will be effective for public companies for interim periods or annual periods beginning after June 15, 2005. The new standard will require us to recognize compensation costs in our financial statements in an amount equal to the fair value of share-based payments granted to employees and directors. We are currently evaluating how we will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on our financial position and results of operations.

(F) OFF BALANCE SHEET ARRANGEMENTS

Cadiz does not have any off balance sheet arrangements at this time other than the guarantee of Sun World's first mortgage notes. See "Liquidity and Capital Resources - Sun World Obligations" above.

Page 25

(G) CERTAIN KNOWN CONTRACTUAL OBLIGATIONS

CONTRACTUAL OBLIGATIONS	TOTAL	PAYMENTS DUE BY PERIOD			
		LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long term debt obligations	\$ 25,000	\$ -	\$ -	\$ 10,000	\$ 15,000
Operating leases	150	124	26	-	-
	\$ 25,150	\$ 124	\$ 26	\$ 10,000	\$ 15,000

Cadiz long-term debt included in the table above reflects the most recent arrangements with ING which were concluded in November 2004 as described above in Item 7, Managements Discussion and Analysis of Financial Condition and Results of Operation; Liquidity and Capital Resources; Cadiz Obligations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on long-term debt obligations that impact the fair value of these obligations. Our policy is to manage interest rates fair values by year of scheduled maturities to evaluate the expected cash flows and sensitivity to interest rate changes (in thousands of dollars). Circumstances could arise which may cause interest rates and the timing and amount of actual cash flows to differ materially from the schedule below:

EXPECTED MATURITY	LONG-TERM DEBT			
	FIXED RATE MATURITIES	AVERAGE INTEREST RATE	VARIABLE RATE MATURITIES	AVERAGE INTEREST RATE
2008	\$ 10,000	8.0%	\$ -	\$ -

2010	\$ 15,000	8.8%	\$ -	\$ -
	=====	=====	=====	=====

Cadiz long-term debt included in the table above reflects the debt restructuring which occurred in December 2004 as described above in Item 7. Managements Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources; Cadiz Obligations.

Cadiz has guaranteed the First Mortgage Notes issued by Sun World as described above in Item 7. Managements Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources; Sun World Obligations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of our management, including our Chairman, Chief Executive Officer and Chief Financial Officer (Principal Executive and Financial Officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2004. As of the date of that evaluation, our Chairman, Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective in timely alerting him to material information relating to Cadiz (including our consolidated subsidiaries) required to be included in our periodic Securities and Exchange Commission filings. There was no significant change in our internal control over financial reporting that occurred during the most recent fiscal quarter that materially affected, or is reasonably likely to affect, our internal control over financial reporting, and no corrective actions with regard to significant deficiencies or weaknesses.

ITEM 9B. OTHER INFORMATION

COMPENSATORY PLANS OR ARRANGEMENTS

On December 7, 2004 our Board adopted resolutions supplementing our Management Equity Incentive Plan, which was authorized in December 2003. These resolutions provided for the general vesting and other conditions of issuance for the 754,678 shares characterized as the "Subsequent Allocation Shares" under the Plan. See Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters - Management Equity Incentive Plan".

Also on December 7, 2004, our Compensation Committee adopted, and our Board ratified, the Cadiz Inc. 2004 Management Bonus Plan which authorized the issuance of 10,000 shares of our

common stock to our Chairman and Chief Executive Officer, Keith Brackpool, as a performance bonus. Such shares have not yet been issued. See Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters - Management Equity Incentive Plan".

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Name ----	Age ---	Position with Cadiz -----
Keith Brackpool	47	Chairman of the Board, President, Chief Executive and Financial Officer
Murray H. Hutchison	66	Director
Timothy J. Shaheen	45	Director
Geoffrey Arens	40	Director
Gregory Ritchie	41	Director
Richard E. Stoddard	54	Chairman of the Board of Managers and CEO of Cadiz Real Estate LLC

Keith Brackpool is a founder of Cadiz, has served as a member of Cadiz' Board of Directors since September 1986, and has served as President and Chief Executive Officer of Cadiz since December 1991. Mr. Brackpool assumed the role of Chairman of the Board of Cadiz on May 14, 2001, and the role of Chief Financial Officer on May 19, 2003. Mr. Brackpool has also been a principal of 1334 Partners L.P., a partnership that owns commercial real estate from 1989 to present.

Murray H. Hutchison was appointed a director of Cadiz in June 1997. He is also a member of the Board of Managers (an LLC's functional equivalent of a Board of Directors) of Cadiz' subsidiary, Cadiz Real Estate LLC. In his capacity as a manager of the LLC he performs essentially the same duties on behalf of the LLC as he would as an outside director for a corporation. Since his retirement in 1996 from International Technology Corporation, a publicly traded diversified environmental management company, Mr. Hutchison has been self-employed with his business activities involving primarily the management of an investment portfolio. From 1976 to 1994, Mr. Hutchison served as Chief Executive Officer and Chairman of International Technology. Mr. Hutchison currently serves as a director of Jack in the Box, Inc., a publicly traded fast food restaurant chain. Additionally, Mr. Hutchison serves as Chairman of the Huntington Hotel Corporation, a privately owned hotel and office building, and as a director of several other non-publicly traded U.S. companies.

Timothy J. Shaheen was appointed a director of Cadiz in March 1999. Since September 1996 Mr. Shaheen has served as the President, Chief Executive Officer and a director of Sun World. Concurrently with the February 2005 sale by Sun World of substantially all of its assets, Mr. Shaheen agreed to remain with Sun World for a 60 day transition period in order to facilitate the transfer of Sun World's operations to the buyer of these assets. At the conclusion of this transition period Mr. Shaheen's relationship with Sun World shall end.. Prior to

joining Sun World, Mr. Shaheen served as a senior executive with Albert Fisher North America, a publicly traded domestic and international produce company from 1989 to 1996. While with Albert Fisher, Mr. Shaheen also served as director of its Canadian produce operations and as a director of Fresh Western Marketing, one of the largest growers and shippers of fresh vegetables in the Salinas Valley of California. Prior to his employment with Albert Fisher, Mr.

Page 28

Shaheen has seven years of experience with the accounting firm of Ernst & Young LLP. Mr. Shaheen is a certified public accountant. As described more fully in "Item 1 Description of Business - General Development of Business" above, Sun World and its domestic subsidiaries filed for bankruptcy on January 30, 2003.

Geoffrey Arens was appointed a director of Cadiz on January 30, 2004 as a nominee of ING pursuant to the rights of ING as holder of Cadiz' Series F preferred stock. Mr. Arens has been with ING since 1995 and is the co-Head of ING's Strategic Trading Platform Americas group and as such is responsible for that group's global proprietary investing business. He is also CEO of ING Capital Advisors, LLC, a registered investment advisor specializing in the management of leveraged loan assets for large institutional clients. In addition to his Board duties at Cadiz, Mr. Arens also serves on the Board of Directors of ING Capital Management, Ltd., and California Coastal Communities, Inc.

Gregory Ritchie was appointed a director of Cadiz on March 25, 2004 as a nominee of ING pursuant to the rights of ING as holder of Cadiz' Series F preferred stock. Mr. Ritchie has been with ING since 1995 and is a Managing Director and the co-head of ING's Strategic Trading Platform and as such is responsible for the group's global proprietary investing business. He is also head of the Strategic Trading Platform's Equities team.

Richard E. Stoddard serves as Chairman and CEO of the Board of Managers of Cadiz Real Estate LLC, the subsidiary of Cadiz, directing the development of the Cadiz Groundwater Storage Program and the other Cadiz real estate assets. In addition, since 1988, Mr. Stoddard has served as the Chairman and CEO of Kaiser Ventures LLC, an unrelated public entity involved real estate development and waste management projects in southern California. Kaiser Ventures LLC was previously involved in water development projects in Southern California.

The certificate of designation for our Series F preferred stock provides that the holder(s) of the Series F preferred stock (currently ING) have the right to elect two members of the Board of Directors.

Directors of Cadiz hold office until the next annual meeting of stockholders or until their successors are elected and qualified. There are no family relationships between any directors or current officers of Cadiz. Officers serve at the discretion of the Board of Directors.

The Board of Directors has determined that Mr. Hutchison, a member of the Company's Audit Committee, is an "audit committee financial expert" as that term is defined in Item 401(h) of Regulation S-K under the Securities Act. The other members of the Audit Committee are Messrs. Arens and Ritchie. The Board has determined that Messrs. Hutchison, Arens and Ritchie are independent in accordance with the criteria and guidelines established by Nasdaq.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who beneficially own more than 10% of a registered class of our equity securities ("reporting persons"), to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of Cadiz. Reporting persons are required by the SEC regulations to furnish Cadiz with copies of all Section 16(a) forms they file. To Cadiz' knowledge, based solely on a review of the copies of reports and amendments thereto on Forms 3, 4 and 5 furnished to us by reporting persons and forms that we filed on behalf of certain directors and officers, during, and with respect to, Cadiz' fiscal year ended

Page 29

December 31, 2004, and on a review of written representations from reporting persons to Cadiz that no other reports were required to be filed for such fiscal year, the Form 3 filed on February 11, 2004 by ING Groep NV which reported transactions by which it became a 10% owner on December 15, 2003 was inadvertently filed late and the Form 4 filed on January 7, 2005 for Mr. Shaheen which reported his sale on December 27, 2004 of 3,986 shares was inadvertently filed late, and all other Section 16(a) filing requirements applicable to Cadiz' directors, executive officers and greater than 10% beneficial owners during such period were satisfied in a timely manner.

CODE OF ETHICS

Cadiz has adopted a code of ethics that applies to all of its employees, including its principal executive and financial officer. A copy of the code of ethics may be found on Cadiz' website at www.cadizinc.com. Other information on this website is not incorporated as part of this filing.

Page 30

ITEM 11. EXECUTIVE COMPENSATION

The tables and discussion below set forth information about the compensation awarded to, earned by, or paid to Cadiz' chief executive and financial officer during the years ended December 31, 2004, 2003 and 2002 and to the chief executive of Cadiz' subsidiary, Cadiz Real Estate LLC, during the year ended December 31, 2004.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR(1)	ANNUAL COMPENSATION(2)		OTHER LONG-TERM COMPENSATION AWARDS
		SALARY	BONUS	
Keith Brackpool President and Chief Executive and Financial Officer	12/31/04	\$ 250,000	\$240,000 (3)	\$ -0-
	12/31/03	288,461	200,000 (4)	850,000 (5)
	12/31/02	500,000	233,124	-0-
Richard E. Stoddard Chief Executive Officer Cadiz Real Estate LLC	12/31/04	250,000 (6)	-0-	-0-

(1) The information presented in this table is for the years ended December 31, 2004, 2003 and 2002. The executive officers for whom compensation has been disclosed for the year ended December 31, 2004, are the only executive officers of Cadiz or its subsidiaries as of December 31, 2004. Mr. Stoddard was appointed chief executive officer of Cadiz Real Estate LLC effective October 29, 2004. No other executive officer received total salary or bonus exceeding

\$100,000 during the year ended December 31, 2004.

- (2) No column for "Other Annual Compensation" has been included to show compensation not properly categorized as salary or bonus, which consisted entirely during each fiscal year of perquisites and other personal benefits, because the aggregate amounts did not exceed the lesser of either \$50,000 or 10% of the total of annual salary and bonus reported for Mr. Brackpool for each fiscal year and for Mr. Stoddard for 2004. See "Employment Arrangements" below.
- (3) This bonus was paid to Mr. Brackpool \$120,000 in cash during the year and \$120,000 to be paid through the issue of 10,000 shares of common stock in 2005 under the 2004 Management Bonus Plan. Such shares have not yet been issued.
- (4) This bonus was paid to Mr. Brackpool in February 2004 for services completed in the preceding calendar year. Mr. Brackpool was provided the opportunity to receive the bonus in cash or shares of common stock valued at \$2.50 per share and elected to receive his compensation in stock.
- (5) Mr. Brackpool received an aggregate \$850,000 due to the termination of his previous employment agreement without cause and foregone salary.
- (6) Mr. Stoddard receives \$20,833 monthly in accordance with a consulting agreement dated August 1, 2002 and revised and extended on January 1, 2004

COMPENSATION OF DIRECTORS

In the fiscal year 2004, Murray H. Hutchison received cash compensation for his services as a director of Cadiz in the amount of \$25,000.

Messrs. Brackpool, Shaheen, Arens and Ritchie do not receive any compensation from Cadiz for serving as directors of Cadiz. Mr. Hutchison will receive \$25,000 per year in accordance with his agreement with Cadiz for services as director.

EMPLOYMENT ARRANGEMENTS

Mr. Brackpool is compensated under an Agreement Regarding Employment pursuant to which Mr. Brackpool receives base compensation of \$250,000 per year, plus certain fringe benefits including the use of a leased automobile and life and disability insurance benefits funded by us. While this Agreement requires Mr. Brackpool to perform his services in a satisfactory manner, it does not require that his services be provided on a full-time basis. Although the initial term of the Agreement Regarding Employment ended September 30, 2003,

Page 31

Mr. Brackpool continues to provide services to us upon the terms and conditions set forth in this Agreement.

Mr. Stoddard is compensated in accordance with a Consulting Agreement dated August 1, 2002, and extended on January 1, 2004, pursuant to which he receives \$20,833.00 per month and which continues on a month to month basis until terminated by either party. Under this agreement Mr. Stoddard serves as the Chairman and CEO of the Board of Managers of Cadiz Real Estate LLC, the subsidiary of Cadiz. The agreement also provides that Mr. Stoddard will participate in the Management Equity Incentive Plan and as a member of the key management team in any further equity grants considered by the compensation committee of the Board of

Directors of Cadiz.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Board of Directors has formed a Compensation Committee which is responsible for reviewing and establishing the compensation payable to Cadiz' executive officers, including the President and Chief Executive Officer. For executive officers other than the President and Chief Executive Officer, the Committee establishes compensation levels based, in part, upon the recommendations of the President and Chief Executive Officer.

The Compensation Committee has furnished the following report on executive compensation:(1)

Cadiz' executive compensation programs are designed to enhance operating performance and to maximize the long-term value of Cadiz' assets and stockholder value, by aligning the financial interest of the executive officers with those of the stockholders. Such a compensation program helps to achieve Cadiz' business and financial objectives and provide incentives needed to attract and retain well-qualified executives in a highly competitive marketplace. To this end, Cadiz has developed a compensation program with three primary components: base salary, performance-based cash awards and long-term incentives through stock awards.

BASE SALARY. In light of the nature of Cadiz' resource development activities, the Cadiz compensation program is weighted more heavily towards long-term incentives than is typical of other companies with similarly sized asset portfolios. Accordingly, the base salary component of the compensation program is lower than that typically provided by similarly sized companies. No specific or set formula has been used to tie base salary levels to precise measurable factors; rather, current base salaries have been established by agreement between Cadiz and its key executives.

Where applicable, the Compensation Committee may also consider the past performance of the officer, both in adjusting base salary levels and in determining additional incentive compensation, such as the cash awards and long term incentives discussed below.

As Chairman and Chief Executive Officer of Cadiz, Mr. Brackpool is charged with the overall responsibility for the performance of Cadiz. Mr. Brackpool is compensated pursuant to a written agreement effective as of February 1, 2003. This agreement was entered into following a breach by Cadiz of Mr. Brackpool's

Page 32

prior employment agreement and the effective termination of such prior employment agreement. At the time, Cadiz and Mr. Brackpool agreed that, because of Mr. Brackpool's experience and background, particularly at a critical juncture of Cadiz' operations, Cadiz had and continues to have a need for Mr. Brackpool's services. In light of then existing circumstances (i.e. Metropolitan's actions in 2002, the January 2003 bankruptcy filing of Cadiz' Sun World subsidiary and the consequent uncertainty concerning Cadiz' ability to continue with the development of its water programs), the employment agreement entered into with Mr.

Brackpool effective as of February 1, 2003 reduced his base salary to 50% of its previous amount but also allowed Mr. Brackpool to provide services to Cadiz on a non-exclusive basis.

PERFORMANCE-BASED CASH AWARDS. The Compensation Committee believes that incentives should be offered to executives which are related to improvements in performance that yield increased value for stockholders. Although the Compensation Committee relies primarily upon the grant of incentive stock options or other stock awards to reward executive performance (see "Long-Term Incentives" below), under certain circumstances, the Compensation Committee will utilize performance-based cash awards from time to time to provide additional incentives.

Prior to 2003, the Compensation Committee had established bonus compensation for Mr. Brackpool pursuant to criteria established in his employment agreement. Mr. Brackpool's current written agreement does not provide specific criteria for the granting of bonuses. Following Sun World's bankruptcy Cadiz has been able, under Mr. Brackpool's leadership, to successfully retain ownership of all of the assets relating to Cadiz' water programs and to obtain working capital needed to continue efforts to develop these water programs. In light of these accomplishments, the Compensation Committee granted Mr. Brackpool a performance-based bonus in 2004 in the form of \$120,000 in cash and 10,000 shares of Cadiz common stock (valued at \$12.00 per share) to be issued during 2005.

LONG-TERM INCENTIVES. The primary form of incentive compensation offered by Cadiz to executives consists of long-term incentives in the form of stock options or other stock awards. This form of compensation is intended to help retain executives and motivate them to improve Cadiz' long-term performance and hence long-term stock market performance. Stock options and other stock awards are granted at the prevailing market value and will only have added value if Cadiz' stock price increases.

The Compensation Committee views the grant of stock awards as both a reward for past performance and an incentive for future performance. Stock options or other stock awards granted by Cadiz may vest immediately upon grant, with the passage of time, at the discretion of the Board, and/or upon the achievement of certain specific performance goals. Where performance is not readily measurable, the vesting of performance based options or other stock awards may be dependent upon the satisfaction of subjective performance criteria. As noted above, a portion of Mr. Brackpool performance based bonus for 2004 is in the form of common stock.

Due to the difficult circumstances which Cadiz and its subsidiaries have faced subsequent to Metropolitan's actions in 2002 with respect to the Cadiz water program, all stock options granted under the three then existing stock option

plans have become virtually worthless and a majority of them have subsequently expired without exercise.

Therefore, the Compensation Committee, Board of Directors, management and our senior secured lender agreed in December 2003 upon the implementation of a Management Equity Incentive Plan with a total of 1,472,051 shares authorized which would provide incentive to senior management in a going-forward manner. Under this Plan, as supplemented by further board action in December 2004, an initial allocation of 717,373 shares will vest 2/3 immediately on the date of the grant and the remaining 1/3 will vest on December 11, 2005. A subsequent allocation of the remaining shares will be in the form of 377,339 shares of common stock to be granted and 377,339 shares in the form of options to purchase common stock at the price of \$12.00 per share. Vesting of the subsequent allocation will be 1/3 upon grant, 1/3 on December 7, 2005 and 1/3 on December 7, 2006. All awards will be subject to continued employment or immediate vesting upon termination without cause. The Board has formed an allocation committee made up of Messrs. Brackpool, Hutchison, and Stoddard to direct the allocation of these shares. While no shares or options have been allocated, granted, or issued under this Plan to date, the allocation committee has identified the members of management who are eligible to participate in the Plan, and the actual allocation and issuance of the shares and options authorized under the Plan may occur at any time.

DEDUCTIBILITY OF CERTAIN EXECUTIVE COMPENSATION EXPENSES UNDER FEDERAL TAX LAWS

The Compensation Committee has considered the impact of provisions of the Internal Revenue Code of 1986, specifically Code Section 162(m). Section 162(m) limits to \$1 million Cadiz' deduction for compensation paid to each executive officer of Cadiz, which does not qualify as "performance based".

While Cadiz expects that this provision will not limit its tax deductions for executive compensation in the near term, the Cadiz 1996 Stock Option Plan enables Cadiz to comply, to the extent deemed advisable, with the requirements of Section 162(m) for performance based compensation to insure that Cadiz will be able to avail itself of all deductions otherwise available with respect to awards made under the 1996 Stock Option Plan. However, any shares of stock issued to executives under the Cadiz 2000 Stock Award Plan and Management Equity Incentive Plan will not qualify as performance-based compensation and, therefore, will be counted in determining whether the \$1 million limit has been reached.

CONCLUSION

Through the programs described above, a very significant portion of Cadiz' executive compensation is contemplated to be linked directly to corporate performance. The Compensation Committee intends to implement this policy of linking executive compensation to corporate performance in order to continue to align the interest of executives with those of Cadiz' stockholders.

THE COMPENSATION COMMITTEE

Murray H. Hutchison, Chairman

(1) This report shall not be deemed incorporated by reference by any general statement incorporating by reference this annual report on Form 10-K into any filing under the Securities Act of 1933, except to the extent that Cadiz specifically incorporates this report by reference, and shall not otherwise be deemed filed under such acts.

STOCK PRICE PERFORMANCE

The stock price performance graph below compares the cumulative total return of Cadiz common stock against the cumulative total return of the Standard & Poor's Small Cap 600 Nasdaq U.S. index and the Russell 2000r index for the past five fiscal years. The graph indicates a measurement point of December 31, 1999 and assumes a \$100 investment on such date in Cadiz common stock, the Standard & Poor's Small Cap 600 and the Russell 2000r indices. With respect to the payment of dividends, Cadiz has not paid any dividends on its common stock, but the Standard & Poor's Small Cap 600 and the Russell 2000r indices assume that all dividends were reinvested. The stock price performance graph shall not be deemed incorporated by reference by any general statement incorporating by reference this annual report on Form 10-K into any filing under the Securities Act of 1933, as amended, except to the extent that Cadiz specifically incorporates this graph by reference, and shall not otherwise be deemed filed under such acts.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURNS*

Among Cadiz Inc., The Russell 2000 Index and the S&P Smallcap 600 Index

	12/99	12/00	12/01	12/02	12/03	12/04
Cadiz Inc.	100.00	94.08	84.42	5.79	2.33	6.52
Russell 2000	100.00	96.98	99.39	79.03	116.38	137.71
S&P Smallcap 600	100.00	111.80	119.11	101.69	141.13	173.09

* \$100 invested on 12/31/99 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

Copyright (c) 2002, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All rights reserved. www.researchdatagroup.com/S&P.htm

Page 35

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

STOCK OPTION AND AWARD PLANS NOT APPROVED BY STOCKHOLDERS

The purpose of Cadiz' stock option and award plans is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of Cadiz and its subsidiaries and affiliates, by offering them an opportunity to participate in Cadiz future performance through awards of options, restricted stock grants and other similar stock awards. The following is a description of the stock option plans and awards not approved by stockholders.

MANAGEMENT EQUITY INCENTIVE PLAN

In December 2003 our board of directors authorized the adoption of a Management Equity Incentive Plan (the "Incentive Plan"). Under the Incentive Plan, as supplemented by further board action in December 2004, a total of 1,472,051 shares of our common stock may be granted to our key personnel. Of the 1,472,051 shares, 1,094,712 may be granted with 717,373 shares vesting 2/3 immediately on the date of the grant and 1/3 on December 11, 2005, and 377,339 shares vesting 1/3 upon grant, 1/3 on December 7, 2005 and 1/3 on December 7, 2006. The remaining 377,339 shares of common stock may be granted in the form of options to purchase common stock at the price of \$12.00 per share. Vesting of the 377,339 options will be 1/3 upon grant, 1/3 on December 7, 2005 and 1/3 on December 7, 2006. All awards will be subject to continued employment or immediate vesting upon termination without cause. The Board formed allocation committees made up of Messrs. Brackpool, Hutchison, and Stoddard, to direct the allocation of these shares.

As of December 31, 2004, no shares had been issued, allocated, or granted under the Incentive Plan. However, the allocation committee has identified the members of management who are eligible to participate in the Plan, and the actual allocation and issuance of the shares and options authorized under the Plan may occur at any time.

2004 MANAGEMENT BONUS PLAN

In December 2004, our Compensation Committee, with board approval, adopted the Cadiz Inc. 2004 Management Bonus Plan (the "Bonus Plan") pursuant to which a total of 10,000 shares of our common stock, valued at \$12 per share, were authorized for issuance to Mr. Brackpool as a performance bonus along with a cash bonus of \$120,000. See Item 11 "Executive Compensation". As of December 31, 2004, these shares had not yet been issued under the Bonus Plan but the liability and compensation expense have been recorded in the 2004 financial statements.

1998 STOCK OPTION PLAN

In 1998, the Board approved a Non-Qualified Stock Option Plan (the "1998 Plan") to provide grants of stock options to certain employees, consultants, independent contractors and advisors of Cadiz or its subsidiaries and affiliates, but excluding any directors or officers including those who would be required to file reports of beneficial ownership pursuant to the Exchange Act.

Page 36

The 1998 Plan is administered by a committee of the Board or the Board acting as the committee. It permits the governing committee to establish, as to any participant, the number of options, exercise price, exercise term (subject to a maximum of ten years), and other terms and conditions, however, the Board's general intent with the plan is to grant options at an exercise price equal to the fair market value of Cadiz common stock at the time of grant, which options vest ratably over a five-year period subject to vesting acceleration for a change in control of the Company or the Board's determination of satisfaction of certain specified performance criteria.

The Board may amend or terminate the Plan at any time; provided, however, that the Board may not, with respect to any particular option grant, without the consent of the holder of that outstanding option, amend or terminate such option or

materially adversely affect the rights of the holder under such option. According to its terms, the 1998 Plan will terminate 10 years from its effective date.

31,700 shares are reserved and authorized for issuance under the 1998 Plan, which amount may be decreased by the cumulative cap of 160,000 for issuance under the 1998 Plan, the Cadiz Inc. 1996 Stock Option Plan (the "1996 Plan") and the Cadiz Inc. 2000 Stock Award Plan (the "2000 Plan"). The 1996 Plan and the 2000 Plan were approved by our stockholders in 1996 and 2000 respectively. Shares subject to a grant or award under the 1998 Plan which are not issued or delivered by reason of the failure to vest or the expiration, termination, cancellation or forfeiture are again available for future grants and awards. As of December 31, 2004, 15,560 shares remained available for grant under the 1998 Plan (subject to the cumulative cap for issuance under all three stock option and award plans).

The following table provides information as of December 31, 2004 with respect to shares of our common stock that may be issued under our existing compensation plans:

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders(1)	2,990	\$ 228.32	34,467
Equity compensation plans not approved by stockholders	11,700 (2)	\$ 234.38	1,497,611 (3)
Total	14,690	\$ 233.14	1,532,078 (4)

- (1) Represents the Cadiz Inc. 1996 Stock Option Plan, and Cadiz Inc. 2000 Stock Award Plan
- (2) Represents the Cadiz Inc. 1998 Stock Option Plan
- (3) Represents 15,560 shares for the 1998 Stock Option Plan, 1,472,051 shares for the Management Equity Incentive Plan, and 10,000 shares for the 2004 Management Bonus Plan
- (4) There is a cumulative cap on the 1996 Stock Option Plan, the 1998 Stock Option Plan, and the 2000 Stock Award Plan of 160,000 shares

BENEFICIAL OWNERSHIP

The following table sets forth, as of February 28, 2005, the ownership of common stock of Cadiz by each stockholder who is known by Cadiz to own beneficially more than five percent of the outstanding common stock, by each director, by each executive

officer listed in the summary compensation table above, and by all directors and executive officers as a group excluding, in each case, rights under options or warrants not exercisable within 60 days. All persons named have sole voting power and investment power over their shares except as otherwise noted.

CLASS OF COMMON STOCK

NAME AND ADDRESS -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP -----	PERCENT OF CLASS -----
ING Groep N.V. ING Capital LLC Amstelveenseweg 500 1081 KL Amsterdam	1,911,665 (1)	19.0%
Bedford Oak Partners, L.P. Bedford Oak Capital, L.P. Bedford Oak Offshore 100 South Bedford Road Mt. Kisco, NY 10549	828,500 (4)	8.2%
SACC Partners LP Riley Investment Management LLC B. Riley & Co. Inc. B. Riley & Co. Retirement Trust 11100 Santa Monica Blvd., Suite 800 Los Angeles, CA 90025	684,699 (2)	6.7%
Morgan Stanley & Co. International Limited 1585 Broadway New York, NY 10036	639,603 (5)	6.7%
FMR Corp. 82 Devonshire Street Boston MA 02109	675,306 (8)	6.5%
RAB Special Situations LP c/o RAB Capital No. 1 Adam Street London W2CN 6LE United Kingdom	606,900 (9)	6.4%
Lloyd Miller MILGRAT I Lloyd I. Miller Fund C Lloyd Miller A4 Trust Lloyd Miller MILFAM II 4550 Gordon Drive Naples, Florida 34102-7914	560,000 (3)	5.5%
Keith Brackpool c/o 777 S. Figueroa St., Suite 4250 Los Angeles, CA 90017	127,223 (6)	1.2%
Timothy J. Shaheen c/o 777 S. Figueroa St., Suite 4250 Los Angeles, CA 90017	6,185	*
Richard E. Stoddard c/o 777 S. Figueroa St., Suite 4250 Los Angeles, CA 90017	17,500	*

Murray Hutchison c/o 777 S. Figueroa St., Suite 4250 Los Angeles, CA 90017	6,490 (7)	*
Geoffrey Arens c/o 777 S. Figueroa St., Suite 4250 Los Angeles, CA 90017	0	*

Page 38

Gregory Ritchie c/o 777 S. Figueroa St., Suite 4250 Los Angeles, CA 90017	1,000	*
All directors and officers as a group (five individuals)	165,322 (6) (7)	1.6%

* Represents less than one percent of the 10,324,339 outstanding shares of common stock of Cadiz as of February 28, 2005.

CLASS OF SERIES F PREFERRED STOCK

NAME AND ADDRESS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
-----	-----	-----
ING Groep N.V. ING Capital LLC Amstelveenseweg 500 1081 KL Amsterdam	1000 (1)	100%

- (1) Based upon a Schedule 13D filed on February 15, 2005 with the SEC by ING Groep N.V. on behalf of its wholly-owned subsidiary ING Capital LLC, and based on Cadiz corporate records, the ING entities beneficially own 1,000 shares of Cadiz Series F Preferred Stock and have sole voting and dispositive power as to all of the shares. The preferred stock held by ING is initially convertible into 17,289 shares of Cadiz common stock. In addition to the preferred stock, ING holds 1,911,665 shares of Cadiz common stock, and ING has sole voting and dispositive power as to the common stock. In addition to the common and preferred stock, ING holds 40,000 warrants, each exercisable into one share of Cadiz common stock, and ING has sole voting and dispositive power as to the warrants. The principal office of ING Capital LLC is located at 1325 Avenue of the Americas, New York, NY 10019.
- (2) Based upon a Schedule 13G filed on May 12, 2004 with the SEC by SACC Partners LP and its affiliated entities, Cadiz corporate records of stock issuances and correspondence with Mr. Riley, the listed affiliated entities beneficially own an aggregate of 634,699 shares of Cadiz common stock, and have sole voting and dispositive power of the stock.
- (3) Based upon a Schedule 13G filed on February 4, 2005 with the SEC by Lloyd I. Miller, III, Cadiz corporate records of stock issuances and correspondence with Mr. Miller, the listed affiliated entities beneficially own an aggregate of 560,000 shares of Cadiz common stock and 10,000 warrants exercisable to acquire an additional 60,000 shares of common stock. Mr. Miller has sole voting power of 460,000 of the shares, and sole dispositive power of 460,000 of the shares. The remaining shares beneficially owned by Mr. Miller are subject to shared voting and dispositive power.
- (4) Based upon a Schedule 13G filed on February 15, 2005 with

the SEC, Cadiz corporate records of stock issuances and correspondence with Bedford Oak, the listed related funds beneficially own an aggregate of 828,500 shares of Cadiz common stock.

- (5) Based upon a Schedule 13G filed on February 18, 2004 with the SEC by Morgan Stanley & Co. International Limited and its affiliated entities, Cadiz corporate records of stock issuances and correspondence with Morgan Stanley, Morgan Stanley has shared voting rights and shared dispositive power over an aggregate of 639,603 shares of Cadiz common stock.
- (6) Includes 2,000 shares owned by a foundation of which Mr. Brackpool is a trustee, but in which Mr. Brackpool has no economic interest and 2,000 shares owned by his separated spouse. Mr. Brackpool disclaims any beneficial ownership of the 4,000 shares owned by the foundation and his spouse.
- (7) Includes 1,490 shares underlying presently exercisable options.
- (8) Based upon a Schedule 13G filed on October 14, 2004 with the SEC by FMR Corp. and its affiliated entities, Cadiz corporate records of stock issuances and correspondence with FMR Corp., the listed affiliated entities beneficially own an aggregate of 675,306 shares of Cadiz common stock, and have sole voting and dispositive power of the stock.
- (9) Based upon a Schedule 13G filed on February 14, 2005 with the SEC by RAB Special Situations LP. and its affiliated entities, Cadiz corporate records of stock issuances and correspondence with RAB., the listed affiliated entities beneficially own an aggregate of 606,400 shares of Cadiz common stock and 60,000

Page 39

warrants exercisable to acquire an additional 60,000 shares of common stock and have shared voting and dispositive power of the stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

TRANSACTIONS WITH ING

On November 30, 2004, the Company entered into an agreement with ING, whereby, among other things, the Company's senior term loan facility with ING was repaid in full and the outstanding principal balance under the Company's existing revolving credit facility was reduced to \$25 million, and ING agreed to convert 99,000 shares of the Company's Series F Preferred Stock (representing 99% of the outstanding shares of Series F Preferred Stock) into 1,711,665 shares of the Company's common stock. See Item 7, "Management's Discussion and Analysis of Financial Condition and of Operations - Liquidity and Capital Resources - Current Financing Arrangements", above.

NOVEMBER 2004 PRIVATE PLACEMENT

On November 30, 2004, the Company completed a private placement (the "Placement") of 400,000 Units at the price of \$60.00 per Unit. See Item 7, "Management's Discussion and Analysis of Financial Condition and of Operations - Overview". 40 Units in the Placement were issued to ING for \$2.4 million of

prepaid interest under the Company's \$25 million borrowing from the lender. The other holders of more than 5% of the Company's common stock participating in the Placement were SACC Partners LP and affiliated entities, as to 10,000 Units; FMR Corp. and affiliated entities, as to 72,500 Units; Lloyd I. Miller III and affiliated entities, as to 10,000 Units; Bedford Oak Partners and affiliated entities, as to 17,000 Units; and Morgan Stanley & Co. International Limited and affiliated entities, as to 60,000 Units.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

For the fiscal years ended December 31, 2004 and 2003, professional services were performed by PricewaterhouseCoopers LLC (PwC). Cadiz' audit committee annually approves the engagement of outside auditors for audit services in advance. The audit committee has also established complementary procedures to require pre-approval of all audit-related, tax and permitted non-audit services provided by PwC, and to consider whether the outside auditors' provision of non-audit services to Cadiz is compatible with maintaining the independence of the outside auditors. The audit committee may delegate pre-approval authority to one or more of its members. Any such fees pre-approved in this manner shall be reported to the audit committee at its next scheduled meeting. All services described below were pre-approved by the audit committee.

All fees for services rendered by PwC aggregated \$313,000 and \$296,050 for the fiscal years ended December 31, 2004 and 2003, respectively, and were composed of the following:

Audit Fees. The aggregate fees billed for the audit of the annual financial statements for the fiscal years ended December 31, 2004 and 2003, for reviews of the financial statements included in the Company's Quarterly Reports on Form 10Q, and for assistance with and review of documents filed with the SEC were \$313,000 for 2004 and \$296,050 for 2003.

Page 40

Audit Related Fees. No audit-related fees were billed by PwC to Cadiz for the fiscal years ended December 31, 2004 and 2003.

Tax Fees. Fees billed for tax services for the fiscal years ended December 31, 2004 and 2003 were \$0 and \$0, respectively.

All Other Fees. No other fees were billed by PwC to Cadiz for services other than as discussed above for the fiscal years ended December 31, 2004 and 2003.

Page 41

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORT 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 Form 10-K.

- 3.1 Cadiz Certificate of Incorporation, as amended(1)
- 3.2 Amendment to Cadiz Certificate of Incorporation dated November 8, 1996(2)
- 3.3 Amendment to Cadiz Certificate of Incorporation dated September 1, 1998(3)
- 3.4 Amendment to Cadiz Certificate of Incorporation dated December 15, 2003(11)
- 3.5 Certificate of Elimination of Series D Preferred Stock, Series E-1 Preferred Stock and Series E-2 Preferred Stock of Cadiz Inc. dated December 15, 2003(11)
- 3.6 Certificate of Elimination of Series A Junior Participating Preferred Stock of Cadiz Inc., dated March 25, 2004(11)
- 3.7 Certificate of Designations of Series F Preferred Stock of Cadiz Inc. dated December 15, 2003
- 3.8 Amended and Restated Certificate of Designations of Series F Preferred Stock of Cadiz Inc.(12)
- 3.9 Cadiz Bylaws, as amended (4)
- 4.1 Indenture, dated as of April 16, 1997 among Sun World as issuer, Sun World and certain subsidiaries of Sun World as guarantors, and IBJ Whitehall Bank & Trust Company as trustee, for the benefit of holders of 11 percent First Mortgage Notes due 2004 (including as Exhibit A to the Indenture, the form of the Global Note and the form of each Guarantee) (5)
- 4.2 Amendment to Indenture dated as of October 9, 1997(6)
- 4.3 Amendment to Indenture dated as of January 23, 1998(7)
- 4.4 Preferred Stock Exchange Agreement, dated October 20, 2003, by and among Cadiz Inc., OZ Master Fund, Ltd. and OZF Credit Opportunities Master Fund, Ltd. (11)

Page 42

- 10.1 Cadiz Inc. 1996 Stock Option Plan(4)
- 10.2 Amendment to the Cadiz Inc. 1996 Stock Option Plan(8)
- 10.3 Amended and Restated Cadiz Inc. 1998 Non-Qualified Stock Option Plan(8)
- 10.4 Cadiz Inc. 2000 Stock Award Plan(9)
- 10.5 Agreement Regarding Employment Between Cadiz Inc. and Keith Brackpool dated July 5, 2003(10)

- 10.6 Agreement Regarding Satisfaction of Note Obligations Between Cadiz Inc. and Keith Brackpool dated July 5, 2003(10)
- 10.7 Sixth Amended and Restated Credit Agreement, dated as of December 15, 2003, among Cadiz Inc., Cadiz Real Estate LLC, and ING Capital LLC, as Administrative Agent, and the lenders party thereto(11)
- 10.8 Sixth Global Amendment Agreement, dated as of December 15, 2003, between Cadiz Inc., Cadiz Real Estate LLC, and ING Capital LLC(11)
- 10.9 First Amendment to 2003 Restated Credit Agreement and Consent to Offering, dated as of November 30, 2004, among Cadiz Inc., Cadiz Real Estate LLC, and ING Capital LLC, as Administrative Agent, and the lenders party thereto.
- 10.10 ING Capital LLC Amended and Restated Tranche A Note in principal amount of \$25 million(11)
- 10.11 ING Capital LLC Amended and Restated Tranche B Note in principal amount of \$10 million(11)
- 10.12 ING Capital LLC Second Amended and Restated Tranche A Note, dated as of November 30, 2004, in principal amount of \$15 million.
- 10.13 ING Capital LLC Second Amended and Restated Tranche B Note, dated as of November 30, 2004, in principal amount of \$10 million.
- 10.14 Limited Liability Company Agreement of Cadiz Real Estate LLC dated December 11, 2003(11)
- 10.15 Amendment No. 1, dated October 29, 2004, to Limited Liability Company Agreement of Cadiz Real Estate LLC.
- 10.16 The Cadiz Groundwater Storage and Dry-Year Supply Program Definitive Economic Terms and Responsibilities between Metropolitan Water District of Southern California and Cadiz dated March 6, 2001(8)
- 10.17 Sun World-Bondholder-Cadiz Term Sheet and Agreement in Principle, dated as of October 13, 2003, by and among Cadiz, Sun World International, Inc. and its debtor affiliates, and Black Diamond Capital Management, L.L.C. and CFSC Wayland Advisers, Inc. and their respective affiliates(11)
- 10.18 Sun World Noteholder Trust Agreement, dated December 15, 2003, by and among Cadiz Inc., Logan & Company, as Trustee, Black Diamond Capital Management, L.L.C. on behalf of its affiliates, and CFSC Wayland Advisers, Inc. (11)
- 10.19 Assignment of Claims, dated December 15, 2003, by Cadiz Inc. and the Sun World Noteholder Trust (11)

- 10.20 Pledge Agreement, dated as of December 12, 2003, by and between Cadiz Inc., as Pledgor, and Sun World Noteholder Trust, as Secured Party (11)
- 10.21 Agreement re Closing of "Sun World-Bondholder-Cadiz Term Sheet and Agreement in Principle", dated as of November 24, 2003, by and between Cadiz Inc. and Black Diamond Capital Management, L.L.C. and CFSC Wayland Advisers, Inc. and their respective affiliates(11)
- 10.22 Mutual General Release, dated December 15, 2003 by and between Cadiz Inc., and Sun World International, Inc., Sun Desert Inc., Coachella Growers and Sun World/Rayo(11)
- 10.23 Resolution of the Directors of Cadiz Inc., authorizing the Management Equity Incentive Plan. (11)
- 10.24 Supplemental Resolutions of the Compensation Committee of the Board of Directors of Cadiz Inc., regarding the Management Equity Incentive Plan.
- 10.25 2004 Management Bonus Plan.
- 10.26 Consulting Agreement dated August 1, 2002 by and between Richard Stoddard and Cadiz Inc., and Extension of Consulting Agreement dated January 1, 2004 by and between Richard Stoddard and Cadiz Inc.
- 21.1 Subsidiaries of the Registrant
- 31.1 Certification of Keith Brackpool, Chairman, Chief Executive Officer and Chief Financial Officer of Cadiz Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Keith Brackpool, Chairman, Chief Executive Officer and Chief Financial Officer of Cadiz Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

-
- (1) Previously filed as an Exhibit to our Registration Statement of Form S-1 (Registration No. 33-75642) declared effective May 16, 1994 filed on February 23, 1994
- (2) Previously filed as an Exhibit to our Report on Form 10-Q for the quarter ended September 30, 1996 filed on November 14, 1996

Page 44

- (3) Previously filed as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 filed on November 13, 1998
- (4) Previously filed as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 filed on August 13, 1999
- (5) Previously filed as an Exhibit to Amendment No. 1 to our Form S-1 Registration Statement No. 333-19109 filed on April 29, 1997
- (6) Previously filed as an Exhibit to Amendment No. 2 to Sun World's Form S-4 Registration Statement No. 333-31103 filed on October 14, 1997

- (7) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 1997 filed on March 26, 1998
- (8) Previously filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed on March 28, 2002
- (9) Previously filed as Appendix A to our Proxy Statement dated April 5, 2000, filed on March 29, 2000
- (10) Previously filed as an Exhibit to our Report on Form 10-Q for the quarter ended September 30, 2003 filed on November 2, 2004
- (11) Previously filed as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 2003 filed on November 2, 2004.
- (12) Previously filed as an Exhibit to our Current Report on Form 8-K dated November 30, 2004 filed on December 2, 2004.

(B) REPORTS ON FORM 8-K

We filed a report on Form 8-K dated November 30, 2004 reporting numerous transactions involving the reduction and extension of our senior secured debt, the issuance of our common stock in a private placement, the conversion of preferred stock into common stock, and an amendment to the terms of our remaining outstanding preferred stock.

Page 45

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 INC.

By: /s/ Keith Brackpool

 Keith Brackpool,
 Chairman and Chief Executive
 and Financial Officer

Date: March 30, 2005

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/ Keith Brackpool ----- Keith Brackpool, Chairman and Chief Executive and Financial Officer (Principal Executive, Financial and Accounting Officer)	March 30, 2005 -----
/s/ Murray H. Hutchison ----- Murray H. Hutchison, Director	March 30, 2005 -----

/s/ Timothy J. Shaheen March 30, 2005

Timothy J. Shaheen, Director

/s/ Geoffrey Arens March 30, 2005

Geoffrey Arens, Director

/s/ Gregory Ritchie March 30, 2005

Gregory Ritchie, Director

Page 46

CADIZ INC.

INDEX TO FINANCIAL STATEMENTS

CADIZ INC. CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	48
Consolidated Statement of Operations for the three years ended December 31, 2004	49
Consolidated Balance Sheet as of December 31, 2004 and 2003 . .	50
Consolidated Statement of Cash Flows for the three years ended December 31, 2004	51
Consolidated Statement of Stockholders' Equity for the three years ended December 31, 2004	53
Notes to the Consolidated Financial Statements	55

CADIZ INC. FINANCIAL STATEMENT SCHEDULES

Schedule I - Condensed Financial Information of Registrant as of December 31, 2003 and for the two years ended December 31, 2003	81
Schedule II - Valuation and Qualifying Accounts for the three years ended December 31, 2004	85

SUN WORLD INTERNATIONAL, INC. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	86
Consolidated Statement of Operations for the three years ended December 31, 2004	87
Consolidated Balance Sheet as of December 31, 2004 and 2003 . .	88
Consolidated Statement of Cash Flows for the three years ended December 31, 2004	89
Consolidated Statement of Stockholder's Equity for the three years ended December 31, 2004	90

(Schedules other than those listed above have been omitted since they are either not required, inapplicable, or the required information is included on the financial statements or notes thereto.)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Cadiz Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Cadiz Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards 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 our opinion.

As discussed in Note 2 to the accompanying financial statements, the Company incurred losses of approximately \$16.0 million and \$11.5 million in 2004 and 2003, respectively, and used cash for operating activities of \$7.6 million and \$6.6 million in 2004 and 2003, respectively. The Company's objectives in regard to this matter are discussed in Note 2. The accompanying consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assumes realization of assets and settlement of liabilities in the normal course of business. The matters described above raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Los Angeles, California
March 11, 2005

CADIZ INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Total revenues	\$ 47	\$ 3,162	\$114,250
Costs and expenses:			
Cost of sales	-	2,965	86,356
General and administrative	3,050	5,235	16,953
Write off of investment in subsidiary	-	195	-
Reorganization costs	-	655	-
Removal of underperforming crops	-	-	4,514
Write-off of permanent and developing crops	3,443	-	-
Depreciation and amortization	527	743	7,480
Total costs and expenses	7,020	9,793	115,303
Operating loss	(6,973)	(6,631)	(1,053)
Interest expense, net	9,064	4,905	21,172
Net loss before income taxes	(16,037)	(11,536)	(22,225)
Income tax expense	-	-	-
Net loss	(16,037)	(11,536)	(22,225)
Less: Preferred stock dividends	-	918	1,125
Imputed dividend on preferred stock	-	1,600	984
Net loss applicable to common stock	\$ (16,037)	\$ (14,054)	\$ (24,334)
Basic and diluted net loss per share	\$ (2.32)	\$ (6.39)	\$ (16.76)
Weighted-average shares outstanding	6,911	2,200	1,452

See accompanying notes to the consolidated financial statements.

Page 49

CADIZ INC.

CONSOLIDATED BALANCE SHEET

(\$ IN THOUSANDS)	DECEMBER 31,	
	2004	2003

ASSETS

Current assets:

Cash and cash equivalents \$ 9,031 \$ 3,422

Prepaid interest expense	1,106	-
Prepaid expenses and other	116	248
	-----	-----
Total current assets	10,253	3,670
Property, plant, equipment and water programs, net	35,552	39,514
Goodwill	3,813	3,813
Restricted cash	-	2,142
Other assets	1,453	387
	-----	-----
	\$ 51,071	\$ 49,526
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 470	\$ 857
Accrued liabilities	743	1,545
	-----	-----
Total current liabilities	1,213	2,402
Long-term debt	25,000	30,253
Other liabilities	-	654
Contingencies (Note 13)		
Stockholders' equity:		
Series F convertible preferred stock - \$.01 par value:		
100,000 shares authorized, shares issued and outstanding - 1,000 at December 31, 2004 and 100,000 at December 31, 2003	-	1
Common stock - \$.01 par value; 70,000,000 shares authorized; shares issued and outstanding 10,324,339 at December 31, 2004 and 6,471,384 at December 31, 2003	103	65
Additional paid-in capital	209,615	184,974
Accumulated deficit	(184,860)	(168,823)
	-----	-----
Total stockholders' equity	24,858	16,217
	-----	-----
	\$ 51,071	\$ 49,526
	=====	=====

See accompanying notes to the consolidated financial statements.

Page 50

CADIZ INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
(\$ IN THOUSANDS)	2004	2003	2002

Cash flows from operating activities:			
Net loss	\$ (16,037)	\$ (11,536)	\$ (22,225)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	4,294	1,602	13,241
Write off of unamortized deferred debt			

discount and loan fees	1,369	-	-
Write off of investment in subsidiary	-	195	-
Stock issued for services	-	550	-
Compensation paid through settlement of note receivable from officer	-	841	-
Interest paid in common stock	-	12	-
Loss on disposal of assets	-	43	346
Write-off of permanent and developing crops	3,443	-	-
Removal of underperforming crops	-	-	4,514
Shares of KADCO stock earned for services	-	-	(1,250)
Compensation charge for deferred stock units	-	152	579
Accrued interest on note receivable from officer	-	-	(22)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	-	1,488	(405)
Increase in inventories	-	(3,043)	(1,116)
Decrease (increase) in prepaid expenses and other	132	(112)	(378)
(Decrease) increase in accounts payable	(386)	1,393	(4,365)
(Decrease) increase in accrued liabilities	(454)	1,831	633
Increase in other liabilities	-	-	315
	-----	-----	-----
Net cash used for operating activities	(7,639)	(6,584)	(10,133)
	-----	-----	-----
Cash flows from investing activities:			
Deconsolidation of subsidiary	-	(1,019)	-
Additions to property, plant and equipment	(8)	(140)	(638)
Additions to water programs	-	-	(643)
Additions to developing crops	-	(231)	(2,176)
Proceeds from disposal of property, plant and equipment	-	-	2,463
Loan to officer	-	181	(1,000)
Decrease (increase) in restricted cash	2,142	(2,142)	-
Increase in other assets	(10)	(104)	(95)
	-----	-----	-----
Net cash provided by (used for) investing activities	2,124	(3,455)	(2,089)
	-----	-----	-----
Cash flows from financing activities:			
Net proceeds from issuance of stock	21,274	10,304	764
Proceeds from issuance of long-term debt	-	135	-
Financing costs	(150)	(400)	-
Proceeds from convertible note payable	-	200	-
Net proceeds from short-term borrowings	-	-	14,400
Principal payments on long-term debt	(10,000)	(7)	(761)
Bank overdraft	-	-	(410)
	-----	-----	-----
Net cash provided by financing activities	11,124	10,232	13,993
	-----	-----	-----
Net increase in cash and cash equivalents	5,609	193	1,771
Cash and cash equivalents, beginning			

of period	3,422	3,229	1,458
	-----	-----	-----

Page 51

Cash and cash equivalents, end of period	\$ 9,031	\$ 3,422	\$ 3,229
	=====	=====	=====

Non-cash financing and investing activities

Settlement of note receivable from officer	\$ 1	\$ 841	\$ -
Common stock issued upon conversion of preferred stock	-	14,020	-
Issuance of preferred stock with loan extension	-	5,000	-
Issuance of common stock upon conversion of note payable	-	212	-
Issuance of common stock to prepay interest on term loan obligations	2,400	-	-
Issuance of common stock for services accrued in 2003	350	-	-
Exchange of deferred stock units for common stock	654	1,054	43
Payment of preferred stock dividends with common stock	-	-	908

See accompanying notes to the consolidated financial statements

Page 52

CADIZ INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2001
(\$ IN THOUSANDS)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL	ACCUMULATED	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN CAPITAL	DEFICIT	STOCKHOLDERS' EQUITY
	-----	-----	-----	-----	-----	-----	-----
Balance as of December 31, 2001	-	\$ -	1,442,833	\$ 14	\$152,751	\$ (135,062)	\$ 17,703
Exercise of stock options	-	-	5,741	1	763	-	764
Issuances of common stock to lender	-	-	1,000	-	208	-	208
Beneficial conversion feature for convertible notes payable	-	-	-	-	884	-	884
Exchange of deferred stock units for common stock	-	-	3,482	-	43	-	43
Issuance of warrants to							

lenders	-	-	-	-	2,703	-	2,703
Payment of preferred stock dividends with common stock	-	-	5,603	-	908	-	908
Preferred stock dividend	-	-	-	-	(1,125)	-	(1,125)
Imputed dividend from warrants and deferred beneficial conversion feature	-	-	-	-	(984)	-	(984)
Net loss	-	-	-	-	-	(22,225)	(22,225)
Balance as of December 31, 2002	-	-	1,458,659	15	156,151	(157,287)	(1,121)
	-----	-----	-----	-----	-----	-----	-----
Exchange of deferred stock units for common stock	-	-	26,027	-	1,054	-	1,054
Issuance of common stock for cash	-	-	4,112,000	41	10,239	-	10,280
Issuance of stock to lenders	-	-	168,000	2	430	-	432
Issuance of common stock for services	-	-	128,000	1	279	-	280
Exercise of warrants	-	-	94,000	1	23	-	24
Conversion of Series D and E convertible preferred stock	-	-	400,000	4	14,016	-	14,020
Conversion of convertible note payable	-	-	84,699	1	211	-	212
Beneficial conversion feature of note payable	-	-	-	-	90	-	90
Preferred stock dividend	-	-	-	-	(918)	-	(918)
Imputed dividend from warrants and deferred beneficial conversion feature	-	-	-	-	(1,600)	-	(1,600)

Page 53

CADIZ INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2001
(\$ IN THOUSANDS), CONTINUED

PREFERRED STOCK COMMON STOCK ADDITIONAL TOTAL

	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN CAPITAL	ACCUMULATED DEFICIT	STOCKHOLDERS' EQUITY
Issuance of Series F convertible preferred stock	100,000	1	-	-	4,999	-	5,000
Net loss	-	-	-	-	-	(11,536)	(11,536)
Balance as of December 31, 2003	100,000	1	6,471,385	65	\$184,974	(168,823)	16,217
Exchange of deferred stock units for common stock	-	-	1,289	-	654	-	654
Issuance of common stock for cash	-	-	2,000,000	20	23,654	-	23,674
Issuance of common stock for services	-	-	140,000	1	349	-	350
Conversion of Series F convertible preferred stock	(99,000)	(1)	1,711,665	17	(16)	-	-
Net loss	-	-	-	-	-	(16,037)	(16,037)
Balance as of December 31, 2004	1,000	\$ -	10,324,339	\$103	\$209,615	\$(184,860)	\$ 24,858

See accompanying notes to the consolidated financial statements

Page 54

CADIZ INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

The Company had agricultural operations through its wholly-owned subsidiary, Sun World International, Inc. and its subsidiaries, collectively referred to as "Sun World," and is developing the water resource segment of its business. With Sun World's filing of voluntary petitions for relief under Chapter 11 of the Bankruptcy code as further described below, the primary business of the Company is to acquire and develop water resources. The Company has created a complementary portfolio of assets encompassing undeveloped land with high-quality groundwater resources and/or storage potential, located throughout central and southern California with valuable water rights, and other contractual water rights. Management believes that, with both the increasing scarcity of water supplies in California and an increasing population, the Company's access to water could provide it with a competitive advantage as a supplier of water.

The Company's primary asset consists of three blocks of

largely contiguous land in eastern San Bernardino County, California. This land position totals approximately 45,000 acres. Virtually all of this land is underlain by high-quality groundwater resources with demonstrated potential for various applications, including water storage and supply programs, and agricultural, municipal, recreational and industrial development. Two of the three blocks of land are located in proximity to the Colorado River Aqueduct, the major source of imported water for southern California. The third block of land is located near the Colorado River.

The value of these assets derives from a combination of population increases and limited water supplies throughout southern California. In addition, most of the major population centers in southern California are not located where significant precipitation occurs requiring the importation of water from other parts of the state. The Company therefore believes that a competitive advantage exists for those companies that possess or can provide high quality, reliable and affordable water to major population centers.

To this end, in 1997, the Company commenced discussions with the Metropolitan Water District of Southern California ("Metropolitan") in order to develop a long-term agreement for a joint venture groundwater storage and supply program on and under its desert properties, sometimes referred to as the "Cadiz Program". Under the Cadiz Program, surplus water from the Colorado River would be stored in the aquifer system underlying its land during wet years. When needed, the stored water, together with indigenous groundwater, would be returned to the Colorado River Aqueduct for distribution to Metropolitan's member agencies throughout six southern California counties.

During the next several years, the Company engaged in extensive negotiations with Metropolitan concerning the Cadiz Program and actively pursued and received substantially all of the various permits required to construct and operate the project. However, in October 2002, Metropolitan's Board voted to not proceed with the Cadiz Program.

Notwithstanding Metropolitan's actions in 2002, the Company expects to be able to use its land assets and related water resources to participate in a broad variety of water storage and supply, exchange, and conservation programs with public agencies and other parties. Southern California's need for water storage and supply programs has not abated. The Company believes

Page 55

there are many different scenarios to maximize the value of this water resource, all of which are under current evaluation.

The Company believes there are a variety of scenarios under which the value of the Cadiz Program may be realized. Exploratory discussions have been initiated with representatives of governmental organizations, water agencies, and private water users with regard to their expressed interest in implementation of the Cadiz Program. Several such discussions have been held with water agencies that are independently seeking reliability of supply. Other discussions have focused on the possibility of exchanging water stored at the Cadiz Program with water contractors in other regions in California. In addition, the current drought within the Colorado River watershed has served as an impetus to cooperative discussions between states, with the goal that interstate exchanges and transfers may also become feasible in the future.

Because of the Company's long-term relationship with

Metropolitan, the Company also intends to pursue discussions with the agency in an effort to determine whether there are terms acceptable to both parties under which the Cadiz Program could be implemented. With the recent finalization of the Quantification Settlement Agreement (QSA), an agreement between the Secretary of the Interior, the State of California, Metropolitan and three other southern California water agencies quantifying the amount of water California's Colorado River users could expect on an annual basis, Metropolitan's Colorado River supplies are now specified and limited only by the variable volume of flow on the river. To meet the growing needs of its service area, Metropolitan must take advantage of all opportunities to store available Colorado River water during periods of surplus. With virtually all environmental permits and approvals in place for the Cadiz Program, except for those dependent upon Metropolitan's certification of the Environmental Impact Report (EIR), the Company believes a partnership with Metropolitan could be renewed in a timely manner if terms acceptable to both parties were to be negotiated.

Sun World is a large vertically integrated agricultural company that owns approximately 17,000 acres of land, primarily located in two major growing areas of California: the San Joaquin Valley and the Coachella Valley. Fresh produce, including table grapes, stonefruit, citrus, peppers and watermelons, is marketed and shipped to food wholesalers and retailers throughout the United States and to more than 30 foreign countries. Sun World owns and operates two cold storage and packing facilities located in California.

On January 30, 2003, Sun World and certain of its subsidiaries (Sun Desert Inc., Coachella Growers, and Sun World/Rayo) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The filing was made in the United States Bankruptcy Court, Central District of California, Riverside Division. Sun World sought bankruptcy protection in order to access a seasonal financing package of up to \$40 million to provide working capital through the 2003-2004 growing seasons.

As a debtor-in-possession, Sun World is authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the approval of the Bankruptcy Court. Under the Bankruptcy Code, actions to collect pre-petition indebtedness, as well as most other pending litigation, are stayed and other contractual obligations against Sun World may not be enforced. In addition, under the Bankruptcy Code, Sun World may assume or reject executory contracts, including lease obligations. Parties affected by these rejections may file claims with the Court in accordance with the reorganization

Page 56

process. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization to be voted upon by creditors and equity holders and approved by the Bankruptcy Court.

The four Sun World entities are the joint proponents of the Debtors' Joint Plan of Reorganization Dated November 24, 2003 (the "Plan"). The Plan provided for the restructuring of Sun World's balance sheet by providing for Sun World to issue equity interests in the reorganized company to the holders of its First Mortgage Notes in full satisfaction of their mortgage note claims; for the payment in full of convenience claims and trade claims; and for Sun World to issue equity interests in the reorganized company to entities holding certain other unsecured claims in full satisfaction of those claims. The holders of Sun

World's secured First Mortgage Notes were unable to reach agreement on various Plan issues, and the Plan as presented was not confirmable. Thereafter, following an extensive marketing process, Sun World entered into, subject to Court approval, an asset purchase agreement ("APA") in December 2004 with BDCM Opportunity Fund, L.P. ("BDCM"), a major holder of the First Mortgage Notes, under which BDCM would acquire substantially all of Sun World's assets subject to overbids at a Court authorized auction. Following the auction on January 13, 2005, BDCM was declared the winning bidder and the Court approved on January 14, 2005, an amended APA under which BDCM agreed to acquire substantially all of Sun World's assets in exchange for cash and credit consideration of \$127,750,000, plus assumption of certain liabilities totaling an estimated \$14 million, including the trade claims which approximate net book value as of December 31, 2004 of the assets sold. Thereafter, BDCM assigned its rights under the APA to Sun World International LLC ("SWLLC"), a subsidiary of BDCM. The agreement with SWLLC closed on February 28, 2005. The Company expects that following closing of the transaction, that Sun World will file an amended Plan to distribute the remaining consideration left in Sun World (estimated at approximately \$50 million after interim distributions/credits to the holders of First Mortgage Notes of approximately \$78 million upon closing as authorized by the Court).

At January 30, 2003, due to the Company's loss of control over the operations of Sun World, the financial statements are no longer consolidated with those of Cadiz. Instead, Cadiz accounts for its investment in Sun World on the cost basis of accounting. As a result, the Company wrote off its net investment in Sun World of \$195 thousand at the Chapter 11 filing date because it did not anticipate being able to recover its investment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Company have been prepared using accounting principles applicable to a going concern, which assumes realization of assets and settlement of liabilities in the normal course of business. The Company incurred losses of \$16.0 million and \$11.5 million in 2004 and 2003, respectively, had working capital of \$9.0 million at December 31, 2004, and used cash in operations of \$7.6 million and \$6.6 million in 2004 and 2003, respectively. On that date, Sun World was deconsolidated and the Company discontinued its agricultural operations. Currently, the Company's sole focus is the development of its water resources program.

Page 57

As discussed in Note 1, on October 8, 2002, Metropolitan's Board voted not to approve the terms and conditions of the right-of-way grant and not to proceed with the Cadiz Program. On April 7, 2003, the Company filed an administrative claim against Metropolitan, asserting the breach of various obligations specified in the Company's Principles of Agreement with Metropolitan. The Company believes that by failing to complete the environmental review process for the Cadiz Program, as specified in the Principles of Agreement, Metropolitan violated this contract. In discussions following presentation of this claim, the Company and Metropolitan agreed to continue to evaluate alternative approaches to implementation of the

Cadiz Program. Metropolitan has not to date responded to the claim and the Company has until October 2005 to file a lawsuit against the agency.

The Company remains committed to its water programs and it continues to explore all opportunities for development of these assets. As further discussed in Note 1, exploratory discussions have been initiated with representatives of governmental organizations, water agencies, and private water users with regard to their expressed interest in implementation of the Cadiz Program. However, at the present time, the Company does not have a commitment from any of these parties for the implementation of the Cadiz program.

During the quarter ended December 31, 2004, the Company raised \$21.3 million in cash through a private sale of common stock. Based on current forecasts, the Company believes it has sufficient resources to fund operations beyond December 2005. The Company's current resources do not provide the capital necessary to fund the water development project should the Company be required to do so. There is no assurance that additional financing (public or private) will be available on acceptable terms or at all. If the Company issues additional equity securities to raise funds, the ownership percentage of the Company's existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. If the Company cannot raise needed funds, it might be forced to make further substantial reductions in its operating expenses, which could adversely affect its ability to implement its current business plan and ultimately its viability as a company. These financial statements do not include any adjustments that might result from these uncertainties.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and those of Sun World until January 30, 2003, at which date Sun World and certain of its subsidiaries (Sun Desert Inc., Coachella Growers, and Sun World/Rayo) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. As of that date, due to the Company's loss of control over the operations of Sun World, the financial statements of Sun World are no longer consolidated with those of Cadiz, but instead, Cadiz accounts for its investment in Sun World on the cost basis of accounting. As a result of changing to the cost basis of accounting on January 31, 2003, the Company had a net investment in Sun World of \$195 thousand consisting of loans and other amounts due from Sun World of \$13,500,000 less losses in excess of investment in Sun World of \$13,305,000. The Company wrote off its net investment in Sun World during the quarter ended March 31, 2003 because it will not be able to recover its investment.

Page 58

In December 2003, the Company transferred substantially all of its assets (with the exception of our office sublease, certain office furniture and equipment and any Sun World related assets) to Cadiz Real Estate LLC, a Delaware limited liability company ("Cadiz Real Estate"). The Company holds 100% of the equity interests of Cadiz Real Estate, and therefore continues to hold 100% beneficial ownership of the properties that it transferred to Cadiz Real Estate. Because the transfer of the Company's properties to Cadiz Real Estate has no effect on its ultimate beneficial ownership of these properties, the properties owned of record either by Cadiz Real Estate or by the Company are treated

as belonging to the Company.

ONE-FOR-25 REVERSE STOCK SPLIT

In December 2003, the Company effected a one-for-25 reverse stock split. All share and per share information in the accompanying financial statements have been retroactively restated to reflect the effect of this stock split.

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. In preparing these financial statements, management has made estimates with regard to revenue recognition and the valuation of inventory, goodwill and other long-lived assets, and deferred tax assets. Actual results could differ from those estimates.

REVENUE RECOGNITION

Prior to the deconsolidation of Sun World, the Company recognized crop sale revenue upon shipment and transfer of title to customers. Packing revenues and marketing commissions from third party growers were recognized when the related services were provided. Proprietary product development revenues were recognized based upon product sales by licensees. Project development and management fees were recorded when earned under the terms of the related agreement.

Sun World revenues attributable to one national retailer totaled \$0.1 million (2.2%) for the month ended January 31, 2003, and \$9.6 million (8.4%) for the year ended December 31, 2002. Revenues attributable to another national retailer totaled \$0.5 million (16.6%) for the month ended January 31, 2003. Sun World export sales accounted for approximately 6.1%, and 12.1% of the Company's revenues for the month ended January 31, 2003, and for year ended December 31, 2002, respectively. Services and license revenues were less than 10% of total revenues for each of the years in the two-year period ended December 31, 2003.

RESEARCH AND DEVELOPMENT

Prior to the deconsolidation of Sun World, the Company incurred costs to research and develop new varieties of proprietary products. Research and development costs were expensed as incurred. Such costs incurred by Sun World were approximately \$183,000 for the month ended January 31, 2003, and \$2,424,000 for the year ended December 31, 2002.

Page 59

NET LOSS PER COMMON SHARE

Basic Earnings Per Share (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. Options, deferred stock units, warrants, and participating and redeemable preferred stock convertible into or exercisable for certain shares of the Company's common stock, were not considered in the computation of diluted EPS because their inclusion would have been antidilutive. Had these instruments been included, the fully diluted weighted average shares outstanding would have increased by approximately 68,000

shares, 125,000 shares, and 333,000 shares for the years ended December 31, 2004, 2003 and 2002, respectively.

STOCK-BASED COMPENSATION

As permitted under Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" as amended by SFAS 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for its stock options and other stock-based employee awards. Pro forma information regarding net loss and loss per share, as calculated under the provisions of SFAS 123, are disclosed in the table below. The Company accounts for equity securities issued to non-employees in accordance with the provision of SFAS 123 and Emerging Issues Task Force 96-18.

Had compensation cost for these plans been determined using fair value the Company's net loss and net loss per common share would have increased to the following pro forma amounts (dollars in thousands except per share amounts):

	YEAR ENDED DECEMBER 31,		
	2004	2003	2001
	----	----	----
Net loss applicable to common stock:			
As reported	\$ (16,037)	\$ (14,054)	\$ (24,334)
Expense under SFAS 123	-	(150)	(648)
	-----	-----	-----
Pro forma	\$ (16,037)	\$ (14,204)	\$ (24,982)
	=====	=====	=====
Net loss per common share:			
As reported	\$ (2.32)	\$ (6.39)	\$ (16.76)
Expense under SFAS 123	-	(0.07)	(0.45)
	-----	-----	-----
Pro forma	\$ (2.32)	\$ (6.46)	\$ (17.21)
	=====	=====	=====

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.

Page 60

PREPAID INTEREST EXPENSE

As part of the private sale of common shares on November 30, 2004, the Company issued to its lender \$2.4 million of units as prepaid interest under the Company's \$25 million borrowing from ING. The current portion of this interest is included in Prepaid Interest Expense and the non-current portion is included in Other Assets in the Consolidated Balance Sheet.

RESTRICTED CASH

At the time the Company entered into revised secured term lending arrangements with ING in December 2003, the Company deposited into the lender's cash collateral account the sum of

\$2,142,000. The deposit represented collateral for future interest payments on the Company's credit facility accruing at the rate of 4% per annum from October 1, 2003 until March 31, 2005. This amount is shown on the balance sheet at December 31, 2003 as Restricted Cash. The balance was applied to principal and interest payments on the ING borrowing during 2004.

PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

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

The Company capitalized direct and certain indirect costs of planting and developing orchards and vineyards during the development period, which varied by crop and generally ranged from three to seven years. Depreciation commenced in the year commercial production is achieved.

Permanent land development costs, such as acquisition costs, clearing, initial leveling 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 indefinite 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 evaluates its long-lived assets, including intangibles, for potential impairment when circumstances indicate that the carrying amount of the asset may not be recoverable. This evaluation is based upon estimated future cash flows. In the event that the undiscounted cash flows are less than the net book value of the assets, the carrying value of the assets will be written down to their estimated fair value. As a result of the actions taken by Metropolitan in the fourth quarter of 2002 as described in Note 1, the

Page 61

Company, with the assistance of a valuation firm, evaluated the carrying value of its water program and determined that the asset was not impaired and that the costs were estimated to be recovered through implementation of the Cadiz Program either with other government organizations, water agencies and private water users, or through implementation of the Cadiz Program on terms acceptable to both Cadiz and Metropolitan. In 2004 and 2003 the Company reviewed the valuation of the its water program and concluded that the carrying amount of the program was not impaired. The Company's estimate could be impacted by changes in plans related to the Cadiz program.

During the year ended December 31, 2002, Cadiz and Sun World incurred costs to remove certain underperforming crops, primarily stonefruit, citrus, and wine grapes. The Company recorded a

charge of \$4.5 million in connection with the removal costs and write off of capitalized costs related to these crops which is shown under the heading "Removal of underperforming crops" on the Consolidated Statement of Operations.

Permanent crops and developing crops shown as Cadiz assets have previously been leased to Sun World and an unaffiliated third party as Cadiz does not conduct agricultural operations. During the fourth quarter of the year ended December 31, 2004, the long-standing lease to Sun World for a portion of these crops terminated and the crops have not been leased to any other party. The lease to an independent third party for the remainder of the crops is on a year to year basis and does not generate a significant amount of revenue. Based on the uncertainty as to possible recovery of the carrying value of the permanent crops and developing crops the Company recorded a charge of \$3.4 million to write off the capitalized costs related to these crops which is shown under the heading "Write-off of permanent and developing crops" on the Consolidated Statement of Operations.

GOODWILL AND OTHER ASSETS

As a result of a merger in May 1988 between two companies, which eventually became known as Cadiz Inc., goodwill in the amount of \$7,006,000 was recorded. Approximately \$3,193,000 of this amount was amortized until the adoption of Statement of Financial Accounting Standards No. 142, ("SFAS No. 142") "Goodwill and Other Intangible Assets" on January 1, 2002. Goodwill is tested for impairment annually in the first quarter, or if events occur which require an impairment analysis be performed. As a result of the actions taken by Metropolitan in the fourth quarter of 2002 as described in Note 1, the Company, with the assistance of a valuation firm, performed an impairment test of its goodwill and determined that its goodwill was not impaired. In addition, in the first quarters of 2004 and 2003, the Company, performed its annual impairment test of goodwill and determined its goodwill was not impaired.

Capitalized loan fees represent costs incurred to obtain debt financing. Such costs are amortized over the life of the related loan. At December 31, 2004 and 2003, the capitalized loan fees relate to costs incurred in connection with the ING loan described in Note 7.

Trademark development costs represent legal costs incurred to obtain and defend patents and trademarks related to the Company's proprietary products throughout the world. Such costs are capitalized and amortized over their estimated useful life, which range from 10 to 20 years.

Page 62

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 years ended December 31, 2004, 2003 and 2002 was \$3,970,000, \$3,913,000, and \$15,262,000, respectively. Cash paid for income taxes during the years ended

December 31, 2004, 2003 and 2002 was \$0, \$0 and \$71,000, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board issued SFAS no. 123(R) (revised 2004), "Share-Based Payment" which amends SFAS Statement 123 and will be effective for public companies for interim periods or annual periods beginning after June 15, 2005. The new standard will require the Company to recognize compensation costs in its financial statements in an amount equal to the fair value of share-based payments granted to employees and directors. The Company is currently evaluating how it will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on its financial position and results of operations.

NOTE 3 - NOTE RECEIVABLE FROM OFFICER

On July 5, 2002, the chief executive officer ("CEO") of the Company issued a promissory note to the Company for a loan of up to \$1,000,000 to be made by the Company to the CEO. Under the terms of the promissory note, the principal and unpaid interest, at 6% per annum, was due and payable on July 5, 2003. The note was collateralized by a pledge of shares of common stock, restricted stock and deferred stock units so that the aggregate fair market value of the pledged collateral was equal to or greater than 133% of the outstanding principal and accrued interest due on the note.

On July 5, 2003, the Company and CEO entered into an "Agreement Regarding Satisfaction of Note Obligation" (the "Agreement"). Under the terms of the Agreement, the Company determined that it was obligated to pay the CEO effective February 1, 2003, \$800,000 as a termination payment under a previously existing employment agreement. This overall settlement with Mr. Brackpool was made effective July 5, 2003, by way of a corresponding reduction in Mr. Brackpool's obligations to Cadiz under the loan. This reduction, along with cash payments by Mr. Brackpool in the amount of \$181,013 and an application of \$50,000 of accrued but unpaid compensation owed by Cadiz to Mr. Brackpool under his post February 1, 2003 employment arrangements with Cadiz, resulted in the settlement in full by Mr. Brackpool of his obligations under this loan.

The Agreement of Employment dated July 5, 2003, has an initial term of February 1, 2003, through September 30, 2003; provides for a fixed amount of monthly compensation; and allows for a new employment agreement to be negotiated, if mutually agreeable, upon expiration of the term of the agreement. Although the initial term of the agreement has expired, the CEO continues to provide services to the Company under the terms of the agreement.

NOTE 4 - PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

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

DECEMBER 31,	
2004	2003
----	----

Land and land improvements	\$ 22,010	\$ 22,010
Permanent crops	-	6,494
Developing crops	-	192
Water programs	14,274	14,274
Buildings	1,408	1,408
Machinery and equipment	3,599	3,590
	-----	-----
	41,291	47,968
Less accumulated depreciation	(5,739)	(8,454)
	-----	-----
	\$ 35,552	\$ 39,514
	=====	=====

Depreciation expense during the years ended December 31, 2004, 2003 and 2002 was \$527,000, \$683,000 and \$7,178,000 respectively.

Permanent crops and developing crops shown as Cadiz assets were leased to Sun World and to an unaffiliated third party as Cadiz does not conduct agricultural operations. In the fourth quarter of the year ended December 31, 2004, the lease of the Cadiz Valley farming property to Sun World terminated. Based on the uncertainty as to possible recovery of the carrying value of the permanent crops and developing crops on this property, during the last quarter of 2004 the Company wrote off \$3.4 million, net of depreciation, of permanent and developing crops at this property.

NOTE 5 - OTHER ASSETS

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

	DECEMBER 31,	
	2004	2003
	----	----
Deferred loan costs, net	\$ 148	\$ 387
Prepaid interest	1,294	-
Property tax refund receivable	11	-
	-----	-----
	\$ 159	\$ 387
	-----	-----

Page 64

Amortization expense of deferred loan costs was \$3,767,000, \$641,000, and \$5,761,000 in 2004, 2003, and 2002, respectively, and is included in interest expense in the statement of operations. Amortization expense included in the consolidated financial statements for Sun World's capitalized trademark development was \$0, \$60,000, and \$302,000 in 2004, 2003, and 2002, respectively.

NOTE 6 - ACCRUED LIABILITIES

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

DECEMBER 31,

	2004	2003
	----	----
Interest	\$ 172	\$ 1,073
Payroll, bonus, and benefits	142	248
Consulting fee	326	150
Other	103	74
	-----	-----
	\$ 743	\$ 1,545
	=====	=====

NOTE 7 - LONG-TERM DEBT

At December 31, 2004 and 2003, the carrying amount of the Company's outstanding debt is summarized as follows (dollars in thousands):

	DECEMBER 31,	
	2004	2003
	----	----
Senior term bank loan, interest payable semi-annually, interest per annum at 4% in cash plus 4% paid in kind until March 31, 2008 and 4% in cash plus 6% paid in kind until March 31, 2010	\$ 25,000	\$ 35,000
Debt discount	-	(4,747)
	-----	-----
	25,000	30,253
Less current portion	-	-
	-----	-----
	\$ 25,000	\$ 30,253
	=====	=====

Pursuant to the Company's loan agreement, annual maturity of long-term debt outstanding (in thousands) on December 31, 2004 is as follows: 2008 - \$10,000, 2010 - \$15,000.

CADIZ OBLIGATIONS

The senior term bank loan, which previously consisted of a revolving credit facility and a term loan, had an outstanding balance of \$25 million and \$35 million at December 31, 2004 and 2003. The senior term bank loan was due on January 31, 2003 and, through various extensions,

Page 65

is now due on March 31, 2010 assuming a principal repayment of \$10 million on or before March 31, 2008.

In February 2002, the Company completed an amendment to the senior term bank facility that extended the maturity date of the obligation to January 31, 2003. The interest rate could either be LIBOR plus 300 basis points if paid in cash or LIBOR plus 700 basis points if paid in common stock. In March 2002, the revolving credit facility was increased from \$15 million to \$25 million, with \$10 million of the \$25 million revolver convertible into 1,250,000 of the Company's common stock any time prior to January 2003 at the election of the lender. In connection with obtaining the extension of the term loan and revolver and the increase in the revolver, the Company repriced certain warrants

previously issued and issued certain additional warrants to purchase shares of the Company's common stock. The estimated fair value of the warrants issued and repriced was calculated using the Black Scholes option pricing model and was recorded as a debt discount and was being amortized over the remaining term of the loan.

The Company failed to pay off the senior term bank loan on its maturity date of January 31, 2003 and on February 13, 2003, the lender delivered to the Company a Notice of Default and Demand for Payment.

On December 15, 2003, the Company entered into an amendment of its senior term loan and revolving credit facility to extend the maturity date through March 31, 2005 and was entitled to obtain further extensions through September 30, 2006, by maintaining sufficient balances, among other conditions, in a cash collateral account with the lender. The maximum aggregate amount to be outstanding under the amended credit facility was \$35 million plus accrued interest. The amendment of the credit facility did not constitute a troubled debt restructuring and was accounted for as a debt modification under EITF 96-19. In connection with this amendment, the Company;

- * paid the lender \$2,425,034 representing; (i) accrued interest through September 30, 2003 of \$1,412,457 at the non default interest rate; (ii) accrued interest through September 30, 2003 of \$612,577 at the default rate of interest; and (iii) \$400,000 in fees;
- * issued to the lender 100,000 shares of series F Preferred stock initially convertible into 1,728,955 shares of common stock; and
- * deposited \$2,142,280 in the cash collateral account with the lender representing prepaid interest through March 31, 2005.

The estimated value of the Series F preferred stock of \$5 million was recorded as a debt discount and was being amortized over the initial term of the note through March 31, 2005.

Interest under the amended credit facilities was payable semiannually at the Company's option in either cash at 8% per annum, or in cash and paid in kind ("PIK"), at 4% per annum for the cash portion and 8% per annum for the PIK portion. The PIK portion was to be added to the outstanding principal balance.

Page 66

On November 30, 2004 the Company entered into another amendment of its senior term loan agreement with ING. The amendment of the credit facility did not constitute a troubled debt restructuring and was accounted for as a debt modification under EITF 96-19. Pursuant to this amendment, the Company;

- * repaid in full the senior term loan portion of the facility with ING of \$10 million and reduced to \$25 million the outstanding principal balance under the existing revolving portion of the loan;
- * amended the terms and conditions of the loan facility with ING in order to:
 - (i) extend the maturity date of the debt until March 31, 2010, conditioned upon a further principal reduction of \$10 million on or before March 31, 2008, and

(ii) reduce the interest rate through March 31, 2008 on the new outstanding balance to 4% cash plus 4% PIK (increasing to 4% cash plus 6% PIK for interest periods commencing on and after April 1, 2008).

* wrote off of the remaining \$1.4 million in unamortized financing costs associated with the loan under the terms applicable as of the previous, December 2003, amendment.

The terms of the amended loan facilities also require certain mandatory prepayments from the cash proceeds of future equity issuances by the Company and prohibit the payment of dividends.

The senior term loan is secured by substantially all of the assets of the Company.

SUN WORLD OBLIGATIONS

In December 2000, Sun World entered into a two-year \$5 million senior unsecured term loan. In connection with obtaining the loan, the Company issued 2,000 shares of the Cadiz' common stock as well as certain warrants to purchase shares of the Cadiz common stock were issued. The fair value of the stock and the warrants were recorded as a debt discount and were fully amortized over the life of the loan through December 31, 2002. At December 31, 2002, Sun World did not repay the loan and thus, Sun World was in default. With the default, pursuant to the terms of the agreement, the interest rate was increased by 2%. In connection with Sun World's Chapter 11 filing, all principal and interest on this obligation have been suspended.

In April 1997, Sun World issued \$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 are publicly traded. 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 ~~preeds~~ proceeds thereof, which secure the Revolving Credit Facility. With the entering into the DIP Facility as described in Note 9, the note holders now have a second position on substantially all of the Company's assets for so long as the DIP Facility is outstanding. The First Mortgage Notes mature April 15, 2004, but are redeemable at the option of Sun World, in whole or in part, at any time prior to the maturity date. The First Mortgage

Page 67

Notes include covenants that do not allow for the payment of dividends by the Company other than out of cumulative net income. As a result of Sun World's Chapter 11 filing discussed in Note 2, principal payment on the First Mortgage Notes was suspended until a final plan of reorganization is approved.

The First Mortgage Notes are also secured by the guarantees of Coachella Growers, Inc., Sun Desert, Inc., Sun World/Rayo, and Sun World International de Mexico S.A. de C.V. (collectively, the "Sun World Subsidiary Guarantors") and by Cadiz. Cadiz also pledged all of the stock of Sun World as collateral for its guarantee. 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 and Sun World Subsidiary Guarantors are inconsequential, both

individually and in the aggregate, to the financial statements of the Company for all periods presented.

CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Condensed consolidating financial information for the years ended December 31, 2003 and 2002 for the Company are presented below (in thousands). The condensed consolidating financial information for 2003 include the accounts of the Company and those of Sun World until January 30, 2003, at which time Sun World was no longer consolidated. No consolidating balance sheet information for 2003 and no consolidating financial information for 2004 are presented as the consolidated financial statements include only the results of Cadiz due to the deconsolidation of Sun World on January 30, 2003.

CONSOLIDATING STATEMENT
OF OPERATIONS INFORMATION
YEAR ENDED DECEMBER 31, 2003

	CADIZ	SUN WORLD	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----
Revenues	\$ 303	\$ 3,005	\$ (146)	\$ 3,162
	-----	-----	-----	-----
Costs and expenses:				
Cost of sales	333	2,653	(21)	2,965
General and administrative	4,653	707	(125)	5,235
Write off of investment in subsidiary	195	-	-	195
Reorganization Costs	-	655	-	655
Depreciation and amortization	553	190	-	743
	-----	-----	-----	-----
Total costs and expenses	5,734	4,205	(146)	9,793
	-----	-----	-----	-----
Operating loss	(5,431)	(1,200)	-	(6,631)
Loss from subsidiary	(2,469)	-	2,469	-
Interest expense, net	3,636	1,269	-	4,905
	-----	-----	-----	-----
Loss before income taxes	(11,536)	(2,469)	2,469	(11,536)
Income tax expense	-	-	-	-
	-----	-----	-----	-----
Net loss	(11,536)	(2,469)	2,469	(11,536)
Less: Preferred stock dividends	(918)	-	-	(918)
Imputed dividend on preferred stock	(1,600)	-	-	(1,600)
	-----	-----	-----	-----
Net loss applicable to common stock	\$ (14,054)	\$ (2,469)	\$ 2,469	\$ (14,054)
	=====	=====	=====	=====

CONSOLIDATING STATEMENT OF
CASH FLOW INFORMATION
YEAR ENDED DECEMBER 31, 2003

	CADIZ -----	SUN WORLD -----	ELIMINATIONS -----	CONSOLIDATED -----
Net cash used for operating activities	\$ (4,881)	\$ (1,703)	\$ -	\$ (6,584)
Cash flows from investing activities:				
Disposal of subsidiary	-	(1,019)	-	(1,019)
Additions to property, plant and equipment	-	(140)	-	(140)
Additions to developing crops	(34)	(197)	-	(231)
Payment of loan to officer	181	-	-	181
Increase in restricted cash	(2,142)	-	-	(2,142)
(Increase) decrease in other assets	5	(109)	-	(104)
Net cash used for investing activities	(1,990)	(1,465)	-	(3,455)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	-	135	-	135
Net proceeds from issuance of stock	10,304	-	-	10,304
Financing costs	(400)	-	-	(400)
Proceeds from convertible note payable	200	-	-	200
Principal payments on long-term debt	-	(7)	-	(7)
Net cash provided by financing activities	10,104	128	-	10,232
Net increase (decrease) in cash and cash equivalents	3,233	(3,040)	-	193
Cash and cash equivalents, beginning of period	189	3,040	-	3,229
Cash and cash equivalents, end of period	\$ 3,422	\$ -	\$ -	\$ 3,422

Page 69

CONSOLIDATING STATEMENT
OF OPERATIONS INFORMATION
YEAR ENDED DECEMBER 31, 2002

	CADIZ -----	SUN WORLD -----	ELIMINATIONS -----	CONSOLIDATED -----
Revenues	\$ 2,067	\$114,234	\$ (2,051)	\$114,250

Costs and expenses:				
Cost of sales	103	86,880	(627)	86,356
General and administrative	7,500	10,953	(1,500)	16,953
Removal of underperforming crops	1,017	3,497	-	4,514
Depreciation and amortization	1,022	6,458	-	7,480
	-----	-----	-----	-----
Total costs and expenses	9,642	107,788	(2,127)	115,303
	-----	-----	-----	-----
Operating profit (loss)	(7,575)	6,446	76	(1,053)
Loss from subsidiary	(9,540)	-	9,540	-
Interest expense, net	5,108	16,299	(235)	21,172
	-----	-----	-----	-----
Loss before income taxes	(22,223)	(9,853)	9,851	(22,225)
Income tax expense	2	(2)	-	-
	-----	-----	-----	-----
Net loss	(22,225)	(9,851)	9,851	(22,225)
Less: Preferred stock dividends	(1,125)	-	-	(1,125)
Imputed dividend on preferred stock	(984)	-	-	(984)
	-----	-----	-----	-----
Net loss applicable to common stock	\$ (24,334)	\$ (9,851)	\$ 9,851	\$ (24,334)
	=====	=====	=====	=====

Page 70

CONSOLIDATING STATEMENT OF
CASH FLOW INFORMATION
YEAR ENDED DECEMBER 31, 2002

	CADIZ	SUN WORLD	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----
Net cash provided by (used for) operating activities	\$ (7,910)	\$ (4,205)	\$ 1,982	\$ (10,133)
	-----	-----	-----	-----
Cash flows from investing activities:				
Additions to property, plant and equipment	(138)	(500)	-	(638)
Additions to water programs	(643)	-	-	(643)
Additions to developing crops	(24)	(2,152)	-	(2,176)
Proceeds from disposal of property, plant and equipment	3	2,460	-	2,463
Loan to officer	(1,000)	-	-	(1,000)
(Increase) decrease in other assets	124	(219)	-	(95)
	-----	-----	-----	-----

Net cash used for investing activities	(1,678)	(411)	-	(2,089)
	-----	-----	-----	-----
Cash flows from financing activities:				
Net proceeds from issuance of stock	764	-	-	764
Net proceeds from short-term borrowings	10,000	4,400	-	14,400
Borrowings from intercompany revolver	(977)	2,959	(1,982)	-
Principal payments on long-term debt	-	(761)	-	(761)
Bank overdraft	(410)	-	-	(410)
	-----	-----	-----	-----
Net cash (used for) provided by financing activities	9,377	6,598	(1,982)	13,993
	-----	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(211)	1,982	-	1,771
Cash and cash equivalents, beginning of period	400	1,058	-	1,458
	-----	-----	-----	-----
Cash and cash equivalents, end of period	\$ 189	\$ 3,040	\$ -	\$ 3,229
	=====	=====	=====	=====

Page 71

NOTE 8 - INCOME TAXES

Deferred taxes are recorded based upon differences between the financial statement and tax bases 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, 2004 and 2003 are as follows (in thousands):

	DECEMBER 31,	
	2004	2003
	----	----
Deferred tax assets:		
Net operating losses	\$ 36,238	\$ 36,663
Fixed asset basis difference	8,049	6,759
Contributions carryover	35	35
Other	61	303
	-----	-----
Total deferred tax assets	44,383	43,760
Valuation allowance for deferred tax assets	(44,383)	(43,760)
	-----	-----
Net deferred tax asset	\$ -	\$ -
	=====	=====

The valuation allowance increased by \$623,000 in 2004 due to an increase in the deferred tax assets decreased by \$21,258,000 in 2003 primarily due to the deconsolidation of Sun World and increased in 2002 by \$5,613,000 due to an increase in deferred tax assets.

As of December 31, 2004, the Company had net operating loss (NOL) carryforwards of approximately \$105 million for federal income tax purposes. Such carryforwards expire in varying amounts through the year 2024. At December 31, 2004, the Company has state NOL carryforwards of \$4.5 million. These NOL carryforwards expire in varying amounts through the year 2013.

Because it is more likely than not that the Company will not realize its net deferred tax assets, it has recorded a full valuation allowance against these assets. Accordingly, no deferred tax asset has been recorded in the accompanying balance sheet.

Section 382 of the Internal Revenue Code imposes an annual limitation on the utilization of net operating loss carryforwards based on a statutory rate of return (usually the "applicable federal funds rate", as defined in the Internal Revenue Code) and the value of the corporation at the time of a "change of ownership" as defined by Section 382. Due to past equity issuances and equity issuances in 2004, and due to the Chapter 11 filing by Sun World, the Company's ability to utilize net operating loss carryforwards may be limited.

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

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Expected federal income tax benefit at 34%	\$ (5,453)	\$ (3,922)	\$ (7,557)
Loss with no tax benefit provided	1,993	3,900	7,440
Federal AMT refund	-	-	(73)
State income tax	2	2	5
Amortization/write off of debt discount	1,614	-	-
Losses utilized against unconsolidated subsidiary taxable income	1,837	-	-
Foreign withholding taxes	-	-	68
Other non-deductible expenses	7	20	117
Income tax expense (benefit)	\$ -	\$ -	\$ -

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Company has a 401(k) Plan for its salaried employees. Employees must work 1,000 hours and have completed one year of service to be eligible to participate in this plan. The Company matches 75% of the first four percent deferred by an employee up to \$1,600 per year. The Company contributed \$3,000, \$12,000 and \$322,000 to the plans for fiscal years 2004, 2003 and 2002, respectively. Contributions include those made under Sun World plans for its employees for January 2003 and for the year ended

December 31, 2002.

NOTE 10 - PREFERRED AND COMMON STOCK

SERIES F CONVERTIBLE PREFERRED STOCK

The Company has an authorized class of 100,000 shares of \$0.01 par value Series F Convertible preferred stock ("Series F Preferred Stock"). On December 15, 2003, the Company issued 100,000 shares of Series F Convertible Preferred Stock in conjunction with the extension of the Company's senior term loan's maturity date. The 100,000 preferred shares were initially convertible into 1,728,955 shares of Common Stock of the Company. The holders of the Preferred Stock are entitled to receive dividends as if the shares had been converted to Common Stock if dividends are paid on the Company's common stock. The Series F Preferred Stock may not be redeemed by the Company. The estimated value of the Series F Preferred Stock was recorded as a debt discount and was being amortized over the initial term of the senior term loans through March 31, 2005. However, when the senior term loans were amended on November 30, 2004, the remaining debt discount of \$1.4 million was written off. On November 30, 2004, 99,000 shares of the Series F Preferred Stock were converted into 1,711,665 shares of Common Stock of the Company leaving 1,000 shares of the Series F Preferred Stock outstanding.

Page 73

SERIES D CONVERTIBLE PREFERRED STOCK

On December 29, 2000, the Company issued 5,000 shares of Series D Convertible Preferred Stock ("Series D Preferred Stock") for \$5,000,000. The holders of the Preferred Stock were entitled to receive dividends, payable semi-annually, at a rate of 7% if paid in cash or 9% if paid in the Company's common stock. The Series D Preferred Stock was initially convertible into 25,000 shares of the Company's common stock any time prior to July 2004 at the election of the holder. The Company also had the right to convert the Series D Preferred Stock, but only when the closing price of the Company's common stock had exceeded \$300 per share for 30 consecutive trading days. Holders were entitled to a liquidation preference equal to the initial purchase of \$1,000 per share plus any accrued and unpaid dividends. The Series D Preferred Stock would be redeemable in July 2004 if still outstanding. In 2003, all outstanding shares of Series D preferred stock were exchanged for common stock as further described below.

The Company issued certain warrants to purchase shares of the Company's common stock in connection with the issuance of the Series D Preferred Stock. The fair market value of the Company's common stock at the time of issuance was above the accounting conversion price resulting in an imputed dividend (beneficial conversion feature). The estimated fair value of the warrants issued (calculated using the Black Scholes option pricing model) and the imputed dividend totaled \$1,050,000 which was recorded as a discount to the Series D Preferred Stock. The discount is being amortized through the redemption date of the stock and treated as a reduction to earnings for earnings per share calculations. Upon exchange of the Series D Preferred Stock for common stock in October 2003, the unamortized beneficial conversion feature was charged against paid in capital.

SERIES E-1 AND E-2 CONVERTIBLE PREFERRED STOCK

During the fourth quarter of 2001, the Company issued 3,750 shares of Series E-1 Convertible Preferred Stock and 3,750 shares of Series E-2 Convertible Preferred Stock (the "Series E Preferred Stock") for an aggregate of \$7,500,000. The holders of the Series E Preferred Stock are entitled to receive dividends, payable semi-annually, at a rate of 7% if paid in cash or 9% if paid in the Company's common stock. The Series E Preferred Stock was convertible into 40,000 shares of the Company's common stock any time prior to July 2004 at the election of the holder. The Company also had the right to convert the Series E Preferred Stock, but only when the closing price of the Company's common stock had exceeded \$262 per share for 30 consecutive trading days. Holders were entitled to a liquidation preference equal to the initial purchase of \$1,000 per share plus any accrued and unpaid dividends. The Series E Preferred Stock would be redeemable in July 2004 if still outstanding. In 2003, all outstanding shares of Series E preferred stock were exchanged for common stock as further described below.

The Company issued 1,600 shares of the Company's common stock and certain warrants to purchase shares of the Company's common stock in connection with the issuance of the Series E Preferred Stock. The fair market value of the Company's common stock at the time of issuance was above the accounting conversion price resulting in an imputed dividend (beneficial conversion feature). The estimated fair value of the warrants issued (calculated using the Black Scholes option pricing model) and the imputed dividend totaled \$1,614,000 which was recorded as a discount to the Series E-1 and Series E-2 Preferred Stock. The

Page 74

discount is being amortized through the redemption date of the stock and treated as a reduction to earnings for earnings per share calculations. Upon exchange of the Series E Preferred Stock for common stock in October 2003, the unamortized beneficial conversion feature was charged against paid in capital.

On October 15, 2002, the Company and preferred stockholders agreed to amend the Certificates of Designations of Series D, Series E-1 and Series E-2 Preferred Stock to (i) reduce the conversion price from \$200 per share for the Series D Preferred Stock and from \$187.50 per share for Series E Preferred Stock to \$131.25 per share for both Series D and Series E Preferred Stock; and (ii) extend the redemption date to July 16, 2006. With the assistance of a valuation firm, the Company determined that the additional value associated with the reduction in the conversion price was offset by the extension of the redemption date and that there was no loss or gain attributable to the amendment to the Certificates of Designations.

On October 20, 2003, the Company and the preferred stockholders entered into an agreement to (i) exchange all outstanding shares of Series D Preferred Stock, plus accrued and unpaid dividends, for an aggregate of 320,000 shares of common stock; and (ii) exchange all outstanding shares of series E Preferred Stock, plus accrued and unpaid dividends, for an aggregate of 80,000 shares of common stock. In connection with this conversion, the Company recorded a charge of \$42,000 against paid in capital as an inducement to convert. At this time the Company also recorded the unamortized beneficial conversion feature of the Series D and Series E Preferred Stock as a charge against paid in capital.

COMMON STOCK AND WARRANTS

On November 30, 2004, the Company completed a private placement of 400,000 Units at the price of \$60.00 per Unit. Each

Unit consisted of five (5) shares of the Company's common stock and one (1) common stock purchase warrant. Each Warrant will entitle the holder to purchase, commencing 180 days from the date of issuance, one (1) share of common stock at an exercise price of \$15.00 per share. Each Warrant has a term of three (3) years, but will be callable at \$15.00 per share by the Company commencing twelve months following completion of the placement if the closing market price of the Company's common stock exceeds \$18.75 for 10 consecutive trading days.

NOTE 11 - STOCK-BASED COMPENSATION PLANS AND WARRANTS

STOCK OPTIONS AND WARRANTS

The Company issued options pursuant to its 1996 Stock Option Plan (the "1996 Plan") and the 1998 Non-Qualified Stock Option Plan (the "1998 Plan"). The Company also grants stock awards pursuant to its 2000 Stock Award Plan (the "2000 Plan"), Management Equity Incentive Plan, and 2004 Management Bonus Plan, described below. Collectively, the 1996 Plan, the 1998 Plan, and the 2000 Plan provide for the granting of up to 160,000 shares. At December 31, 2004, the Company has approximately 50,027 shares remaining that can be granted under the 1996 Plan, the 1998 Plan, and the 2000 Plan. All options under the 1996 Plan, the 1998 Plan and the 2000 Plan are granted at a price approximating fair market value at the date of grant, have vesting periods ranging from issuance date to five years, have maximum

Page 75

terms ranging from five to seven years and are issued to directors, officers, consultants and employees of the Company. The Management Equity Incentive Plan provides for the granting of 1,094,712 shares of common stock and 377,339 options for the purchase of one share of common stock at a price of \$12 per share. The 2004 Management Bonus Plan provides for the granting of 10,000 shares of common stock valued at \$12.00 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.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, ("SFAS 123"), "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock-based compensation other than for non-employees.

The fair value of each option granted during 2002 was estimated on the date of grant using the Black Scholes option pricing model based on the weighted-average assumptions of: risk-free interest rate of 4.08%; expected volatility of 57.2%; expected life of three years; and an expected dividend yield of zero. No options were granted in 2003 and 2004.

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

	AMOUNT	WEIGHTED- AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at December 31, 2001	74,030	\$ 201.25
Granted	3,700	\$ 183.75

Expired or canceled	(10,280)	\$ 189.25
Exercised	(5,740)	\$ 132.75

Outstanding at December 31, 2002	61,710	\$ 197.45
Granted	-	-
Expired or canceled	(7,760)	\$ 207.45
Exercised	-	-

Outstanding at December 31, 2003	53,950	\$ 207.43
Granted	-	-
Expired or canceled	(39,270)	\$ 198.54
Exercised	-	-

Outstanding at December 31, 2004	14,680 (a)	\$ 231.22
	=====	
Options exercisable at December 31, 2002	54,690	\$ 196.50
	=====	
Options exercisable at December 31, 2003	53,150	\$ 206.98
	=====	
Options exercisable at December 31, 2004	14,520	\$ 231.29
	=====	
Weighted-average years of remaining contractual life of options outstanding at December 31, 2004	0.48	
	=====	

Page 76

(a) Exercise prices vary from \$165.63 to \$293.75 and expiration dates vary from February 2005 to February 2007 as displayed in the following table:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE	
				NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
\$165.63-\$234.38	13,280	0.44	\$ 228.32	13,120	\$ 228.36
\$243.75-\$293.75	1,400	0.87	\$ 258.75	1,400	\$ 258.75
	-----			-----	
	14,680			14,520	
	=====			=====	

The weighted-average fair value of options granted during 2002 was \$83.22.

The Company accounts for equity securities issued to non-employees in accordance with the provisions of SFAS 123 and Emerging Issues Task Force 96-18. During the years ended December 31, 2002 and 2001, the Company issued 64,000, and 8,600 warrants with weighted-average exercise prices of \$50.75, and \$189.75, respectively. No warrants expired or were canceled during any of the three periods discussed. During 2002, in connection with the loan amendments for the Cadiz obligations described in Note 10, the Company repriced certain warrants previously issued resulting in a reduction in the weighted-average exercise price. At December 31, 2002, there were 113,600

warrants outstanding with a weighted-average exercise price of \$58.50 per share, which expire through 2006.

In connection with the Company's default in February 2003 on its senior term loan and \$25 million revolving credit facility, as described in Note 10; (i) warrants held by the lender to purchase 40,000 shares of the Company's common stock vested at an exercise price of \$0.25 per share; and (ii) the exercise price on warrants held by the lender to purchase 57,000 shares of the Company's common stock was automatically reset to \$0.25 per share.

In December 2003, warrants to purchase 94,000 shares of common stock were exercised for \$23,500 in total cash proceeds. At December 31, 2004, warrants to purchase 8,600 shares of common stock of the Company at a weighted average exercise price of \$190.00 per share remained outstanding.

2000 STOCK AWARD PLAN

The Cadiz Inc. 2000 Stock Award Plan ("Stock Award Plan") was approved by the Company's shareholders in May 2000. Under the Stock Award Plan, the Company may issue various forms of stock awards including restricted stock and deferred stock units to attract, retain and motivate key employees or other eligible persons. As of December 31, 2004, the Company had no outstanding deferred stock units granted under the Stock Award Plan. Each of the units entitled the holder to receive one share of the Company's common stock for each deferred stock unit three years from the date of grant. During the year ended December 31, 2004, 1,289 stock units were exchanged for shares of the Company's common stock and the remaining deferred stock units were cancelled in exchange for a payment to the holders of

Page 77

approximately \$9,000. The Company charged \$0, \$152,000, and \$579,000 to expense during the years ended December 31, 2004, 2003 and 2002, respectively, in connection with the Stock Award Plan.

MANAGEMENT EQUITY INCENTIVE PLAN

In December 2003, concurrently with the completion of the Company's then current financing arrangements with ING, the Company's board of directors authorized the adoption of a Management Equity Incentive Plan (the "Incentive Plan"). Under the Incentive Plan, a total of 1,472,051 shares of common stock may be granted to key personnel. The Board has formed allocation committees to direct the initial allocation of 717,373 of these shares and a subsequent allocation of the remaining shares in the form of 377,339 shares of common stock and 377,339 shares in the form of options to purchase common stock at the price of \$12.00 per share. Any grant of shares will be subject to vesting conditions. The 717,373 initial allocation shares will vest 2/3 immediately on the date of the grant and the remaining 1/3 will vest on December 11, 2005. The subsequent allocation of 377,339 shares of common stock and 377,339 shares in the form of options to purchase common stock will vest 1/3 upon grant, 1/3 on December 7, 2005 and 1/3 on December 7, 2006. All grants will be subject to continued employment or immediate vesting upon termination without cause.

No shares have been granted, issued or allocated to specific individuals under the Incentive Plan.

2004 MANAGEMENT BONUS PLAN

In December 2004, the Company, with board approval, adopted the Cadiz Inc. 2004 Mangement Bonus Plan (the "Bonus Plan") pursuant to which a total of 10,000 shares of Cadiz common stock, valued at \$12 per share, were authorized for issuance to Mr. Brackpool as a performance bonus. See item 11 "Executive Compensation". These shares had not yet been issued under the Bonus Plan but the liability and compensation expense have been recorded in the 2004 financial statements.

STOCK PURCHASE WARRANTS

On November 30, 2004 the Company completed a private placement of 400,000 units, each Unit consisting of five (5) shares of the Company's common stock and one (1) common stock purchase warrant. Each of the 400,000 warrants entitle the holder to purchase, commencing 180 days from the date of issuance, one (1) share of common stock at an exercise price of \$15.00 per share. Each Warrant has a term of three (3) years, but will be callable by the Company commencing twelve months following completion of the placement if the closing market price of the Company's common stock exceeds \$18.75 for 10 consecutive trading days.

NOTE 12 - SEGMENT INFORMATION

With Sun World's filing of voluntary petitions for relief under Chapter 11 of the Bankruptcy code as further described in Note 1, the primary business of the Company is to acquire and develop water resources. Prior to the filing of voluntary petitions the Company had two reportable segments; water resources (Cadiz) and agriculture (Sun World). The accounting

policies of the segments are the same as those described in the summary of significant accounting polices. The Company's operations are reported in the following business segments:

Financial information by reportable business segment is reported in the following tables:

	2004	2003	2002
	----	----	----
	(\$ in thousands)		
External sales:			
Water Resources	\$ 47	\$ 157	\$ 16
Agricultural	-	3,005	114,234
	-----	-----	-----
Consolidated	\$ 47	\$ 3,162	\$114,250
	=====	=====	=====
Inter-segment sales:			
Water Resources	\$ -	\$ 146	\$ 2,051
Agricultural	-	(146)	(2,051)
	-----	-----	-----
Consolidated	\$ -	\$ -	\$ -
	=====	=====	=====
Total sales:			
Water Resources	\$ 47	\$ 303	\$ 2,067
Agricultural	-	3,005	114,234
Other	-	(146)	(2,051)
	-----	-----	-----
Consolidated	\$ 47	\$ 3,162	\$114,250
	=====	=====	=====

Profit (loss) before income taxes:			
Water Resources	\$ (3,530)	\$ (5,236)	\$ (7,575)
Agricultural	-	(1,200)	6,446
Other	(3,443)	(195)	76
Interest expense	(9,064)	(4,905)	(21,172)
	-----	-----	-----
Consolidated	\$ (16,037)	\$ (11,536)	\$ (25,665)
	=====	=====	=====
Assets:			
Water Resources	\$ 51,071	\$ 49,526	\$ 45,591
Agricultural	-	-	146,417
Other	-	-	(125)
	-----	-----	-----
Consolidated	\$ 51,071	\$ 49,526	\$ 191,883
	=====	=====	=====
Capital expenditures:			
Water Resources	\$ 8	\$ 34	\$ 805
Agricultural	-	337	2,652
	-----	-----	-----
Consolidated	\$ 8	\$ 371	\$ 3,457
	=====	=====	=====

Page 79

Depreciation and amortization:			
Water Resources	\$ 527	\$ 553	\$ 1,022
Agricultural	-	190	6,458
	-----	-----	-----
Consolidated	\$ 527	\$ 743	\$ 7,480
	=====	=====	=====
Interest expense, net:			
Water Resources	\$ 9,064	\$ 3,636	\$ 5,108
Agricultural	-	1,269	16,299
Other	-	-	(235)
	-----	-----	-----
Consolidated	\$ 9,064	\$ 4,905	\$ 21,172
	=====	=====	=====

NOTE 13 - CONTINGENCIES

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 14 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In thousands except per share data)

	QUARTER ENDED			
	-----	-----	-----	-----
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
	2004	2004	2004	2004
	----	----	----	----
Revenues	\$ 11	\$ 9	\$ 12	\$ 15

Gross profit	11	9	12	15
Net loss applicable to common stock	(2,815)	(2,724)	(2,894)	(7,604)
Net loss per common share	\$ (0.43)	\$ (0.41)	\$ (0.44)	\$ (1.04)

QUARTER ENDED

	MARCH 31, 2003	JUNE 30, 2003	SEPTEMBER 30, 2003	DECEMBER 31, 2003
Revenues	\$ 3,046	\$ 97	\$ 19	\$ -
Gross profit (loss)	367	47	(154)	(63)
Net loss applicable to common stock	(5,171)	(1,951)	(3,013)	(3,919)
Net loss per common share	\$ (3.53)	\$ (0.92)	\$ (1.32)	\$ (1.17)

Page 80

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET (\$ IN THOUSANDS)

DECEMBER 31, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,422
Prepaid expenses and other	248
Total current assets	3,670

Property, plant, equipment and water

programs, net	39,514
Goodwill	3,813
Restricted cash	2,142
Other assets	387
	\$ 49,526
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 857
Accrued liabilities	1,545
Total current liabilities	2,402

Long-term debt

Other liabilities	30,253
	654

Contingencies

Stockholders' equity:

Series F convertible preferred stock -
\$.01 par value:
100,000 shares authorized, shares issued
and outstanding - 100,000 at December
31, 2003

Common stock - \$0.01 par value; 70,000,000 shares authorized; shares issued and outstanding 6,471,384 at December 31, 2003	65
Additional paid-in capital	184,974
Accumulated deficit	(168,823)

Total stockholders' equity	16,217

	\$ 49,526
	=====

Page 81

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF OPERATIONS (\$ IN THOUSANDS)	YEAR ENDED DECEMBER 31,	
	2003	2002
Total revenues	\$ 303	\$ 2,067
Costs and expenses:		
Cost of sales	333	103
General and administrative	4,653	7,500
Removal of underperforming crops	-	1,017
Write off of investment in subsidiary	195	-
Depreciation and amortization	553	1,022
Total costs and expenses	5,734	9,642
Operating loss	(5,431)	(7,575)
Loss from subsidiary	(2,469)	(9,540)
Interest expense, net	3,636	5,108
Net loss before income taxes	(11,536)	(22,223)
Income taxes	-	2
Net loss	(11,536)	(22,225)
Less: Preferred stock dividends	918	1,125
Imputed dividend on preferred stock	1,600	984
Net loss applicable to common stock	\$ (14,054)	\$ (24,334)
	=====	=====

Page 82

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

YEAR ENDED DECEMBER 31,

STATEMENT OF CASH FLOWS (\$ IN THOUSANDS)	2003	2002
Cash flows from operating activities:		
Net loss	\$ (11,536)	\$ (22,225)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,336	5,181
Write off of investment in subsidiary	195	-
Stock issued for services	550	-
Compensation paid through settlement of note receivable from officer	841	-
Interest paid in common stock	12	-
Loss from subsidiary	2,470	9,540
(Gain) loss on disposal of assets	43	(3)
Removal of underperforming crops	-	1,017
Compensation charge for deferred stock units	126	272
Accrued interest on note receivable from officer	-	(22)
Changes in operating assets and liabilities:		
Increase in due to subsidiary	-	(1,360)
Decrease (increase) in prepaid expenses and other	75	(112)
Decrease in accounts payable	(155)	(189)
Increase (decrease) in accrued liabilities	1,117	(9)
Increase in due to affiliate	45	-
Net cash used for operating activities	(4,881)	(7,910)
Cash flows from investing activities:		
Additions to property, plant and equipment	-	(138)
Additions to developing crops	-	(24)
Additions to water programs	(34)	(643)
Proceeds from disposal of property, plant and equipment	-	3
Loan to officer	181	(1,000)
Increase in restricted cash	(2,142)	-
Increase in other assets	5	124
Net cash used for investing activities	(1,990)	(1,678)
Cash flows from financing activities:		
Net proceeds from issuance of stock	10,304	764
Financing costs	(400)	-
Proceeds from convertible note payable	200	-
Net proceeds from short-term borrowings	-	10,000
Intercompany revolver with subsidiary	-	(977)
Bank overdraft	-	(410)
Net cash provided by financing activities	10,104	9,377

Net increase (decrease) in cash and cash equivalents	3,233	(211)
Cash and cash equivalents, beginning of period	189	400
Cash and cash equivalents, end of period	\$ 3,422	\$ 189

Page 84

CADIZ INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002 (\$ IN THOUSANDS)

YEAR ENDED DECEMBER 31, 2004 -----	BALANCE AT BEGINNING OF PERIOD -----	ADDITIONS CHARGED TO COSTS AND EXPENSES -----	OTHER ACCOUNTS -----	DEDUCTIONS -----	BALANCE AT END OF PERIOD -----
Tax valuation allowance	\$ 43760 =====	\$ - =====	\$ 623 =====	\$ - =====	\$ 44,383 =====
YEAR ENDED DECEMBER 31, 2003 -----					
Allowance for doubtful accounts	\$ 547 =====	\$ - =====	\$ 547 =====	\$ - =====	\$ - =====
Tax valuation allowance	\$ 65,018 =====	- =====	\$(21,258) =====	\$ - =====	\$ 43,760 =====
YEAR ENDED DECEMBER 31, 2002 -----					
Allowance for doubtful accounts	\$ 506 =====	\$ 200 =====	\$ - =====	\$ 159 =====	\$ 547 =====
Tax valuation allowance	\$ 59,405 =====	\$ - =====	\$ 5,613 =====	\$ - =====	\$ 65,018 =====

Page 85

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of Sun World International, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and stockholder's deficit present fairly, in all material respects, the financial position of Sun World International,

Inc., a wholly-owned subsidiary of Cadiz Inc., and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards 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 our opinion.

As discussed in Note 1 to the accompanying financial statements, Sun World International, Inc. had a stockholder's deficit of \$13.8 million and \$21.1 million at December 31, 2004 and 2003, respectively. In addition, Sun World International, Inc. and certain of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code on January 30, 2003. Management continues to operate the Company as a debtor-in-possession until a Plan of Reorganization is approved by its creditors and confirmed by the Bankruptcy Court. The Company's objectives in regard to this matter are also discussed in Note 1. The accompanying financial statements have been prepared using accounting principles applicable to a going concern, which assumes realization of assets and settlement of liabilities in the normal course of business. The uncertainties inherent in the bankruptcy process raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP

 PricewaterhouseCoopers LLP

Los Angeles, California
 March 2, 2005

SUN WORLD INTERNATIONAL, INC.
 (DEBTOR-IN-POSSESSION)
 (A WHOLLY-OWNED SUBSIDIARY OF CADIZ INC.)

CONSOLIDATED STATEMENT OF OPERATIONS

(\$ IN THOUSANDS)	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Revenues	\$118,555	\$100,938	\$114,583
Costs and expenses:			

Cost of sales	92,713	86,989	86,880
General and administrative	8,745	8,889	9,243
Intellectual property defense and professional fees (Note 15)	-	-	1,710
Removal of underperforming crops	1,307	926	3,497
Depreciation and amortization	5,927	6,873	6,458
	-----	-----	-----
	108,692	103,677	107,788
	-----	-----	-----
Operating income (loss)	9,863	(2,739)	6,795
(Gain) loss on sale of property	(1,329)	(387)	349
Interest expense, net (contractual interest for fiscal year 2004 and 2003 was \$15,281 and \$17,041, respectively)	1,193	2,932	16,299
	-----	-----	-----
Income (loss) before reorganization items and income taxes	9,999	(5,284)	(9,853)
Reorganization items:			
Debt issuance costs	-	912	-
Professional fees	2,949	3,770	-
	-----	-----	-----
Total reorganization items	2,949	4,682	-
	-----	-----	-----
Income (loss) before income taxes	7,050	(9,966)	(9,853)
Income tax (benefit) expense	89	102	(2)
	-----	-----	-----
Net income (loss)	\$ 6,961	\$ (10,068)	\$ (9,851)
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

Page 87

SUN WORLD INTERNATIONAL, INC.
(DEBTOR-IN-POSSESSION)
(A WHOLLY-OWNED SUBSIDIARY OF CADIZ INC.)

CONSOLIDATED BALANCE SHEET

(\$ IN THOUSANDS)	DECEMBER 31,	
	2004	2003

ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,311	\$ 1,548
Restricted cash	3,344	-
Accounts receivable, net	6,243	7,031
Inventories	12,078	12,851
Prepaid expenses and other	1,745	1,817
	-----	-----
Total current assets	28,721	23,247
Property, plant, and equipment, net	104,647	107,812
Intangible assets	1,909	1,903
Other assets	6,424	6,568

	-----	-----
Total assets	\$141,701	\$139,530
	=====	=====
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	\$ 4,944	\$ 5,689
Accrued liabilities	2,993	2,280
Revolving credit facility	-	4,423
Long-term debt, current portion	722	125
	-----	-----
Total current liabilities	8,659	12,517
Long-term debt	9	730
Deferred income taxes	5,447	5,447
Other liabilities	17	365
	-----	-----
Total liabilities not subject to compromise	14,132	19,059
	-----	-----
Liabilities subject to compromise under reorganization proceedings	141,387	141,606
	-----	-----
Contingencies (Note 16)		
Stockholder's deficit:		
Common stock, \$0.01 par value, 300,000 shares authorized;		
42,000 shares issued and outstanding	-	-
Additional paid-in capital	39,479	39,123
Accumulated deficit	(53,297)	(60,258)
	-----	-----
Total stockholder's deficit	(13,818)	(21,135)
	-----	-----
Total liabilities and stockholder's deficit	\$141,701	\$139,530
	=====	=====

See accompanying notes to the consolidated financial statements..

Page 88

SUN WORLD INTERNATIONAL, INC.
(DEBTOR-IN-POSSESSION)
(A WHOLLY-OWNED SUBSIDIARY OF CADIZ INC.)

CONSOLIDATED STATEMENT OF CASH FLOWS

-----	YEAR ENDED DECEMBER 31,		
	-----	-----	-----
(\$ IN THOUSANDS)	2004	2003	2002
-----	-----	-----	-----

Cash flows from operating activities:			
Net income (loss)	\$ 6,961	\$ (10,068)	\$ (9,851)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			

Depreciation and amortization	5,934	6,987	8,295
Write off of debt issuance costs	-	912	-
Valuation allowance	-	1,500	-
(Gain) loss on sale of property	(1,329)	(387)	349
Removal of underperforming crops	1,307	926	3,497
Shares of KADCO stock earned for services	-	(938)	(1,250)
Compensation charge for deferred stock units	20	211	307
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	919	(299)	(406)
Decrease (increase) in inventories	409	246	(1,039)
Decrease (increase) in prepaid expenses and other	72	(974)	(265)
Decrease in accounts payable	(745)	(3,143)	(4,176)
Increase in accrued liabilities	713	247	687
Decrease in due to parent	-	-	(668)
(Decrease) increase in other liabilities	(11)	(159)	315
	-----	-----	-----
Net cash provided by (used for) operating activities before reorganization items	14,250	1,347	(4,205)
(Decrease) increase in liabilities subject to compromise under reorganization proceedings	(219)	559	-
	-----	-----	-----
Net cash provided by (used for) operating activities	14,031	1,906	(4,205)
	-----	-----	-----
Cash flows from investing activities:			
Additions to property, plant, and equipment	(2,169)	(2,831)	(500)
Additions to developing crops	(2,919)	(1,963)	(2,152)
Proceeds from disposal of property, plant and equipment	3,009	2,754	2,460
Increase in restricted cash	(3,344)	-	-
Increase in other assets	(298)	(539)	(219)
	-----	-----	-----
Net cash used for investing activities	(5,721)	(2,579)	(411)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	-	136	-
Principal payments on long-term debt	(124)	(978)	(762)
Net (payments) proceeds from short-term borrowings	(4,423)	23	4,400
Intercompany revolver with parent	-	-	2,960
	-----	-----	-----
Net cash (used for) provided by financing activities	(4,547)	(819)	6,598
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	3,763	(1,492)	1,982
Cash and cash equivalents at beginning of period	1,548	3,040	1,058
	-----	-----	-----

Cash and cash equivalents at end of period	\$ 5,311	\$ 1,548	\$ 3,040
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

Page 89

SUN WORLD INTERNATIONAL, INC.
(DEBTOR-IN-POSSESSION)
(A WHOLLY-OWNED SUBSIDIARY OF CADIZ INC.)

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY (DEFICIT)

(\$ in thousands)

	COMMON STOCK		ADDITIONAL		TOTAL
	-----		PAID-IN	ACCUMULATED	STOCKHOLDERS'
	SHARES	AMOUNT	CAPITAL	DEFICIT	EQUITY (DEFICIT)
	-----	-----	-----	-----	-----
Balance as of December 31, 2001	42,000	\$ -	\$ 38,273	\$ (40,339)	\$ (2,066)
Revaluation of derivative for warrants issued by parent	-	-	235	-	235
Net loss	-	-	-	(9,851)	(9,851)
	-----	-----	-----	-----	-----
Balance as of December 31, 2002	42,000	-	38,508	(50,190)	(11,682)
Exchange of deferred stock units for parent's common stock	-	-	615	-	615
Net loss	-	-	-	(10,068)	(10,068)
	-----	-----	-----	-----	-----
Balance as of December 31, 2003	42,000	-	39,123	(60,258)	(21,135)
Exchange of deferred stock units for parent's common stock	-	-	356	-	356
Net income	-	-	-	6,961	6,961
	-----	-----	-----	-----	-----
Balance as of December 31, 2004	42,000	\$ -	\$ 39,479	\$ (53,297)	\$ (13,818)
	=====	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

Page 90

SUN WORLD INTERNATIONAL, INC.

(DEBTOR-IN-POSSESSION)
(A WHOLLY-OWNED SUBSIDIARY OF CADIZ INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS AND REORGANIZATION UNDER CHAPTER 11

Founded in 1975, Sun World International, Inc. ("SWII" or "Sun World") and its subsidiaries (collectively, the "Company") operate as the wholly-owned agricultural segment of Cadiz Inc. ("Cadiz"). The Company is an integrated agricultural operation that owns approximately 17,000 acres of land, primarily located in two major growing areas of California: the San Joaquin Valley and the Coachella Valley. Fresh produce, including table grapes, stonefruit, citrus, peppers and watermelons is marketed, packed and shipped to food wholesalers and retailers located throughout the United States and to more than 30 foreign countries. The Company owns and operates two cold storage and packing facilities located in California.

On January 30, 2003 (the "Petition Date"), SWII and certain of its subsidiaries (Sun Desert Inc., Coachella Growers, and Sun World/Rayo) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The filing was made in the United States Bankruptcy Court, Central District of California, Riverside Division ("Bankruptcy Court"). Included in the Consolidated Financial Statements are subsidiaries operated outside the United States, which have not commenced Chapter 11 cases or other similar proceedings elsewhere, and are not debtors. The assets and liabilities of such non-filing subsidiaries are not considered material to the Consolidated Financial Statements. SWII sought bankruptcy protection in order to access a seasonal financing package of up to \$40 million to provide working capital through the 2003-2004 growing seasons.

As a debtor-in-possession, Sun World is authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the approval of the Bankruptcy Court. Under the Bankruptcy Code, actions to collect pre-petition indebtedness, as well as most other pending litigation, are stayed and other contractual obligations against Sun World may not be enforced. In addition, under the Bankruptcy Code, Sun World may assume or reject executory contracts, including lease obligations. Parties affected by these rejections may file claims with the Court in accordance with the reorganization process. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization to be voted upon by creditors and equity holders and approved by the Bankruptcy Court.

The four Sun World entities referred to above are the joint proponents of the Debtors' Joint Plan of Reorganization Dated November 24, 2003 (the "Plan"). The Plan provided for the restructuring of Sun World's balance sheet by providing for Sun World to issue equity interests in the Reorganized Company to the holders of its First Mortgage Notes in full satisfaction of their mortgage note claims; for the payment in full of convenience claims and trade claims; and for Sun World to issue equity interests in the Reorganized Company to entities holding certain other unsecured claims in full satisfaction of those claims. The holders of Sun World's secured First Mortgage Notes were unable to reach agreement on various Plan issues, and the Plan as presented was not confirmable. Thereafter, following an extensive marketing process, Sun World entered into, subject to Court approval, an asset purchase agreement ("APA") in December 2004 with BDCM Opportunity Fund, L.P. ("BDCM"), a major holder of the

First Mortgage Notes, under which BDCM would acquire substantially all of the Company's assets

Page 91

subject to overbids at a Court authorized auction. Following the auction on January 13, 2005, BDCM was declared the winning bidder and the Court approved on January 14, 2005, an amended APA under which BDCM agreed to acquire substantially all of the Company's assets in exchange for cash and credit consideration of \$127.8 million, plus payment and assumption of certain liabilities totaling an estimated \$14 million, including the trade claims, which approximates net book value of the acquired assets as of December 31, 2004. Thereafter, BDCM assigned its rights under the APA to Sun World International LLC ("SW LLC"), a subsidiary of BDCM. The agreement with SW LLC closed on February 25, 2005. The Company plans to file an amended Plan to distribute the remaining consideration left in the Company (estimated at approximately \$50 million after interim distributions/credits to the holders of First Mortgage Notes of approximately \$78 million upon closing as authorized by the Court).

The financial statements of the Company have been prepared using accounting principles applicable to a going concern, which assumes realization of assets and settlement of liabilities in the normal course of business and in accordance with Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code". Accordingly, all pre-petition liabilities subject to compromise have been segregated in the Consolidated Balance Sheet and classified as "Liabilities subject to compromise under reorganization proceedings", at the estimated amount of allowable claims. The financial statements of the Company do not purport to reflect or to provide for all of the consequences of an ongoing Chapter 11 reorganization. Specifically, but not all-inclusive, the financial statements of the Company do not present: (a) the realizable value of assets on a liquidation basis or the availability of such assets to satisfy liabilities, (b) the amount which will ultimately be paid to settle liabilities and contingencies which may be allowed in the Chapter 11 reorganization, or (c) the effect of changes which may be made resulting from a Plan of Reorganization. The appropriateness of using the going-concern basis is dependent upon, among other things, confirmation of a Plan of Reorganization, future profitable operations, the ability to comply with debtor-in-possession financing agreements and the ability to generate sufficient cash from operations to meet obligations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of SWII and its subsidiaries, all of which are wholly-owned. All significant inter-company transactions have been eliminated.

BANKRUPTCY ACCOUNTING

Since the Chapter 11 bankruptcy filing, the Company has applied the provisions of SOP 90-7, which does not significantly change the application of accounting principles generally accepted in the United States of America; however, it does require that the financial statements for periods including and subsequent to filing the Chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of

the business. As disclosed in the Consolidated Statement of Operations, reorganization items consist of the write off of unamortized debt issuance costs as of the Petition Date in 2003 of \$912,000 and professional fees directly associated with the reorganization of \$2,949,000 and \$3,770,000 in 2004 and 2003, respectively. Payments of professional fees incurred totaled approximately \$2,838,000 and \$2,963,000 for the years ended December 31, 2004 and 2003, respectively.

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. In preparing these financial statements, management has made estimates with regard to revenue recognition and valuation of inventory, long-lived assets, and deferred tax assets. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes crop sale revenue upon shipment and transfer of title and risk of loss to customers. Packing revenues and marketing commissions from third party growers are recognized when the related services are provided. Proprietary product development revenues are recognized based upon product sales by licensees. Project development and management fees are recorded when earned under the terms of the related agreement.

Revenues attributable to one national retailer totaled approximately \$17,900,000 in 2004, \$11,100,000 in 2003 and \$9,600,000 in 2002. Revenue for another national retailer totaled \$13,300,000 in 2004 and \$11,600,000 in 2003. Export sales accounted for approximately 9.9%, 12.4% and 12.1%, of the Company's revenues for the years ended December 31, 2004, 2003 and 2002, respectively. Service revenues and license revenues were less than 10% of total revenues for each of the years in the three-year period ended December 31, 2004.

RESEARCH AND DEVELOPMENT

The Company incurs costs to research, develop and license to third parties new varieties of proprietary products. Research and development costs are expensed as incurred. Such costs were approximately \$3,195,000 for the year ended December 31, 2004, \$2,791,000 for the year ended December 31, 2003 and \$2,424,000 for the year ended December 31, 2002 and are included in general and administrative expenses in the Consolidated Statement of Operations.

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. At times these deposits exceed federally insured limits. Such investments are stated at cost, which approximates fair value, and are considered cash

equivalents for purposes of reporting cash flows.

RESTRICTED CASH

In conjunction with the APA signed with BDCM in December 2004, Sun World funded approximately \$3.3 million of cash into an escrow account to cover \$0.5 million in capped expense reimbursement for actual and reasonable outside legal, financial and other fees and expenses related to the acquisition and approximately \$2.8 million for a liquidated damages payment to be paid if BDCM terminates the APA on account of an uncured breach by Sun World as defined in the APA.

INVENTORIES

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

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment 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 usually 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 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 indefinite 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.

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. No assets were considered impaired at December 31, 2004 and 2003 (see Note 1).

Page 94

During the years ended December 31, 2004, 2003 and 2002, the Company incurred costs to remove certain underperforming crops, primarily stonefruit, citrus, and wine grapes. The Company recorded charges of \$1,307,000, \$926,000 and \$3,497,000 in 2004, 2003 and 2002, respectively, in connection with the removal of these crops which is shown under the heading "Removal of underperforming crops" on the Consolidated Statement of Operations.

INTANGIBLE AND OTHER ASSETS

Water rights are stated at cost. All costs directly attributable to the development of such rights are being capitalized by the Company which, to date, have not been

significant.

Capitalized loan fees represent costs incurred to obtain debt financing. Such costs are amortized over the life of the related loan.

Trademark development costs represent legal costs incurred to obtain and defend patents and trademarks related to the Company's proprietary products throughout the world. Such costs are capitalized and amortized over their estimated useful life, which ranges from 10 to 20 years.

In October 1999, the Company entered into a management agreement with Kingdom Agricultural Development Company (KADCO) to develop and manage up to 100,000 acres of agricultural land in southern Egypt called the Tushka project. KADCO is controlled by His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud. As compensation for project development and management, the Company earned a quarterly fee of \$312,500 based upon meeting developmental milestones to be paid through an equity interest in KADCO. The management agreement expired on September 30, 2003. The Company will receive licensing revenues from KADCO in the future based upon plantings of proprietary varieties at the Tushka project. KADCO is currently engaged in a private placement to raise the required funds to develop the project. The Company anticipates receiving shares in KADCO for payment of its project development and management fee in connection with the completion of the private placement. The amount of shares to be received will be the current per share price used for the private placement divided into the total amount of management fee earned which is shown under the heading, "Receivable from KADCO to be paid in common shares" in Note 6.

INCOME TAXES

The Company is included in the consolidated federal and combined state tax returns of Cadiz. The Company's current tax liability is determined as though the Company filed its own returns. 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 considered more likely than not that some portion or all of the deferred tax assets will not be realized.

Page 95

SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments for interest for the years ended December 31, 2004, 2003 and 2002 were \$1,257,000, \$1,748,000 and \$14,484,000, respectively.

NOTE 3 - ACCOUNTS RECEIVABLE

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

	DECEMBER 31,	
	2004	2003
	----	----
Trade receivables	\$ 3,719	\$ 4,054
Other	2,745	3,447
	-----	-----

	6,464	7,501
Less allowance for doubtful accounts	(221)	(470)
	-----	-----
	\$ 6,243	\$ 7,031
	=====	=====

Substantially all trade receivables are from large domestic national and regional supermarket chain stores and produce brokers and are unsecured. Other receivables primarily include juice grape and raisin sales, proceeds due from third party marketers, receivables for international licensing, and other miscellaneous receivables.

NOTE 4 - INVENTORIES

Inventories consist of the following (dollars in thousands):

	DECEMBER 31,	
	2004	2003
	----	----
Growing crops	\$ 9,892	\$ 10,427
Materials and supplies	1,992	2,235
Harvested product	194	189
	-----	-----
	\$ 12,078	\$ 12,851
	=====	=====

Depreciation related to permanent crops and related farming equipment included in growing crop inventory totaled \$1,771, \$1,833 and \$2,131 at December 31, 2004, 2003 and 2002, respectively.

Page 96

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

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

	DECEMBER 31,	
	2004	2003
	----	----
Land	\$ 43,600	\$ 44,325
Permanent crops	54,088	56,218
Developing crops	10,129	9,413
Buildings	22,734	21,780
Machinery and equipment	16,496	16,531
	-----	-----
	147,047	148,267
Less accumulated depreciation	(42,400)	(40,455)
	-----	-----
	\$104,647	\$107,812
	=====	=====

Depreciation expense for 2004, 2003 and 2002 was \$5,630, \$6,521 and \$6,156, respectively.

NOTE 6 - INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist of the following
(dollars in thousands):

	DECEMBER 31,	
	2004	2003
	----	----
Water rights	\$ 2,555	\$ 2,559
Deferred loan costs, net	-	7
Long-term receivables	369	502
Capitalized trademark development, net	1,909	1,903
Receivable from KADCO to be paid in common shares	5,000	5,000
	-----	-----
	9,833	9,971
Valuation allowance	(1,500)	(1,500)
	-----	-----
	\$ 8,333	\$ 8,471
	=====	=====

Amortization expense of deferred loan costs was \$7, \$113 and \$802 in 2004, 2003 and 2002, respectively, and is included in interest expense in the Consolidated Statement of Operations. Amortization expense for capitalized trademark development was \$297, \$352 and \$302 in 2004, 2003, and 2002, respectively. Future amortization of capitalized trademark development is as follows (in thousands): \$302 - 2005; \$302 - 2006; \$294 - 2007; \$229 - 2008; \$782 - 2009 and thereafter.

Page 97

NOTE 7 - ACCRUED LIABILITIES

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

	DECEMBER 31,	
	2004	2003
	----	----
Payroll and benefits	\$ 2,611	\$ 1,931
Other	382	349
	-----	-----
	\$ 2,993	\$ 2,280
	=====	=====

NOTE 8 - REVOLVING CREDIT FACILITIES

Pre-petition financing:

In November 2002, Sun World was notified by its seasonal revolving lender that it would not renew the Revolving Credit Facility for the 2003 growing season. The seasonal revolver expired on November 30, 2002. The Company sought and obtained extensions from its lender through January 31, 2003. During the extension period, the Company sought to obtain seasonal financing from several different lenders. Each of these lenders wanted to have a first position on all of the Company's assets in order to lend outside of a Chapter 11 proceeding. This required the holders of the First Mortgage Notes to modify their agreement

with the Company. As outlined in Note 1, the Company was unable to procure the financing with the consent of all parties. On January 30, 2003, Sun World and certain of its subsidiaries filed a voluntary petition for Chapter 11.

At December 31, 2002, \$4.4 million was outstanding under the Revolving Credit Facility that was subsequently paid off with proceeds from the DIP financing on January 31, 2003.

Debtor-In-Possession (DIP) financing:

On January 31, 2003, the Bankruptcy Court approved an interim \$15 million dollar DIP financing facility. On March 3, 2003, the Bankruptcy Court approved a final DIP financing facility agreement with the same lender. The DIP financing, as amended, provides for varying commitment levels based upon the Company's seasonal borrowing requirements with a peak commitment level of \$35 million during the June through August time frame. The DIP financing during 2004 bore interest at the greater of Prime plus 4 percent or 8 percent, and is secured by substantially all of the Company's assets. The DIP financing agreement was amended in November 2004 to (a) extend the maturity date to November 30, 2005; (b) reduce the interest rate to either Prime plus 0% to 1% or LIBOR plus 2% to 3% at the Company's election based upon trailing 12 month EBITDA levels; and (c) eliminate all financial covenants. Borrowing availability is determined based on the lesser of: (1) eligible percentages of inventory and accounts receivable plus a specified amount starting at \$15 million in March 2003 and reduced

Page 98

by \$150,000 per month thereafter; (2) certain multiples of trailing 12 months EBITDA as defined in the credit agreement; or (3) eligible percentage of the current value of all real property. The Company is required to meet certain customary covenants. Approximately \$0 and \$4.4 million was outstanding under the DIP financing facility at December 31, 2004 and 2003, respectively.

NOTE 9 - LONG-TERM DEBT

At December 31, 2004 and 2003, the carrying amount of the Company's outstanding debt is summarized as follows based upon the original contractual maturities (dollars in thousands):

	DECEMBER 31,	
	2004	2003
	----	----
Amounts classified under Long-term debt:		
Series B First Mortgage Notes, interest payable semi-annually, with principal due in April 2004, interest at 11.25% (default interest at 12.25%)	\$115,000	\$115,000
Unsecured term loan, interest payable quarterly, due December 31, 2002, default interest at LIBOR plus 5%	5,000	5,000
Note payable to insurance company, quarterly installments of \$120 (including interest), due January 1, 2005, interest at 7.75%	654	654

Other	77	201
	-----	-----
	120,731	120,855
Less: Current portion	(722)	(125)
Amounts subject to compromise under reorganization proceedings	(120,000)	(120,000)
	-----	-----
	\$ 9	\$ 730
	=====	=====

Pursuant to the Company's various loan agreements, the contractual maturities of long-term debt outstanding (in thousands) at December 31, 2004 are as follows: 2005 - \$120,731 and 2006 - \$9. Included in these amounts are significant pre-petition obligations for which payments have been suspended as a result of the Chapter 11. Therefore, the commitments shown above will not reflect actual cash outlays in the future period.

Page 99

As a result of the Chapter 11, all required principal payments on pre-petition debt were suspended other than for obligations classified as "Other" above. For the period subsequent to the Petition Date, interest on the debt classified under "Liabilities subject to compromise under reorganization proceedings" was not paid or accrued in accordance with SOP 90-7. Contractual interest on these debt instruments at the default rate for the years ending December 31, 2004 and 2003, respectively was \$14.0 million and \$13.2 million in excess of recorded interest of \$0 and \$1.1 million, respectively included in the Consolidated Statement of Operations for these debt instruments.

In April 1997, the Company issued \$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 are publicly traded. Prior to the Chapter 11 bankruptcy filing, the First Mortgage Notes were secured by a first lien (subject to certain permitted liens) on substantially all of the assets of the Company and its subsidiaries other than growing crops, crop inventories and accounts receivable and proceeds thereof, which secured the Revolving Credit Facility. With the entering into the DIP Facility as described in Note 8, the note holders now have a second position on substantially all of the Company's assets for so long as the DIP Facility is outstanding.

The First Mortgage Notes are also secured by the guarantees of Coachella Growers, Inc., Sun Desert, Inc., Sun World/Rayo, and Sun World International de Mexico S.A. de C.V. (collectively, the "Sun World Subsidiary Guarantors") and by Cadiz. Cadiz also pledged all of the stock of Sun World as collateral for its guarantee. See Note 13 for additional discussion of the Cadiz guarantee.

In December 2000, Sun World entered into a two-year \$5 million senior unsecured term loan. In connection with obtaining the loan, 50,000 shares of Cadiz' common stock as well as certain warrants to purchase shares of Cadiz' common stock were issued. The fair value of the stock and the warrants were recorded as a debt discount and were fully amortized over the life of the loan through December 31, 2002. At December 31, 2002, the Company did not repay the loan and thus, the Company was in default. With the default, pursuant to the terms of the agreement, the interest rate was increased by 2%. In connection with the Company's

Chapter 11 filing, all principal and interest payments on this obligation have been suspended.

Page 100

NOTE 10 - LIABILITIES SUBJECT TO COMPROMISE UNDER REORGANIZATION PROCEEDINGS

Under bankruptcy law, actions by creditors to collect indebtedness Sun World owed prior to the Petition Date are stayed and certain other pre-petition contractual obligations may not be enforced against the Company. The Company has received approval from the Bankruptcy Court to pay certain pre-petition liabilities including employee salaries and wages, benefits, other employee obligations, and certain grower liabilities entitled to trust protection under the Perishable Agricultural Commodities Act (PACA). Except for certain secured debt obligations, all pre-petition liabilities have been classified as "Liabilities subject to compromise under reorganization proceedings" in the Consolidated Balance Sheet. Adjustments to the claims may result from negotiations, payments authorized by Bankruptcy Court order, rejection of executory contracts including leases, or other events.

Pursuant to an order of the Bankruptcy Court, Sun World mailed notices to all known creditors that the deadline for filing proofs of claim with the Court was August 29, 2003. An estimated 340 claims were filed as of August 29, 2003. Amounts that Sun World has recorded are in many instances different from amounts filed by our creditors. Differences between amounts scheduled by Sun World and claims by creditors are being investigated and resolved in connection with our claims resolution process. Until the process is complete, the ultimate number and amount of allowable claims cannot be ascertained. The ultimate resolution of these claims will be based upon the final plan of reorganization. Pursuant to the APA (see Note 1), holders of trade claims totaling an estimated \$3.0 million entered into a trade vendor agreement with SW LLC and SW LLC assumed those claims upon closing of the asset purchase.

Liabilities subject to compromise under reorganization proceedings are summarized as follows (dollars in thousands):

	DECEMBER 31,	
	2004	2003
	----	----
Accounts payable	\$ 4,092	\$ 4,311
Interest payable	3,795	3,795
Due to parent company (see note 13)	13,500	13,500
Long-term debt (see note 9)	120,000	120,000
	-----	-----
Total	\$141,387	\$141,606
	=====	=====

Page 101

NOTE 11 - INCOME TAXES

Significant components of the Company's deferred income tax assets and liabilities as of December 31, 2004 and 2003 are as follows (dollars in thousands):

	DECEMBER 31,	
	2004	2003

Deferred tax liabilities:		
Net fixed assets basis difference	\$ 9,615	\$ 9,111
Other	48	48
	-----	-----
Total deferred tax liabilities	9,663	9,159
	-----	-----
Deferred tax assets:		
Net operating losses	25,781	28,079
State taxes	1,853	1,853
Reserves and accruals	210	748
Other	886	989
	-----	-----
Total deferred tax assets	28,730	31,669
Valuation allowance for deferred tax assets	(24,514)	(27,957)
	-----	-----
Net deferred tax liability	\$ 5,447	\$ 5,447
	=====	=====

As of December 31, 2004, 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 2023. As of December 31, 2004, the Company has state NOL carryforwards of approximately \$44.6 million. These NOL carryforwards expire in varying amounts through the year 2014.

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

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
	----	----	----
Expected federal income tax expense (benefit) at 34%	\$ 2,397	\$ (3,388)	\$ (3,350)
Loss with no tax benefit provided	-	2,696	3,322
Utilization of net operating losses	(3,009)	-	-
Federal AMT refund	30	-	(73)
State income tax	7	2	3
Foreign withholding taxes	52	100	68
Restructuring costs	588	661	-
Other non-deductible expenses	24	31	28
	-----	-----	-----
Income tax expense (benefit)	\$ 89	\$ 102	\$ (2)
	=====	=====	=====

NOTE 12 - EMPLOYEE BENEFIT PLANS

The Company participates in the Cadiz Inc. 401(k) Plan for its employees. Employees must work 1,000 hours annually and have completed one year of service to be eligible to participate in this plan. The Company matches 100% of the first three percent deferred by an employee and 50% of the next two percent deferred. 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. Total Company contributions to these plans (in thousands) totaled \$426 in 2004, \$296 in 2003 and \$266 in 2002.

NOTE 13 - RELATED PARTY TRANSACTIONS

In September 1996, the Company and Cadiz entered into a 10-year services agreement which had three separate components: (1) the services agreement itself under which Cadiz provided management and financial services to the Company in exchange for an annual management fee of \$1.5 million and reimbursement of certain other expenses incurred on behalf of the Company; (2) an agricultural lease of Cadiz-owned irrigated farmland in San Bernardino County consisting primarily of citrus and grapes for which the Company paid annual land rent of \$250,000; and (3) a tax sharing agreement which provided for Cadiz and Sun World to file a consolidated tax return with Sun World paying to Cadiz an amount equal to its current tax liability as though Sun World filed its own returns. Additionally, the Company had an intercompany revolving credit agreement whereby the Company could borrow from Cadiz as needed. As of December 31, 2002, \$12.2 million was owed to Cadiz under the intercompany revolving credit agreement and \$1.3 million was payable to Cadiz under the services agreement.

Effective July 1, 2003, the Company and Cadiz agreed to an amended agricultural lease approved by the Bankruptcy Court whereby the Company would lease approximately 370 acres of lemons and table grapes for the 2004 harvest season with rent equal to 50% of the net farming profit from the sale of the crops.

In November 2003, the Company, Cadiz and holders of the majority of the First Mortgage Notes entered into a settlement agreement with respect to the various claims between the parties which was approved by the Bankruptcy Court. The settlement agreement provided for the following: (1) Cadiz would be allowed a general unsecured claim of \$13.5 million in full and final settlement of all of its claims against the Company; (2) the Company and Cadiz consented to the termination of all contracts and agreement to which Cadiz and the Company are parties including the services agreement and tax sharing agreement described above but excluding the agricultural lease; (3) Cadiz waived any contention that it was entitled to a recovery on account of its equity interest in Sun World.

In addition, pursuant to the settlement agreement, Cadiz agreed to assign its \$13.5 million claim to a trust for the benefit of those holders of First Mortgage Notes who elect to receive their

Page 103

prorata share of this trust. Further, Cadiz agreed to pledge its equity ownership in the Company to the trust. The \$13.5 million claim is classified under the caption "Liabilities subject to compromise under reorganization proceedings" on the Consolidated Balance Sheet at December 31, 2004 and 2003.

The Company made payments to Cadiz of \$0 million for 2004, \$0.3 million for 2003, and \$1.9 million for 2002, pursuant to the services agreement (including the agricultural lease) described above.

NOTE 14 - NON-RECURRING COMPENSATION EXPENSE

In 2001, Cadiz issued 12,034 deferred stock units to certain senior managers of Sun World. These deferred stock units were issued in exchange for the cancellation of 22,600 fully vested options to purchase the Cadiz common stock held by senior managers. In accordance with the terms of the Stock Option Exchange Agreements, the number of the deferred stock units issued was calculated based on the average closing price for the 10 business days following the filing of the Cadiz Annual Report on Form 10-K for the year ended December 31, 2000 on March 29, 2001. Each deferred stock unit is exchangeable for one share of Cadiz common stock at the end of the deferral period elected by the holder. The Company recorded a one-time charge of \$2,953,000 in 2001 and no cash was expended in connection with the issuance of the deferred stock units.

NOTE 15 - INTELLECTUAL PROPERTY DEFENSE AND PROFESSIONAL FEES

The Company is involved with various litigation proceedings both domestically and internationally to protect its proprietary fruit varieties from unauthorized use. The Company is currently involved in proceedings with domestic growers to enjoin their unauthorized production of one of the Company's proprietary grapevines, the Sugraone table grape. During 2002, a California state court issued a ruling adverse to Sun World in one of these proceedings. In March 2003, the appeals court upheld the decision reached by the California state court. The Company wrote off capitalized legal costs related to defending its intellectual property rights to this variety as of December 31, 2002 resulting in a charge of \$1,097,000.

As described in Note 1, the Company tried unsuccessfully to restructure its debt and ultimately filed for Chapter 11 on January 30, 2003. In connection with these efforts, the Company incurred \$614,000 of professional fees. As a result of the unsuccessful debt restructuring, these costs have been written off as of December 31, 2002.

Page 104

NOTE 16 - CONTINGENCIES

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 various 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.

Page 105

STATEMENT PURSUANT TO SECTION 906 THE SARBANES-OXLEY ACT OF 2002
BY PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER

I, Keith Brackpool, hereby certify, to my knowledge, that:

1. the accompanying Annual Report on Form 10-K of Cadiz Inc. for the year ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cadiz Inc.

IN WITNESS WHEREOF, the undersigned has executed this Statement as of the date first written above.

Dated: March 31, 2005

/s/ Keith Brackpool

Keith Brackpool
Chairman, Chief Executive Officer
and Chief Financial Officer

CERTIFICATE OF DESIGNATIONS OF
SERIES F PREFERRED STOCK
OF
CADIZ INC.

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

CADIZ INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "CORPORATION"), hereby certifies that, pursuant to (i) the authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation and (ii) the provisions of Section 151 of said General Corporation Law, the Board of Directors duly adopted a resolution on December 11, 2003, which resolution is as follows:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by the Certificate of Incorporation, the Board of Directors does authorize for issuance One Hundred Thousand (100,000) shares of Preferred Stock, par value \$.01 per share, of the Corporation, to be designated "SERIES F PREFERRED STOCK" of the presently authorized shares of Preferred Stock. The voting powers, designations, preferences, and other rights of the Series F Preferred Stock authorized hereunder and the qualifications, limitations and restrictions of such preferences and rights are as follows:

1. RANKING. The Series F Preferred Stock shall, with respect to the payment of dividends and upon liquidation, dissolution, or winding up, rank senior and prior to all other capital stock issued by the Corporation. No other class of capital stock of the Corporation, preferred or otherwise, shall at any time rank pari passu with the Series F Preferred Stock.

2. DIVIDENDS.

(a) In the event any dividends are declared or paid or any other distribution is made on or with respect to the common stock, par value \$.01 per share ("COMMON STOCK") of the Corporation, the holders of the Series F Preferred Stock as of the record date established by the Board of Directors for such dividend or distribution on the Common Stock shall be entitled to receive as additional dividends (the "ADDITIONAL DIVIDENDS") an amount (whether in the form of cash, securities or other property) equal to the amount (and in the form) of the dividends or distribution that such holders would have received had the Series F Preferred Stock been converted into Common Stock as of the date immediately prior to the record date of such dividend or distribution on the Common Stock, such Additional Dividends to be payable on the same payment date as the payment date for the dividend on the Common Stock established by the Board of Directors; provided, however, that if the Corporation declares and pays a dividend or makes a distribution on the Common Stock consisting in whole or in part of Common Stock, then no such dividend or distribution shall be payable in respect of the Series F Preferred Stock on account of the portion of such dividend or distribution on the Common Stock payable in Common Stock and in lieu thereof the anti-dilution adjustment in Section 5(c)(ii) below shall apply. The record date for any such Additional Dividends shall be the record date for the applicable dividend or distribution on the Common Stock, and any such Additional Dividends shall be payable to the individual, entity or group (a "PERSON") in whose name the Series F Preferred Stock is registered at the close of business on the applicable record date.

(b) No dividend shall be paid or declared on any share of Common Stock (other than dividends payable in Common Stock for which an adjustment is made pursuant to Section 5(c) (ii) hereof), unless a dividend, payable in the same consideration and manner, is simultaneously paid or declared, as the case may be, on each share of Series F Preferred Stock in an amount determined as set forth in paragraph (a) above. For purposes hereof, the term "DIVIDENDS" shall include any pro rata distribution by the Corporation, out of funds of the Corporation legally available therefor, of cash, property, securities (including, but not limited to, rights, warrants or options) or other property or assets to the holders of the Common Stock, whether or not paid out of capital, surplus or earnings.

(c) Upon the conversion of any shares of Series F Preferred Stock to shares of Common Stock pursuant to Section 5, the Corporation will immediately pay such holder who converted shares of Series F Preferred Stock into shares of Common stock all dividends which the holder of such shares as of the record date for such dividends would have received had that holder held the Common Stock for the applicable period to the extent not already received by that holder.

3. LIQUIDATION PREFERENCE.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of Series F Preferred Stock shall be entitled to receive (x) prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of the Common Stock or to any other series or class of capital stock of the Corporation, all accrued or declared but unpaid dividends on such shares and (y) after the payment referred to in the foregoing clause (x) has been received, such assets in amount equal to the amount (and in the form) of the assets that such holders would have received had the Series F Preferred Stock been converted into Common Stock as of the date immediately prior to the distribution of assets of the Corporation pursuant to the liquidation, dissolution or winding up of the Corporation sharing parri passu (on a pro rata basis) with all holders of Common Stock.

4. VOTING.

(a) Except as otherwise provided by applicable law and in addition to any voting rights provided by law, for so long as the Series F Preferred Stock is outstanding, the holders of outstanding shares of the Series F Preferred Stock:

(i) shall be entitled to vote together with the holders of the Common Stock as a single class on all matters submitted for a vote of holders of Common Stock, including, without limitation, the election of directors;

(ii) shall have such other voting rights as are specified in the Certificate of Incorporation or as otherwise provided by Delaware law; and

(iii) shall be entitled to receive notice of any stockholders' meeting in accordance with the Certificate of Incorporation and By-laws of the Corporation.

For purposes of the voting rights set forth in this Section 4(a), each share of Series F Preferred Stock shall entitle the holder thereof to cast one vote for each whole vote that such holder would be entitled to cast had such holder converted its Series F Preferred Stock into shares of Common Stock as of the date immediately prior to the record date for

determining the stockholders of the Corporation eligible to vote on any such matter.

(b) From the date this certificate is filed until the third anniversary thereof, the holders of the Series F Preferred Stock shall have the exclusive right, voting separately as a single class, to elect two (2) members of the Board of Directors of the Corporation (each such member elected by the holders of Series F Preferred Stock, a "SERIES F PREFERRED DIRECTOR"). Following the third anniversary of the filing of this certificate, the holders of the Series F Preferred Stock will be entitled to the following number of Series F Directors (all to be elected pursuant to the terms of the previous sentence): If the then outstanding Series F Preferred Stock is convertible into greater than 10% of the common stock (on a Fully-Diluted Basis) there shall be 2 Series F Directors, if the outstanding Series F Preferred Stock is convertible into 5%-10% of the common stock on a Fully Diluted Basis, there will be one Series F Director and, if the outstanding Series F Preferred Stock is convertible into less than 5% of the common stock on a Fully-Diluted Basis, there shall be no Series F Directors. The initial Series F Preferred Directors shall be as designated by written notice to the Corporation from a majority-in-interest of the Series F Preferred Stock and they shall be elected to serve for so long as the shares of Series F Preferred Stock are outstanding. The Series F Preferred Directors shall have the right to nominate their successors upon their resignation from the Board of Directors of the Corporation. A Series F Preferred Director may only be removed by the written consent or affirmative vote of at least a majority-in-interest of the Series F Preferred Stock. The holders of at least a majority-in-interest of the Series F Preferred Stock shall have the right to appoint the successor to any Series F Preferred Director who is removed from the Board of Directors of the Corporation. At the option of at least a majority-in-interest of the Series F Preferred Stock, the Series F Preferred Directors shall be seated on any and/or all of the audit, nominating and/or compensation committees of the Corporation, subject to any restrictions under applicable law or the rules and requirements of any securities exchange upon which any of the Corporation's securities may be listed; provided, however, that the Corporation shall not list its securities on any securities exchange without the consent of at least one of the Series F Preferred Directors. Any Series F Preferred Director seated on any committee pursuant to the terms of this Section 4(b) may not be removed from any such committee without the consent or affirmative vote of at least a majority-in-interest of the Series F Preferred Stock.

(c) For so long as the Series F Preferred Stock is outstanding, the Board of Directors of the Corporation shall not take any action to increase or decrease the number of directors of the Corporation (or the number of members of any committee of the Board of Directors of the Corporation) without the consent or affirmative vote of at least a majority-in-interest of the Series F Preferred Stock; provided, however, that immediately upon full repayment of the New Note, the number of directors of the Corporation may be increased to not more than seven (7) without the consent or affirmative vote of the holders of the Series F Preferred Stock; provided further that such increase shall not result in the removal of either of the Series F Preferred Directors from the Board of Directors of the Corporation or any committee thereof.

(d) For so long as the Series F Preferred Stock is outstanding, the Corporation shall not, without the written consent or affirmative vote of at least one of the Series F Preferred Directors, create, authorize or issue any class, series or shares of Preferred Stock or any other class of capital stock.

5. CONVERSION. The holders of Series F Preferred Stock shall have conversion rights as follows:

(a) The shares of Series F Preferred Stock shall, immediately after issuance, be convertible into 1,728,955 shares of Common Stock of the Corporation which represents, as of the date of filing of this Certificate, 25% of the Common Stock of the Corporation, on a Fully-Diluted Basis.

(b) The outstanding shares of Series F Preferred Stock shall thereafter be convertible from time to time, on a pro-rata basis, into such number of shares of Common Stock of the Corporation as is calculated as of the date of any such conversion by:

(i) First, calculating the number of shares of Common Stock of the Corporation which, at the applicable time of conversion, represents 25% of the Common Stock of the Corporation on a Fully-Diluted Basis, and

(ii) Second, multiplying the number obtained under subsection (i) above by a fraction, the numerator of which is the number of shares of Series F Preferred Stock outstanding as of the date of such calculation and the denominator of which is the sum of (x) the number of shares of Series F Preferred Stock outstanding as of the date of such calculation plus (y) number of shares of Series F Preferred Stock which had previously been issued by the Corporation but converted into shares of Common Stock prior to the date of such calculation (the result so calculated, the "Conversion Number"); provided, however, that at such time that is three years after the payment in full of the New Note, the shares of Series F Preferred Stock outstanding as of such date shall not be adjusted pursuant to this Section 5(b) but shall continue to be adjusted pursuant to Section 5(c) below.

(c) Reorganization, Reclassification, Consolidation, Merger or Sale, etc.

(i) If the Corporation at any time subdivides (by any stock split, stock dividend (other than stock dividends as to which a dividend is simultaneously paid or declared with respect to Series F Preferred Stock pursuant to Section 2(b) hereof) recapitalization or otherwise) its outstanding shares of its Common Stock into a greater number of shares, the Conversion Number in effect immediately prior to such subdivision will be proportionately increased, and if the Corporation at any time combines (by reverse stock split or otherwise) one or more classes of its outstanding shares of its Common Stock, the Conversion Number in effect immediately prior to such combination will be proportionately decreased concurrently with the effectiveness of such event.

(ii) In case the Corporation shall declare a dividend or make any other distribution upon any stock of the Corporation payable in Common Stock or options to purchase shares of Commons Stock or securities convertible into shares of Common Stock for no consideration without making a ratable distribution thereof to holders of Series F Preferred Stock (based upon the number of shares of Common Stock into which such Series F Preferred Stock would be convertible, assuming conversion of the Series F Preferred Stock), then the Conversion Number in effect immediately prior to the declaration of such dividend or distribution shall be proportionately increased, concurrently with the effectiveness of such declaration.

(iii) Any capital reorganization, reclassification, consolidation, merger or sale of all or substantially all of the Corporation's assets to another Person which is effected in such

a way that holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock is referred to herein as an "Organic Change." Prior to the consummation of any Organic Change, the Corporation will make appropriate provisions to insure that each of the holders of Series F Preferred Stock will thereafter have the right to acquire and receive such shares of stock, securities or assets as such holder would have received in connection with such Organic Change if such holder had converted its Series F Preferred Stock into shares of Common Stock immediately prior to such Organic Change. The Corporation will not effect any such consolidation, merger or sale, unless prior to the consummation thereof, the successor corporation (if other than the Corporation) resulting from consolidation or merger or the Corporation purchasing such assets assumes by written instrument the obligation to deliver to each such holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire.

(d) No fractional shares of Common Stock shall be issued upon conversion of the shares of Series F Preferred Stock. In lieu of any fractional shares to which the holder of Series F Preferred Stock would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective fair market value of the Common Stock (which shall be determined in good faith by the Board of Directors if there is then no current market for the Common Stock). Conversion of the shares of Series F Preferred Stock shall be effected by delivery, to the office of the Corporation or to any transfer agent for such shares, of duly endorsed certificates for the shares being converted and of written notice to the Corporation that the holder elects to convert such shares. Conversion of the shares of Series F Preferred Stock shall be deemed to occur immediately prior to the close of business on the date the latter of the shares and the notice are delivered. Holders of Series F Preferred Stock entitled to receive Common Stock upon conversion of the Series F Preferred Stock shall be treated for all purposes as the record holders of such shares of Common Stock on the date conversion is deemed to occur. The Corporation shall not be obligated to issue certificates evidencing shares of Common Stock issuable upon conversion of the Series F Preferred Stock unless the certificates evidencing such shares of Series F Preferred Stock being converted are either delivered to the Corporation or its transfer agent as provided above, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement, and at the Corporation's election provides a surety bond or other security, satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. The Corporation shall, as soon as practicable after such delivery, or such agreement and indemnification in the case of a lost certificate, issue and deliver at such office a certificate or certificates for the number of shares of Common Stock to which the holder of Series F Preferred Stock is entitled and a check payable to the holder of Series F Preferred Stock for any cash due with respect to fractional shares.

(e) The issuance of certificates for shares of Common Stock upon conversion of the Series F Preferred Stock shall be made without charge to the holders thereof for any issuance tax in respect thereof, provided that the Corporation shall not be required to pay any income or similar taxes of a holder arising in connection with a conversion or any tax that may be payable in respect of any transfer involved in the issuance and delivery of any certificates in a name other than that of the holder of the Series F Preferred Stock which is being converted.

(f) The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series F Preferred Stock against impairment.

(g) In the event of any taking by the Corporation of a record of the holders of any class of securities of the Corporation for the purpose of determining the holders thereof who are entitled to receive any dividend or distribution, the Corporation shall mail to each holder of Series F Preferred Stock at least ten (10) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

(h) The Corporation shall reserve and keep available out of its authorized but unissued Common Stock such number of shares of Common Stock as shall from time to time be sufficient to effect conversion of the Series F Preferred Stock and the issuance of Common Stock to the holders of the Series F Preferred Stock.

(i) No shares of the Series F Preferred Stock acquired by the Corporation by reason of purchase, conversion or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares of capital stock which the Corporation shall be authorized to issue.

6. NO RIGHT OF REDEMPTION. The Corporation shall have no right whatsoever to redeem all or any number of the outstanding shares of the Series F Preferred Stock at any time.

7. PREEMPTIVE RIGHTS.

(a) Subject to paragraphs (c) and (d), for so long as any shares of the Series F Preferred Stock are outstanding, the Corporation shall not, subsequent to the completion of the New Equity Financing (as defined in Section 8(f)), issue, sell, or exchange, or agree to issue, sell, or exchange, to any Person or entity, whether from treasury shares, from the issuance of authorized but unissued shares, or otherwise, any equity securities (or any securities convertible into or exercisable or exchangeable therefor) (any of which, the "CORPORATION EQUITY SECURITIES"), unless the Corporation shall have first offered to sell (the "CORPORATION OFFER") to holders of Series F Preferred Stock such number of securities at the same price and on the same terms (the "CORPORATION OFFER SALE PRICE") and in such quantity as will enable holders of Series F Preferred Stock to maintain their percentage ownership of Common Stock of the Corporation on a Fully-Diluted Basis. The Corporation Offer by its terms shall remain open and irrevocable for a period of thirty (30) days from the date it is delivered by the Corporation to holders of Series F Preferred Stock (the "PREEMPTIVE RIGHTS OFFER PERIOD").

(b) Notice of the intention of the holders of the Series F Preferred Stock to accept a Corporation Offer made pursuant to this Section 7 shall be evidenced by a writing signed by holders of Series F Preferred Stock and delivered to the Corporation prior to the end of the Preemptive Rights Offer Period, setting forth the portion of the Corporation Equity Securities which the holders of Series F Preferred Stock elect to purchase (the "NOTICE OF ACCEPTANCE").

(c) In the event that a Notice of Acceptance is not given by holders of Series F Preferred Stock in respect of all or any part of the Corporation Equity Securities, the Corporation shall have sixty (60) days from the expiration of the Preemptive Rights Offer Period to sell or enter into an agreement to sell all or the part of the Corporation Equity Securities set forth in the Corporation Offer not purchased by the holders of Series F Preferred Stock, as the case may be, to any other person or persons, on terms and conditions, including, without limitation, price, which are no more favorable to such other person or persons or less favorable to the Corporation or the holders of Series F Preferred Stock than the Corporation Offer Sale Price. Upon the earlier of (i) sixty (60) days from delivery of a Notice of Acceptance or (ii) the closing of the sale of the securities not accepted in the Notice of Acceptance, the Corporation shall sell to the holders of Series F Preferred Stock the Corporation Equity Securities in respect of which a Notice of Acceptance was delivered to the Corporation by the holders of Series F Preferred Stock, and which were not sold to any other person, on the terms specified in the Notice of Acceptance.

(d) Any Corporation Equity Securities not purchased by the holders of Series F Preferred Stock or other person or persons in accordance with paragraph (c) above may not be sold or otherwise disposed of until they are again offered to the holders of Series F Preferred Stock under the procedures specified in paragraphs (a), (b) and (c).

(e) The rights of holders of Series F Preferred Stock under paragraphs (a), (b), (c) and (d) shall not apply to the following securities:

(i) Corporation Equity Securities issued in any transaction described in Section 5(c);

(ii) Corporation Equity Securities issued by the Corporation upon the conversion of any securities which are convertible or exchangeable into capital stock of the Corporation and which are outstanding as of the date hereof;

(iii) Corporation Equity Securities issued by the Corporation upon the conversion of any securities which (x) are convertible or exchangeable into capital stock of the Corporation and (y) were issued under the procedures specified in paragraphs (a), (b) and (c);

(iv) Corporation Equity Securities issued by the Corporation under the Management Incentive Plan;

(v) Corporation Equity Securities issued by the Corporation to any officer, director or employee of the Corporation as remuneration for services rendered to the Corporation; provided, however, that at least one of the Series F Preferred Directors voted to authorize such issuance;

(vi) Corporation Equity Securities issued by the Corporation to any consultant pursuant to compensation procedures approved by the Board of Directors of the Corporation including the consent of at least one of the Series F Preferred Directors;

(vii) Corporation Equity Securities issued in connection with the acquisition of all or part of another entity or in connection with a joint venture or such other strategic investment, which transaction is approved by at least one of the Series F Preferred Directors;

(viii) Corporation Equity Securities issued pursuant to the conversion of the Series F Preferred Stock pursuant to the terms hereof; and

(ix) Corporation Equity Securities to the extent that such Corporation Equity Securities (and/or any Common Stock issued or issuable with respect to such Corporation Equity Securities) are included within the calculation of "Fully-Diluted Basis" as defined in Section 8(d) hereof (i.e., do not meet the requirements for exclusion from such calculation as set forth in the final paragraph of Section 8(d)).

(f) Without limitation of the foregoing, if the Corporation sells any Corporation Equity Securities to any person or persons and if, after giving effect to such transaction and after giving effect to any election by the holders of the Series F Preferred Stock to exercise the preemptive rights granted herein, the Conversion Number would be less than such number of shares of Common Stock of the Corporation as is calculated as of the applicable date by:

(i) First, calculating the number of shares of Common Stock of the Corporation which, at the applicable date represents 12.5% of the Common Stock of the Corporation on a Fully-Diluted Basis, and

(ii) Second, multiplying the number obtained under subsection (i) above by a fraction, the numerator of which is the number of shares of Series F Preferred Stock outstanding as of the date of such calculation and the denominator of which is the sum of (x) the number of shares of Series F Preferred Stock outstanding as of the date of such calculation plus (y) number of shares of Series F Preferred Stock which had previously been issued by the Corporation but converted into shares of Common Stock prior to the date of such calculation (the number so calculated, the "MINIMUM CONVERSION NUMBER"); then the Conversion Number shall automatically be adjusted as of the applicable date so that it is equal to the Minimum Conversion Number.

8. DEFINITIONS:

(a) "BANK" means ING Capital, LLC, a Delaware limited liability company.

(b) "CASH COLLATERAL ACCOUNT" means an interest-bearing cash collateral account established under the terms of the New Note.

(c) "CRE" means Cadiz Real Estate LLC, a Delaware limited liability Corporation.

(d) "FULLY-DILUTED BASIS" means, with respect to the calculation of the number of shares of Common Stock into which the Series F Preferred Stock is convertible, the sum of (i) all Common Stock outstanding at the time of such determination (including all Common Stock issued pursuant to the first \$4 million of New Equity Financing), (ii) all Common Stock issuable upon the exchange, exercise or conversion of all warrants, options, convertible securities or other such instruments then outstanding (whether or not such instruments are then exercisable) including, but not limited to, the equity securities issued under the Management Equity Incentive Plan, but excluding (x) 16,600 shares of Common Stock issuable upon exercise of outstanding warrants with an exercise price in excess of \$25, (y) shares of Common Stock issuable 55,550 outstanding stock options with an exercise price in excess of \$25, and (z) 20,000 shares of Common Stock conditionally issuable to a consultant to the Company upon

achievement of certain financial targets, and (iii) all other Common Stock issuable as a result of any anti-dilution adjustments and pre-emptive or similar rights granted to any other holder of the Corporation's Common Stock; provided, however, that such calculation shall not include:

- (A) the issuance by the Corporation of the next \$4.6 million in Corporation Equity Securities after the issuance by the Corporation of the first \$4 million of Corporation Equity Securities pursuant to its New Equity Financing; provided further that the \$4.6 million of Corporation Equity Securities shall be issued on terms no less favorable to the Corporation than the first \$4 million of New Equity Financing; and
- (B) the issuance by the Corporation of any Corporation Equity Securities subsequent to the consummation of the New Equity Financing;
- (C) the issuance by the Corporation of any Corporation Equity Securities pursuant to the conversion of the Series F Preferred Stock pursuant to the terms hereof; or
- (D) the issuance by the Corporation of any Corporation Equity Securities concurrently with the New Equity Financing in settlement of third party claims; and provided that in each issuance of Corporation Equity Securities referred to in (B) above, cash in the amount of at least 35% of the net proceeds from such issuance of Corporation Equity Securities shall have been either paid directly to the Bank on account of the New Note or deposited into the Cash Collateral Account, which cash may be used by the Corporation or CRE to pay interest payments next due on the New Note in their order of maturity or to prepay principal outstanding under the New Note, provided further that the Corporation shall not deposit cash into the Cash Collateral Account if, as a result of such deposit, the amount on deposit would exceed 8% of the then-outstanding principal balance on the New Note times the number of years from the date of such deposit through September 30, 2006.

(e) "MANAGEMENT EQUITY INCENTIVE PLAN" means that certain plan pursuant to which continuing employees of the Corporation shall be issued Common Stock and/or granted securities convertible into Common Stock in an aggregate amount of up to 15% of the outstanding capital of the Corporation, on a fully-diluted basis, after giving effect to the issuance of the Series F Preferred Stock and after the issuance by the Corporation of \$8.6 million in Common Stock in the New Equity Financing.

(f) "NEW EQUITY FINANCING" means at least \$8.6 million equity financing raised by the Corporation concurrently with or immediately prior to the issuance of the New Note.

(g) "NEW NOTE" means that certain new note or new notes in the principal amount of (i) \$35 million, plus (ii) any remaining balance not fully paid of the Bank' out-of-pocket expenses (including reasonable attorneys' fees) incurred in connection with the restructuring of the Corporation's debt obligations owed to the Bank.

9. TRANSFERABILITY. All outstanding shares of the Series F Preferred Stock may be transferred to any one person or entity at any time and it shall be the obligation of the Company to recognize and effectuate such transfer. In the event that any holder of Series F Preferred Stock desires to transfer less than 100% of the then outstanding Series F Preferred Stock, such holder may only do so by first converting such shares of Series F Preferred Stock to be sold into common stock pursuant to Section 5 hereof.

IN WITNESS WHEREOF, CADIZ INC. has caused this Certificate to be signed by Keith Brackpool, its Chief Executive Officer, and attested by Jennifer Hanks Painter, its Secretary, this 15th day of December, 2003.

CADIZ INC.

By: /s/ Keith Brackpool

Name: Keith Brackpool
Title: Chief Executive Officer

ATTEST:

By: /s/ Jennifer Hanks Painter

Name: Jennifer Hanks Painter
Title: Secretary

FIRST AMENDMENT TO 2003 RESTATED CREDIT AGREEMENT AND
CONSENT TO OFFERING

This First Amendment to 2003 Restated Credit Agreement and Consent to Offering (this "Seventh Amendment"), dated as of November 30, 2004, is entered into by and among (a) CADIZ INC. ("Cadiz") (f/k/a Cadiz Land Company, Inc.) in its own capacity and as successor by merger to Cadiz Valley Development Corporation, and CADIZ REAL ESTATE LLC ("CRE"), as co-borrowers (collectively, the "Borrowers"), (b) ING Capital, LLC ("ING") (f/k/a ING Baring (U.S.) Capital LLC and ING Baring (U.S.) Capital Corporation), a Delaware corporation, as administrative agent (in such capacity, the "Administrative Agent"), and (c) the Lender(s) (the "Lenders" and, along with the Administrative Agent, the "Lender Parties") party to that Sixth Amended and Restated Credit Agreement dated as of December 15, 2003 (as amended and restated from time to time, the "Revolving Credit Agreement"), among the Borrowers, the Lenders and the Administrative Agent. This Seventh Amendment amends the Revolving Credit Agreement.

R E C I T A L S

A. This Seventh Amendment refers to that certain Revolving Credit Agreement.

B. Pursuant to that certain Revolving Credit Agreement, dated as of November 25, 1997 (the "1997 Revolving Credit Agreement"), among Cadiz, the Lenders party thereto and the Administrative Agent, as agent for such Lenders, such Lenders agreed to provide a revolving credit facility to Cadiz Borrower.

C. Pursuant to that certain First Amendment to Credit Agreement, dated as of September 28, 1999, by and between Cadiz, Lenders and the Administrative Agent (the "First Amendment Agreement"), the parties agreed to amend certain terms of the 1997 Revolving Credit Agreement.

D. Pursuant to that certain Second Amendment to Credit Agreement, dated as of December 22, 1999, by and between Cadiz, Lenders and the Administrative Agent (the "Second Amendment Agreement"), and the other Second Amendment Documents, as defined in the Second Amendment Agreement (collectively, the "Second Amendment Documents"), the parties agreed to amend certain terms of the 1997 Revolving Credit Agreement, as amended and in effect at that time.

E. Pursuant to that certain Third Amendment to Credit Agreement, dated as of December 22, 2000, by and between Cadiz Borrower, Lenders and the Administrative Agent (the "Third Amendment Agreement"), as amended by that certain First Amendment to Third Amendment to Credit Agreement dated as of October 22, 2001 between Borrower, Lenders and the Administrative Agent, and the other Third Amendment Documents, as defined in the Third Amendment Agreement (collectively, the "Third Amendment Documents"), the parties agreed to amend certain terms of the 1997 Revolving Credit Agreement, as amended and in effect at that time.

F. Pursuant to that certain Fourth Amendment to Credit Agreement, dated as of January 31, 2002, by and between Cadiz Borrower, Lenders and the Administrative Agent (the "Fourth Amendment Agreement"), and the other Fourth Amendment Documents, as defined in the Fourth Amendment Agreement (collectively, the "Fourth Amendment Documents"), the parties agreed to amend certain terms of the 1997 Revolving Credit Agreement, as amended and in effect at that time.

G. Pursuant to that certain Fifth Amended and Restated Credit Agreement, dated as of March 7, 2002, by and between Cadiz Borrower, Lenders and the Administrative Agent (the "Fifth Amendment

Agreement"), and the other documents executed or delivered in connection therewith (collectively, the "Fifth Amendment Documents"), the parties agreed to amend certain terms of the 1997 Revolving Credit Agreement, as amended and in effect at that time;

H. Pursuant to that certain Sixth Amended and Restated Credit Agreement, dated as of December 15, 2003, by and between Cadiz and CRE, as borrowers, Lenders and the Administrative Agent (the "Sixth Amendment Agreement"), and the other documents executed or delivered in connection therewith (collectively, the "Sixth Amendment Documents"), the parties agreed to amend certain terms of the Revolving Credit Agreement, as amended and in effect at that time.

I. Cadiz and CRE have requested that the Revolving Credit Agreement, as amended and in effect at this time, be amended to reflect the restructuring of the Loan Obligations on the terms set forth herein.

J. The Lenders and the Administrative Agent are willing to amend the Revolving Credit Agreement, as amended and in effect at this time, on the terms and subject to the conditions and requirements set forth in this Seventh Amendment and the other documents executed or delivered in connection herewith to, among other things, (a) confirm the obligations of Borrowers in favor of Lenders and Administrative Agent under the Revolving Credit Agreement, as amended and in effect at this time; (b) consent to the Offering, and (c) provide for the conversion of 99,000 shares of the Series F Preferred Stock issued by Cadiz to the Lenders into 1,711,665 shares of Common Stock; (d) amend the interest rate on the Loan Obligations; (e) provide for the further extension of the Maturity Date of the Notes and other modifications thereof, (f) provide for the immediate repayment of all outstanding Term Loan Obligations, and (g) establish a \$2.4 million credit for use in the Cash Collateral Account as consideration for the Offering-ING Units, all of the foregoing upon the terms and conditions set forth herein and in the other Seventh Amendment Documents.

K. The parties acknowledge that the Borrowers have previously fully drawn on the Revolving Loans and the availability provided under the Revolving Credit Agreement and that there are no undrawn Commitments under the Revolving Credit Agreement.

NOW THEREFORE, in consideration of foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

SECTION 1. Definitions.

All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Revolving Credit Agreement, as amended by this Seventh Amendment. The following terms shall have the following meanings when used herein (all terms defined in this Section 1 or in other provisions of this Seventh Amendment in the singular shall have the same meaning in the plural and vice versa).

"NEW CADIZ SERIES F PREFERRED STOCK CERTIFICATE": means the certificate of Series F Preferred Stock issued by Cadiz to ING pursuant to Section 8 of the Seventh Amendment with the rights, privileges and preferences as set forth in the Revised Preferred Stock Certificate of Designations, in the form as attached hereto in Exhibit I.

"OFFERING": means the offering by Cadiz of \$20,000,000 to \$24,000,000 of its common stock, \$0.01 par value, in order (i) to

reduce the outstanding balance on the Loan Obligations to \$25,000,000 and (ii) to provide additional working capital, which Offering shall be effected pursuant to documentation in form and substance satisfactory to the Administrative Agent in its reasonable discretion.

"OFFERING MATERIALS CERTIFICATE": means the Offering Materials Certificate delivered by the Borrowers to the Administrative Agent in the form as attached hereto in Exhibit J,

"OFFERING REGISTRATION RIGHTS AGREEMENT": means the Offering Registration Rights Agreement in the form as attached hereto in Exhibit K,

"REGISTRATION RIGHTS AGREEMENT AMENDMENT" means the amendment to the Registration Rights Agreement in the form as attached hereto in Exhibit H.

"REVISED PREFERRED STOCK CERTIFICATE OF DESIGNATIONS": means the revised Preferred Stock Certificate of Designations issued by Cadiz to ING pursuant Seventh Amendment in the form as attached hereto in Exhibit M, which Revised Preferred Stock Certificate of Designations shall be in form and substance acceptable to ING.

"REVOLVING CREDIT AGREEMENT" means the Agreement.

"SEVENTH AMENDMENT DOCUMENTS": means the Seventh Amendment and all of the other documents executed in connection therewith or relating thereto and schedules and exhibits thereto.

"SEVENTH AMENDMENT EFFECTIVE DATE": means the date on which the conditions specified in Section 7 are satisfied (or waived in writing by the Administrative Agent).

"TERM LOAN PAYOFF LETTER": means the Term Loan Payoff Letter among the parties hereto in the form as attached hereto in Exhibit N,

SECTION 2. AMENDMENTS.

Subject to the satisfaction of the conditions precedent specified in Section 7 hereof, and effective as of the Seventh Amendment Effective Date, the Revolving Credit Agreement shall be amended as follows:

Section 2.01 References in the Agreement to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Agreement as amended and in effect from time to time, including as amended by the Seventh Amendment and the Seventh Amendment Documents.

Section 2.02 Section 1.01 of the Revolving Credit Agreement shall be amended by deleting and replacing the current definitions of "Agreement", "Loan Documents", "Permitted Investments", "Maturity Date" and "PIK Portion Rate" with the following:

"AGREEMENT" means the Sixth Amended and Restated Credit Agreement, dated as of December 15, 2003, among Borrowers, the Lenders party hereto, and the Administrative Agent, as amended and in effect from time to time.

"LOAN DOCUMENTS": means this Agreement, each Security Document, each Note, the First Amendment Agreement, the Second Amendment Documents, the Third Amendment Documents, the Fourth Amendment Documents, the Fifth Amendment Documents, the Sixth Amendment Documents and the Seventh Amendment Documents, and any other document, instrument or agreement delivered, executed or to be executed under or

in connection with any of the foregoing.

"MATURITY DATE" means March 31, 2010.

"PERMITTED INVESTMENTS" means:

- (a) Cash Equivalents;
- (b) transactions permitted pursuant to the provisions of Sections 5.10 and 5.11 hereof; and
- (c) acquisitions (by merger or purchase of assets) where 100% of the purchase price is paid in equity of the Borrowers, provided, however, that (i) any such acquisition must be reasonably acceptable to the Lender Parties and (ii) any equity interests so acquired must be pledged to the Administrative Agent as provided in Section 5.10 of the Agreement.

"PIK PORTION RATE " means (a) for the period between the Seventh Amendment Effective Date and March 31, 2008, 4% and (b) for all Interest Periods from and after April 1, 2008, 6%.

Section 2.03 Section 1.01 of the Revolving Credit Agreement shall be amended by adding the following definitions:

"ING-OFFERING CASH COLLATERAL" has the meaning ascribed to such term in Section 2.27 of the Agreement.

"MANDATORY WARRANT PREPAYMENT" has the meaning ascribed to such term in Section 2.21(e) of the Agreement.

"OFFERING" has the meaning ascribed to such term in the Seventh Amendment.

"OFFERING-ING COMMON STOCK" has the meaning ascribed to such term in Section 2.27 of the Agreement.

"OFFERING-ING UNITS" means, collectively, the Offering-ING Common Stock and the Offering-ING Warrants.

"OFFERING-ING WARRANTS" has the meaning ascribed to such term in Section 2.27 of the Agreement.

"OFFERING WARRANTS" means any warrants and other equity interests (excluding Common Stock of Cadiz Borrower) issued under the Offering, including, but not limited to, the Offering-ING Warrants.

"REPAYMENT FEE" means (a) in the event that ING (or ING's nominee, as the case may be) does not sell, in its sole discretion, all of its Offering-ING Units to any Entity on or before March 31, 2005, an amount equal to the amount of any remaining ING-Offering Cash Collateral after application of Section 2.28(a) of the Agreement, and (b) if ING (or ING's nominee, as the case may be), in its sole discretion, sells all of its Offering-ING Units to any Entity (but excluding any sale or transfer to any Affiliate of ING) on or before March 31, 2005, an amount equal to the amount of any remaining ING-Offering Cash Collateral after application of Sections 2.28(a) and 2.28(b) of the Agreement.

"REQUIRED CASH COLLATERAL AMOUNT" means, as of any Interest Payment Date, an amount in cash equal to the Cash Portion due on all Loans on the next Interest Payment

Date.

"SEVENTH AMENDMENT" means that certain First Amendment to 2003 Restated Credit Agreement and Consent to Offering, dated as of November 30, 2004, by and among (a) the Borrowers, as borrowers, (b) the Lenders, as lenders, and (c) the Administrative Agent, as administrative agent.

"SEVENTH AMENDMENT DOCUMENTS" has the meaning ascribed to such term in the Seventh Amendment.

"SEVENTH AMENDMENT EFFECTIVE DATE" has the meaning ascribed to such term in the Seventh Amendment.

Section 2.04 Section 1.01 of the Revolving Credit Agreement shall be amended by deleting the definitions of "FIRST EXTENSION REQUIREMENTS", "MAXIMUM CASH COLLATERAL AMOUNT", "SECOND EXTENSION REQUIREMENTS", and "THIRD EXTENSION REQUIREMENTS".

Section 2.05 The Revolving Credit Agreement shall be amended by deleting Section 2.01 in its entirety and inserting the following revised Section 2.01 in lieu thereof:

(a) TRANCHE A LOANS. The parties hereby acknowledge and agree that each Lender has made loans (the "Tranche A Loans") to the Borrowers from time to time during the Availability Period in an aggregate principal amount equal to each Lender's Tranche A Commitment. The parties hereby further acknowledge and agree that prior to the Seventh Amendment Effective Date, the Borrowers have borrowed the principal amount of \$15,020,000 of Tranche A Loans from the Lenders and, as of the Seventh Amendment Effective Date the principal amount of \$15,000,000 of Tranche A Loans remains outstanding. Each Lender's Tranche A Loans are the joint and several obligation of the Borrowers to repay such Tranche A Loans and are evidenced by a revised and restated Tranche A Loan Note payable to the order of such Lender, and, as of the Seventh Amendment Effective Date, has been duly and validly executed and delivered by the Borrowers, payable to the order of such Lender, which Tranche A Loan Note shall replace the Tranche A Loan Note issued in connection with the Sixth Amendment Documents. Each Revolving Loan Note shall be dated as of the Seventh Amendment Effective Date (or the later date of any Assignment and Acceptance). The Borrowers acknowledge and agree that the principal amount of Tranche A Loans outstanding on the Seventh Amendment Effective Date is equal to \$15,000,000.

(b) TRANCHE B LOANS. The parties hereby acknowledge and agree that each Lender has made loans (the "Tranche B Loans") to the Borrowers from time to time during the Availability Period in an aggregate principal amount equal to each Lender's Tranche B Commitment. The parties hereby further acknowledge and agree that prior to the Seventh Amendment Effective Date, the Borrowers have borrowed the principal amount of \$10,000,000 of Tranche B Loans from the Lenders, which Tranche B Loans remain outstanding on the Seventh Amendment Effective Date. Each Lender's Tranche B Loans are the joint and several obligation of the Borrowers to repay such Tranche B Loans and are evidenced by a revised and restated Tranche B Loan Note payable to the order of such Lender, and, as of the Seventh Amendment Effective Date, has been duly and validly executed and delivered by the Borrowers, payable to the order of such Lender, which Tranche B Loan Note shall replace the Tranche B Loan Note issued in connection with the Sixth Amendment Documents. Each Note shall be

dated as of the Seventh Amendment Effective Date (or the later date of any Assignment and Acceptance). The Borrowers acknowledge and agree that the principal amount of Tranche B Loans outstanding on the Seventh Amendment Effect Date is equal to \$10,000,000.

Section 2.06 Section 2.12 of the Revolving Credit Agreement shall be amended by adding the following sentence at the end of the current Section 2.12:

In addition to any other obligations provided herein, on the date on which the Revolving Loan Obligations are being paid in full, the Borrowers shall satisfy the Repayment Fee as provided in Section 2.28(c) hereof.

Section 2.07 The Revolving Credit Agreement shall be amended by deleting Subsection 2.14(a) in its entirety and inserting the following revised Subsection 2.14(a) in lieu thereof:

(a) In its sole discretion, as provided in this section, Borrowers 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 of the Agreement, on the Prepayment Date) for such Borrowing either:

(i) at the PIK&Cash Payment Rate through the remittance of both (A) the Cash Portion, which is a payment in cash corresponding to an interest rate of 4% per annum plus (B) the PIK Portion, which is the payment in kind (the payment of interest in the form of additional principal added to the applicable Note) corresponding to an interest rate equal to the PIK Portion Rate (such election, a "PIK&Cash Payment Election"); or

(ii) at the Cash Payment Rate through the remittance of the Cash Payment Amount, which is a payment on cash corresponding to an interest rate of 8% (such election, a "Cash Payment Election").

Section 2.08 The Revolving Credit Agreement shall be amended by deleting Section 2.16 in its entirety and inserting the following revised Section 2.16 in lieu thereof:

Section 2.16. CASH COLLATERAL ACCOUNT

. In accordance with Section 4.01, the Cadiz Borrower has agreed to establish the Cash Collateral Account and to grant to Lenders perfected first priority security interests therein, all upon the terms and subject to the terms and conditions of the Cash Collateral Account Agreement. Subject to the terms of this Section 2.16 and Sections 2.27 and 2.28 of the Agreement, the Lender Parties may utilize the amount (or any portion thereof) in the Cash Collateral Account as provided in the Cash Collateral Account Agreement. Subject to the restrictions on the use and application of the ING-Offering Cash Collateral, to the extent that the amount in the Cash Collateral Account exceeds the Required Cash Collateral Amount, the Borrowers may utilize such excess (or any portion thereof) to pay the interest payments next due on the Loan Obligations, and if all interest due and owing has been paid, to pay amounts due under the Agreement in accordance with the application of proceeds provisions of Section 2.21(c) of this Agreement. On each Interest Payment Date after the Seventh Amendment Effective Date, and during each Interest Period after the after the

Seventh Amendment Effective Date, to the extent that the amount in the Cash Collateral Account is less than the Required Cash Collateral Amount, then the Borrowers immediately shall deposit the amount of such deficiency into the Cash Collateral Account, with the amount in such account subject to the Cash Collateral Account Agreement and this Agreement. Provided that no Event of Default has occurred and is continuing, but subject to the terms of Sections 2.27 and 2.28 of this Agreement, on the final Maturity Date, Cadiz Borrower may utilize any remaining cash in the Cash Collateral Account to repay the Loan Obligations in accordance with the application of proceeds provisions of Section 2.21(c) of this Agreement.

Section 2.09 The Revolving Credit Agreement shall be amended by deleting Subsection 2.21(a) in its entirety and inserting the following revised Subsection 2.21(a) in lieu thereof:

(a) CERTAIN MANDATORY PREPAYMENTS FOR EQUITY CONTRIBUTION. Subject to Sections 2.21(b) and (e) below, to the extent, if any, that either Borrower raises, collects, or receives, proceeds (whether cash or otherwise) from any Equity Issuance in any manner after the Seventh Amendment Effective Date, then the Borrowers shall prepay the Loan Obligations in an aggregate amount equal to 35% of such cumulative gross proceeds to prepay the Lender's outstanding Loan Obligations (such amount of proceeds, the "MANDATORY EQUITY PREPAYMENT").

Section 2.10 Section 2.21 of the Revolving Credit Agreement shall be amended by adding the following new subsections (e), (f) and (g) at the end of such Section 2.21.

(e) OFFERING WARRANTS. Unless ING (or ING's nominee, as the case may be), in its sole discretion, sells all of its Offering-ING Units to any Entity (but excluding any sale or transfer to any Affiliate of ING) on or before March 31, 2005, to the extent that either Borrower raises, collects, or receives, proceeds from the exercise of any Offering Warrants in any manner after the Seventh Amendment Effective Date, then the Borrowers shall prepay the Loan Obligations in an aggregate amount equal to 100% of such cumulative gross proceeds to prepay the Lender's outstanding Loan Obligations (such amount of proceeds, the "MANDATORY WARRANT PREPAYMENT"). All proceeds of the Mandatory Warrant Prepayments shall be applied toward the mandatory prepayment required under Section 2.21(f) of the Agreement. If ING (or ING's nominee, as the case may be), in its sole discretion, sells all of its Offering-ING Units to any Entity (but excluding any sale or transfer to any Affiliate of ING) on or before March 31, 2005, then from and after the date that ING (or ING's nominee, as the case may be) actually receives the proceeds of such sale the additional prepayment requirements set forth in this Section 2.21(e) will thenceforth cease to be in effect, but the other sections in Section 2.21 of the Agreement shall remain effective (including, without limitation, the provisions of Section 2.21(a)).

(f) MANDATORY PREPAYMENT OF \$10 MILLION OF TRANCHE A LOANS ON OR BEFORE MARCH 31, 2008. In addition to any other payments or prepayments required to be made under the Loan Documents, after the Seventh Amendment Effective Date and prior to or on March 31, 2008 the Borrowers shall make a \$10,000,000 principal payment to the Administrative Agent on account of the Loans, which \$10,000,000 principal

prepayment shall be applied in the manner set forth in Subsection (c)(iii) and (iv) of Section 2.21(c) of the Agreement; provided, however, that the foregoing \$10,000,000 mandatory repayment amount required under this Section 2.21(f) of the Agreement shall be reduced by the total amount of prepayments under Sections 2.11 and 2.21(a) made prior to March 31, 2008; provided, further, that such mandatory repayment under this Section 2.21(f) shall not be reduced below \$0..

(g) REDUCTION IN COMMITMENTS. All payments of principal under Section 2.21 of the Agreement shall effect a permanent reduction of (a) the Tranche A Commitments in an amount equal to the principal amount of the Tranche A Loans so prepaid, and (b) the Tranche B Commitments in an amount equal to the principal amount of the Tranche B Loans so prepaid. Any reduction of the Commitments required under this Section 2.21(g) shall apply as a proportional and permanent reduction of the Commitments of each of the Lenders. If the aggregate outstanding principal amount of the Loans exceeds the Commitments, Borrowers shall immediately prepay such Loans to the extent necessary to eliminate such excess.

Section 2.11 The Revolving Credit Agreement shall be amended by deleting Section 2.27 in its entirety and inserting the following revised Section 2.27 and new Section 2.28 in lieu thereof:

Section 2.27. OFFERING OPTION FOR ING AND UTILIZATION OF PROCEEDS OF SUCH OFFERING TO SATISFY CASH PORTION FOR CERTAIN INTEREST PERIODS. The Lenders and the Administrative Agent hereby grant the Borrowers the following option, and the Borrowers hereby exercise such option: notwithstanding anything else contained in this Agreement, (a) the Borrowers shall deliver on the Seventh Amendment Effective Date (i) to the transfer agent for the Cadiz Common Stock irrevocable instructions for the delivery to ING (or ING's nominee) of a stock certificate representing 200,000 shares of Common Stock of Cadiz Borrower underlying 40,000 units under the Offering, which units shall have an aggregate value of \$2,400,000 under the Offering (the "OFFERING-ING COMMON STOCK"), and (ii) to ING (or ING's nominee) of warrants (the "OFFERING-ING WARRANTS") to purchase 40,000 shares of Cadiz Common Stock and other rights provided to a subscriber of \$2,400,000 worth of units under the Offering, (b) in exchange for the Offering-ING Units, ING shall grant a \$2,400,000 credit to be utilized for obligations arising under the Agreement solely as provided in Section 2.28 of the Agreement (the "ING-OFFERING CASH COLLATERAL"), and (c) for each of the five Interest Periods between the Seventh Amendment Effective Date and the Interest Period ending on March 31, 2007, the Borrowers have elected to make, and shall be deemed to have made for purposes of Section 2.14 of the Agreement, the PIK&Cash Payment Election. The ING-Offering Cash Collateral shall be reflected as a deemed deposit into the Cash Collateral Account and shall be credited in calculating whether the Borrowers should deposit further cash into the Cash Collateral Amount to satisfy the Required Cash Collateral Amount requirement set forth in Section 2.16 of the Agreement. ING (or ING's nominee, as the case may be) shall be treated as a purchaser under the Offering (and all documents, agreements, certificates arising in connection therewith) of all Offering-ING Units and shall be entitled to receive a duly executed subscription agreement, warrant certificate and the Offering Registration Rights Agreement in respect thereof. As of any date, the sole evidence of

the amount, if any, of the ING-Offering Cash Collateral shall be a record maintained by the Administrative Agent setting and shall be conclusive as among the Borrowers, the Administrative Agent and the Lenders absent manifest error.

Section 2.28. USE AND APPLICATION OF ING-OFFERING CASH COLLATERAL. The ING-Offering Cash Collateral shall be utilized solely in respect of Revolving Loan Obligations and solely as follows: (a) prior to any other application of the ING-Offering Cash Collateral as provided in Sections 2.28(b) or (c) of the Agreement, the Borrowers shall utilize the ING-Offering Cash Collateral to satisfy, to the extent available, the payment of the Cash Portion interest when due under the Agreement, and the amount of ING-Offering Cash Collateral shall be reduced by the amount so utilized, (b) if ING (or ING's nominee, as the case may be), in its sole discretion, sells its Offering-ING Units to any Entity (but excluding any sale or transfer to any Affiliate of ING) on or before March 31, 2005, then in any subsequent prepayment-in-full or repayment-in-full of the Revolving Loan Obligations, the Borrowers may utilize the ING-Offering Cash Collateral (to the extent not previously utilized to satisfy the Cash Portion interest obligation as provided in Section 2.28(a) of the Agreement) to satisfy the Revolving Loan Obligations, and the amount of ING-Offering Cash Collateral shall be reduced by the amount so utilized, and (c) on any date on which all of the Revolving Loan Obligations are being paid in full, the Borrowers shall utilize the remaining ING-Offering Cash Collateral to satisfy the Repayment Fee and the amount of ING-Offering Cash Collateral shall be reduced by the amount so utilized. Notwithstanding anything to the contrary herein, at no time shall either the Administrative Agent, ING (or its nominee) or any of the Lenders be required to deposit moneys into the Cash Collateral Account or be transferred to either of the Borrowers or any other party as a result of the any of the matters set forth in Sections 2.27 or 2.28 of the Agreement.

Section 2.12 Section VII of the Revolving Credit Agreement shall be amended by (a) deleting the "or" at the end of subclause VII(q), and (b) adding the following new clauses VII(s) and (t) as follows:

(s) the failure of Cadiz Borrower (or the transfer agent for the Common Stock of Cadiz Borrower) to deliver to ING on or before the tenth (10) Business Day after the Seventh Amendment Effective Date both (i) a stock certificate representing 1,711,665 shares of Common Stock of Cadiz Borrower issuable upon the conversion of Series F Preferred Stock as provided in Section 8 of the Seventh Amendment, and (ii) a stock certificate representing 200,000 shares of Common Stock of Cadiz Borrower, which is the Offering-ING Common Stock issuable in accordance with Section 2.27 of the Agreement;

(t) The failure to of the Borrowers to maintain Cash in the Cash Collateral account in the amount required under Section 2.16 of the Agreement, which failure has not been cured within three (3) days after the due date thereof;

SECTION 3. CONSENT.

Subject to, and effective as of, the occurrence of the Seventh Amendment Effective Date, the Lender Parties consent to the

Offering. Except as expressly provided herein, the Lender Parties and the Borrowers agree that (a) this consent does not affect in any way the Lender Parties' security interests, rights and remedies as provided under the Security Documents and the other Loan Documents, (b) the Lender Parties have expressly reserved any and all of its rights and remedies, including under the Loan Documents and under applicable law, waiving none of its rights by the execution of this consent, and (c) this consent is also without prejudice to, and shall not act as a waiver of, any of the Lender Parties' rights and remedies with respect to any Default or Event of Default which may have occurred and which may be continuing.

SECTION 4. CERTAIN ACKNOWLEDGEMENTS.

The Borrower hereby expressly acknowledges and agrees that as of the Seventh Amendment Effective Date, the outstanding principal under the Loan Documents is in the amount of \$25,000,000.00.

SECTION 5. NO SATISFACTION.

The Borrower hereby expressly acknowledges and agrees that nothing in this Seventh Amendment or in any document or instrument executed in connection with or pursuant to this Seventh Amendment shall constitute a satisfaction of or a novation as to all or any portion of Borrowers' indebtedness under the Revolving Credit Agreement. Borrower hereby unconditionally reaffirms, reconfirms and restates its obligation to pay in full the indebtedness arising under the Revolving Credit Agreement or any of the Loan Documents to the Administrative Agent and/or the Lenders, as the case may be, the Revolving Loan Obligations or the other or Loan Obligations. Borrowers as to the Revolving Loan Obligations and the other or Loan Obligations hereby further acknowledges and agrees that it has no defenses to the enforcement of such obligations (or any portion thereof), nor any counter-claims or claims of offset whatsoever with respect to the Revolving Loan Obligations and/or the other or Loan Obligations and that neither this Seventh Amendment nor the consummation of the transactions contemplated herein will give rise to any such defenses, counter-claims or claims of offset.

SECTION 6. REPRESENTATIONS AND WARRANTIES; UNDERTAKINGS.

The Borrower represents and warrants to the Lender Parties that the representations and warranties set forth in Loan Documents are true and complete in all material respects on the date hereof as if made on and as of the date hereof (except to the extent any such representation and warranty stated to relate to a specific earlier date is true and correct as of such earlier date) and as if each reference therein to that document included reference to the Loan Documents as amended from time to time (including as amended by the Seventh Amendment Documents). The Borrower further represents and warrants that (a) it is in compliance with all of the affirmative, negative and financial covenants set forth in the Loan Documents as of the date hereof, (b) all audited financial statements and all financial statements provided to the Securities and Exchange Commission (as part of filings on Form 10-K, Form 10-Q or other SEC forms) delivered to the Administrative Agent through the date hereof have been complete and correct in all material respects and fairly presented the financial condition of the Borrower and their Subsidiaries as at such dates and the results of its operations for the periods covered thereby, all in accordance with GAAP consistently applied, (c) on the date hereof no Event of Default or default (other than those that have been previously cured or waived) under any Revolving Credit Document has occurred, (d) the execution and delivery by it of this Seventh Amendment and the other Seventh

Amendment Documents has been duly authorized by all requisite corporate action (including, but not limited to, any consent required to be obtained by any shareholder), and it has obtained or will obtain prior to the Seventh Amendment Effective Date any required approvals of third parties for the execution and delivery of such documents, (e) Administrative Agent and the Lenders have performed or complied with all material obligations required to be performed or complied with by it under the Loan Documents and, as of the date hereof, there are no amounts due and owing by Administrative Agent or the Lenders under the Loan Documents, (f) to the Borrower's knowledge, upon due inquiry, Administrative Agent and the Lenders have not engaged in any acts, conduct or omissions that could result in the Administrative Agent and the Lenders receiving a smaller distribution on account of the Revolving Loan Obligations, and (g) all shares of Common Stock to be issued under the Offering-ING Warrants have been duly and validly reserved and all such shares, as well as the shares of Common Stock that will be issued to ING on the date hereof pursuant to Sections 2.27 and 8 hereof are not subject to any preemptive or similar rights (whether arising by contract, law, charter documents or otherwise), other than as may arise in favor of ING pursuant to the Series F Certificate of Designations. Each of the parties hereto represents and warrants that such party has full authority and legal power to execute this Seventh Amendment and each of the other Seventh Amendment Documents that it has executed and that this Seventh Amendment and each of the Loan Documents (as amended by the Seventh Amendment Documents) constitute valid and binding obligations of such party.

SECTION 7. CONDITIONS PRECEDENT.

This Amendment shall become effective on the date on which the Administrative Agent shall notify the Borrowers that the following conditions have been satisfied in the Administrative Agent's sole discretion:

A. the Administrative Agent shall have received counterparts of this Seventh Amendment and the other Seventh Amendment Documents (in recordable form, where appropriate) duly executed and delivered by the Borrower in form and substance satisfactory to Administrative Agent (in Administrative Agent's absolute discretion), including, but not limited to, the following:

- (1) this Seventh Amendment;
- (2) The Amended and Restated Tranche A Revolving Credit Note between Borrowers and ING, in the form as attached hereto in Exhibit A;
- (3) The Amended and Restated Tranche B Revolving Credit Note between Borrowers and ING in the form as attached hereto in Exhibit B;
- (4) Sixth Amended and Restated Pledge and Security Agreement between Borrowers and ING, in the form as attached hereto in Exhibit C;
- (5) Sixth Modification of the Revolver Deed of Trust, in the form as attached hereto in Exhibit D;
- (6) Sixth Modification of the Revolver SWFG Deed of Trust, in the form as attached hereto in Exhibit E;
- (7) Sixth Modification of the Revolver Piute Deed of Trust, in the form as attached hereto in Exhibit F;
- (8) a copy of the Revised Preferred Stock Certificate of Designations evidencing to the

satisfaction of the Lender Parties that such document has been properly filed with the Secretary of State of the State of Delaware;

- (9) The 1934 Act Compliance Letter duly executed by Cadiz, in the form as attached hereto in Exhibit G;
- (10) The Registration Rights Agreement Amendment in the form as attached hereto in Exhibit H;
- (11) The New Cadiz Series F Preferred Stock Certificate in the form attached hereto as Exhibit I;
- (12) The Offering Materials Certificate in the form attached hereto as Exhibit J;
- (13) The Offering Registration Rights Agreement in the form attached hereto as Exhibit K;
- (14) The Offering-ING Warrants in the form attached hereto as Exhibit L; and
- (15) a copy of the instructions given to the transfer agent for the Cadiz Common Stock evidencing to the satisfaction of the Lender Parties that such transfer agent has been irrevocably instructed to issue (a) shares of Common Stock of Cadiz to ING in accordance with Section 8 hereof and (b) shares of Common Stock of Cadiz to ING in accordance with Section 2.27 of the Agreement;

(B) Each of the Borrowers, to the extent that it is a party thereto, shall have confirmed in writing that the following documents remain valid and binding agreements and/or instruments, which written confirmation is in form and substance satisfactory to the Administrative Agent, in its sole discretion, and that Borrowers and, as applicable, their Participating Subsidiaries remain bound by the terms and provisions of the following documents:

- (1) the Pledge and Security Agreement and the Mortgages, and/or any amendments to any such existing Loan Documents;
- (2) the Cadiz Reaffirmation Agreement; and
- (3) the other Loan Documents, as amended from time to time.

C. the Administrative Agent shall have received an opinion from each of the Borrowers' counsel in form and substance satisfactory to the Administrative Agent (A) that such Borrower is in good standing in the States of Delaware and California, (B) as to the due authorization, execution and delivery of this Seventh Amendment, the other Seventh Amendment Documents and the other Loan Documents, (C) that this Seventh Amendment, the other Seventh Amendment Documents and the other Loan Documents constitute valid, binding and enforceable obligations of such Borrower, and (D) as to such other matters as the Administrative Agent shall reasonably request, in form and substance reasonably satisfactory to such Borrower and the Lender Parties;

D. ING shall have received payment in full of the Term Loan Obligations through the receipt of \$10,976,675.92, which payment shall be made by the Borrowers from the proceeds of the Offering;

E. The Borrowers shall have paid the Administrative Agent the principal amount of \$2,074,678 as a repayment of a portion of the Revolving Loan Obligations. After giving effect to such repayment, the outstanding principal balance of the Revolving Loan Obligations

shall be \$25,000,000.00;

F. the Administrative Agent shall have received certified copies of the resolutions (in form and content satisfactory to Administrative Agent) of the Board of Directors of Cadiz approving and authorizing this Seventh Amendment and the other Seventh Amendment Documents, and the effectuation of the transactions contemplated herein and/or therein, as the case may be, and any and all actions to be taken by Borrowers in furtherance and in connection with this Seventh Amendment and/or the other Seventh Amendment Documents;

F. the Administrative Agent shall have received from the Delaware Secretary of State a Certificate of Good Standing with respect to each of the Borrowers and a certificate evidencing that each Borrower is qualified to do business in California, all of which certificates must be in form and content satisfactory to Administrative Agent;

G. the Administrative Agent shall have received certificates (in form and content satisfactory to Administrative Agent) of the Chief Executive Officer of each Borrower, certifying as to the names and signatures of the officers authorized to sign this Seventh Amendment and the other documents to be executed and delivered on its behalf pursuant to this Seventh Amendment;

H. to the best of Borrower's knowledge, all real property taxes with respect to the property encumbered by any of the ING Collateral, as well as all real property taxes affecting the property encumbered by any and all deeds of trust pledged or assigned to Administrative Agent as security for the Revolving Loan Obligations (or any of them), shall have been paid prior to the date any fine, penalty, interest, late-charge or loss may be added to such taxes or charged against such real property or other ING Collateral for the non-payment or late-payment of such taxes;

I. Each Borrower shall have caused appropriate officers of Borrower to execute and deliver to Administrative Agent such additional certificates with respect to matters relating to the transactions contemplated herein as Administrative Agent may require;

J. Each Borrower shall have executed and delivered or caused the appropriate third parties to execute and/or deliver (in recordable form, where appropriate, and otherwise in form and content satisfactory to Administrative Agent) such other documents, instruments, agreements and writings as Administrative Agent may require in connection with the creation or continuation of any security interest(s) granted to Administrative Agent in furtherance of the transactions contemplated by this Seventh Amendment or as Administrative Agent may otherwise require in connection with the consummation of such transactions (including, without limitation, estoppel certificates, guaranty waivers, security agreements; pledges; assignments; subordination agreements; endorsements; certificates; certifications; reports; and studies);

K. the Borrowers shall have paid to the Administrative Agent all interest that accrued under the Revolving Credit Agreement through and including the Seventh Amendment Effective Date in the amount of \$367,012.30 as of November 30, 2004 plus a per diem amount at the rate of \$8,563.62 for each day that the Seventh Amendment Effective Date occurs after November 30, 2004 (which per diem rate includes amounts due under the Term Loan Obligations and Revolving Loan Obligations); and

L. The representations and warranties of each Borrower set forth in this Seventh Agreement and each other Seventh Amendment Document shall be true and correct on and as of the Seventh

Amendment Effective Date.

M. No Default shall have occurred and be continuing after giving effect to the transactions set forth in this Seventh Amendment and the other Seventh Amendment.

N. After giving effect to the transactions set forth in this Seventh Amendment and the other Seventh Amendment Documents, each Borrower shall have performed or observed and be continuing to perform each term, covenant or agreement contained in any Loan Document.

O. The Administrative Agent shall have received all fees, preferred stock, common stock and other amounts due and payable on or prior to the Seventh Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder.

P. 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 Borrowers 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 under the Seventh Amendment.

Q. the Lender Parties shall have received a "date down and modification" endorsement to each of the mortgagee title insurance policies (collectively, the "TITLE POLICIES") issued for the benefit of the Lender Parties with respect to the Cadiz Deeds of Trust, and the CVDC Deeds of Trust, which endorsements shall (i) be issued by the Chicago Title Insurance Company for the benefit of the Lender and its successors and assigns, (ii) insure the amendments to the Cadiz Deeds of Trust and the CVDC Deeds of Trust required to be delivered pursuant to Section 7 of the Seventh Amendment and the continued priority of the Cadiz Deeds of Trust and the CVDC Deeds of Trust granted to the Lender, (iii) confirm that all real property taxes with respect to the property encumbered by the Cadiz Deeds of Trust and the CVDC Deeds of Trust have been paid prior to the date of the Title Policies, along with any fine, penalty, interest, late charge or similar fine or penalty with respect to the payment of such taxes, (iv) be otherwise in form and substance satisfactory to the Lender in its sole discretion;

R. all real property taxes with respect to the property encumbered by the Cadiz Deeds of Trust and the CVDC Deeds of Trust have been paid prior to the date of the Title Policies, along with any fine, penalty, interest, late charge or similar fine or penalty with respect to the payment of such taxes, and

S. the Lender Parties shall have received confirmation, in form and substance satisfactory to the Lender Parties, that (i) Borrowers have paid (a) all premiums for the endorsements to the Title Policies required pursuant to Section 7(Q) hereof, (b) all recording and filing fees relating to the recording of the Revolver Deeds of Trust required to be delivered pursuant to this Section 7 of this Seventh Amendment, and (c) amounts sufficient to satisfy all real property taxes with respect to the property encumbered by the Revolver Deeds of Trust and Mortgages, along with any fine, penalty, interest, late charge or similar fine or penalty with respect to the payment of such taxes, to Chicago Title Insurance Company with instructions to utilize such funds to pay such taxes, fines, penalties, interest, late charges or similar fines or penalties, and (ii) all amendments to the Revolver Deeds of Trust and Mortgages required to be delivered pursuant to this Section 7 of this Seventh

Amendment, each in form and substance satisfactory to Administrative Agent and as executed and ready for recordation, have been duly delivered to Chicago Title Insurance Company;

T. the Administrative Agent shall have received such other documents as the Administrative Agent may reasonably request;

U. each of the Borrowers and the Lender Parties shall have delivered to each other, each (as applicable) as executed by such party: (i) the Term Loan Payoff Letter in the form as attached hereto in Exhibit N; (ii) the Waiver of Certain Preemptive Rights in the form as attached hereto in Exhibit O; and (iii) the Subscription Agreement in the form as attached hereto in Exhibit P; and

V. each of the items required to be effected and delivered under Section 8 hereof has contemporaneously occurred with the occurrence of the Seventh Amendment Effective Date.

Each of the conditions set forth in this Section 7 shall be waivable by Administrative Agent in its sole and absolute discretion, it being understood and agreed that any such waiver shall only be valid if made in writing by Administrative Agent.

For purposes of the payments referenced in Subsections (D), (E) and (K) of this Section 7, each of the parties hereto acknowledge and agree that the Borrowers shall utilize the \$700,000 currently in the Cash Collateral Account, which amount shall be transferred from the Cash Collateral Account to the Administrative Agent (as it so directs) as a partial payment of such obligations.

SECTION 8. CONVERSION OF SERIES F SHARES.

Section 8.01 OBLIGATIONS OF ING ON SEVENTH AMENDMENT EFFECTIVE DATE, On the Seventh Amendment Effective Date, ING, in its capacity as the holder of the Cadiz Series F Preferred Stock Certificate, shall (a) deliver to Cadiz on the Unanimous Written Consent of Series F Holders, in the form as annexed hereto as Exhibit Q, (b) exercise its right to convert 99% of the Series F Shares that it holds to Common Stock of Cadiz in accordance with the terms of the Revised Preferred Stock Certificate of Designations, and (c) in connection with the conversion described in Section 8.01(b), deliver its original Cadiz Series F Preferred Stock Certificate to Cadiz in exchange for the 1,711,665 shares of Common Stock of Cadiz and 1,000 shares of Cadiz Series F Preferred Stock.

Section 8.02 OBLIGATIONS OF CADIZ ON SEVENTH AMENDMENT EFFECTIVE DATE. On the Seventh Amendment Effective Date, Cadiz shall, in connection with the conversion described in Section 8.01(b), (a) deliver evidence that it has irrevocably instructed the transfer agent for Cadiz Common Stock to issue 1,711,665 shares of Common Stock of Cadiz to ING, and (b) deliver to ING 1,000 shares of Cadiz Series F Preferred Stock in the form of the New Cadiz Series F Preferred Stock Certificate.

SECTION 9. DELIVERY OF TERM LOAN PAYOFF LETTER.

Upon the occurrence of the Seventh Amendment Effective Date, the Lender Parties shall deliver the Term Loan Payoff Letter to the Borrowers as executed by the Lender Parties. On or as soon as practicable after the ninety-first day after the Seventh Amendment Effective Date, the Lender Parties shall release any Security Documents that solely secured the repayment of Term Loan Obligations. Notwithstanding the prior sentence, any Security Documents that secure, in whole or in part, the Revolving Loan Obligations shall not be subject to the provisions of the prior sentence and such Security Documents shall remain in full force and effect with respect to the Revolving Loan Obligations.

SECTION 10. GENERAL RELEASE.

In consideration of the amendments, waivers, consents, and the other terms and provisions of this Seventh Amendment and the other Seventh Amendment Documents, Borrower, on behalf of itself, its agents, successors, assigns, subsidiaries, partners and Affiliates hereby fully release and forever discharge the Administrative Agent, the Lenders and each of their agents, consultants, heirs, successors, assigns, Affiliates, directors, officers, employees, shareholders, executives, servants, attorneys, accountants, representatives and other related persons (collectively, the "Released Parties") from any and all rights, claims, demands, actions, causes of action, costs, losses, suits, liens, debts, damages, judgments, executions and demands of every nature, kind and description whatsoever, whether now known or unknown, either at law, in equity or otherwise, which Cadiz or any of its agents, successors, assigns, subsidiaries, partners and/or Affiliates ever had or may have against the Administrative Agent, the Lenders or the other Released Parties, including, without limitation, all claims arising under or in connection with the Loans, the other Revolver Obligations, the Revolving Credit Agreement, the Seventh Amendment Documents, the other Loan Documents, and/or in connection with the dealings between the parties up to and including the closing of the transactions contemplated in this Seventh Amendment and all claims which have arisen or may arise in any other way whatsoever; provided that nothing herein shall be deemed to release the Administrative Agent, the Lenders or any other Released Party from any liability or obligations arising in connection with facts or circumstances which occur or arise for the first time after the Seventh Amendment Effective Date of the transaction contemplated by this Seventh Amendment.

It is further understood and agreed that the foregoing general release extends to all claims of every kind and nature whatsoever, known, suspected or unsuspected, liquidated or contingent, foreseen or unforeseen, and Cadiz and its agents, successors, assigns, subsidiaries, partners and Affiliates hereby waive all rights under Section 1542 of the California Civil Code. Section 1542 of the California Civil Code provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH DEBTOR."

SECTION 11. WAIVER OF ANTI-DEFICIENCY PROTECTION.

Each Borrower hereby waives, as to this Seventh Amendment and any and all Loan Documents heretofore executed in connection with any of the Loans, the other Revolving Loan Obligations, the Agreement, the Seventh Amendment Documents, and the other Loan Documents, 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 12. ADVICE OF COUNSEL.

Each of the parties acknowledges that it has entered into this Seventh Amendment and the other Seventh Amendment Documents voluntarily and that it has had the full opportunity to obtain and consult with counsel of its own choice to advise it in the negotiations for, and in execution of, this Seventh Amendment and the documents to be executed pursuant hereto. Each of the parties further acknowledges that it has read this Seventh Amendment, that it is fully aware of the contents of this Seventh Amendment and its legal effect and that it has not relied upon any advice, representation or warranty of any kind whatsoever from the other party or its counsel.

SECTION 13. NOTICES.

All notices, elections, consents, approvals, demands, objections, requests or other communications which the parties may be required or desire to give pursuant to, under, or by virtue of this Seventh Amendment, the other Seventh Amendment Documents, or in the Loan Documents must be in writing and sent by (a) personal delivery, (b) overnight courier service, (c) certified mail, return receipt requested, postage prepaid, or (d) telecopy or other facsimile transmission (provided that if sent by telecopy or other facsimile transmission, such must also sent by express mail or courier (for next business day delivery)), addressed as follows:

if to the Borrowers, to it at:

Cadiz Inc.
Attn: Chief Financial Officer
777 S. Figueroa Street
Suite 4250
Los Angeles, California 90017
Telephone No.: 213-271-1600
Facsimile No.: 213 271-1614

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

if to the Administrative Agent, to it at:

ING Capital, LLC
1325 Avenue of the Americas
New York, New York 10019
Attention: Joan Chiappe, Vice President, Pam Kaye
and Annette Miller-Lewis and Norma Cruz
Reference: Cadiz
Telephone No.: 646-424-6000
Facsimile No.: 646- 424 8260

with a copy to:

Cadwalader, Wickersham & Taft

100 Maiden Lane
New York, New York 10038
Attention: Michael J. Edelman, Esq.
Telephone No.: 212-504-6000
Facsimile No.: 212-504-6666

if to ING, as a Lender, to it at:

ING Capital, LLC

1325 Avenue of the Americas
New York, New York 10019
Attention: Joan Chiappe, Vice President
Reference: Cadiz
Telephone No.: 646-424-6000
Facsimile No.: 646- 424 8260

with a copy to:

Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, New York 10038
Attention: Michael J. Edelman, Esq.
Telephone No.: 212-504-6000
Facsimile No.: 212-504-6666

The parties may designate another addressee or change its address for notices and other communications hereunder by a notice given to the other parties in the manner provided in this paragraph. A notice or other communication sent in compliance with the provisions of this paragraph shall be deemed given and received on the date it is delivered to the other party by telecopy, personal delivery, overnight courier service, or certified mail.

SECTION 14. LOAN DOCUMENTS REMAIN BINDING EXCEPT AS EXPRESSLY AMENDED OR MODIFIED BY SEVENTH AMENDMENT DOCUMENTS.

Except as specifically and expressly provided herein and/or in the other Seventh Amendment Documents, the Loan Documents shall remain unchanged and in full force and effect. Without limiting the obligations of the Borrower under any of the Loan Documents, as amended by the Seventh Amendment Documents, Cadiz agrees to pay or reimburse the Administrative Agent on demand for all reasonable out-of-pocket costs and expenses of the Administrative Agent (including, without limitation, the reasonable fees and expenses of counsel to the Administrative Agent) in connection with the negotiation, preparation, execution and delivery of this Seventh Amendment and the Seventh Amendment Documents.

SECTION 15. GOVERNING LAW; DISPUTE RESOLUTION.

A. THIS SEVENTH AMENDMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS SEVENTH AMENDMENT, AND ANY CLAIM OR CONTROVERSY DIRECTLY OR INDIRECTLY BASED UPON OR ARISING OUT OF THIS SEVENTH AMENDMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS SEVENTH AMENDMENT (WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER THEORY), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, SHALL IN ALL RESPECTS BE GOVERNED BY AND INTERPRETED, CONSTRUED AND DETERMINED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA (WITHOUT REGARD TO ANY CONFLICTS OF LAW PROVISION THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION).

B. Each of the Borrower and the Administrative Agent and the Lenders submit to and accept the exclusive jurisdiction of any United States federal court sitting in the Central District of California or any other court of appropriate jurisdiction sitting in

the County of Los Angeles, City of Los Angeles with respect to any action, suit or proceeding arising out of or based upon this Seventh Amendment or any matter relating hereto and waives any objection it may have to the laying of venue in any such court or that such court is an inconvenient forum or does not have personal jurisdiction over it. Each of the Borrower and the Administrative Agent and the Lenders agree that service of process in any such action, suit or proceeding may be validly made upon it by certified or registered U.S. Mail, postage prepaid, to the address set forth in Section 13 hereof. Each of the parties hereto waives any right it may have to trial by jury in any proceeding arising out of this Seventh Amendment. The Parties irrevocably agree that, should either Party institute any legal action or proceeding in any jurisdiction (whether for an injunction, specific performance, damages or otherwise) in relation to this Seventh Amendment, no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from such action or proceeding shall be claimed by it or on its behalf, any such immunity being hereby irrevocably waived, and each Party irrevocably agrees that it and its assets are, and shall be, subject to such legal action or proceeding in respect of its obligations under this Seventh Amendment.

SECTION 16. METHOD OF PAYMENTS.

All payments made by Borrower to the Administrative Agent on account of the Revolving Loan Obligations shall be made in the lawful currency of the United States of America by wire transfer of immediately available funds to the Administrative Agent in accordance with the wire instructions set forth on Schedule A hereto.

SECTION 17. MISCELLANEOUS.

A. Survival. All representations, warranties, covenants and other provisions made by the parties hereto shall be considered to have been relied upon by the parties hereto and shall survive the execution, performance and delivery of this Seventh Amendment.

B. Successors and Assigns. This Seventh Amendment and the other Seventh Amendment Documents, including, without limitation, the representations, warranties, covenants and indemnities contained herein or in the other Seventh Amendment Documents, as the case may be, (i) shall inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns, and (ii) shall be binding upon and enforceable against the parties hereto and their respective successors and assigns.

C. Further Assurances. Each of the parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments, and to take all such action, as the other party may reasonably request in order to consummate the transactions and transfers contemplated hereunder and to effectuate the intent and purposes of this Seventh Amendment.

D. Counterpart Execution; Telecopies. This Seventh Amendment may be executed in one or more counterparts, each of which shall be an original but all of which, taken together, shall constitute one agreement binding all of the parties hereto. Transmission by telecopier of an executed counterpart of this Seventh Amendment shall be deemed to constitute due and sufficient delivery of such counterpart, and the parties hereto hereby agree to deliver to each other an original of such counterpart promptly after delivery of the facsimile.

E. Amendments; Waivers.

(1) No amendment of any provision of this Seventh Amendment or any other Seventh Amendment Document shall be effective unless it is in writing and signed by the Administrative Agent, the Lenders (as the case may be) and the Borrower and no waiver of any provision of this Seventh Amendment or any other Seventh Amendment Document, nor consent to any departure by the Administrative Agent, the Lenders or the Borrower therefrom, shall be effective unless it is in writing and signed by the party affected thereby, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(2) No failure on the part of any party to exercise, and no delay in exercising, any right hereunder or under any other Seventh Amendment Document shall operate as a waiver thereof by such party, nor shall any single or partial exercise of any right hereunder or thereunder, as the case may be, preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of each party provided herein or in the other Seventh Amendment Documents (x) are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law (except as otherwise expressly set forth herein) and (y) are not conditional or contingent on any attempt by such party to exercise any of its rights under any other related document against the other party or any other entity.

F. Integration. This Seventh Amendment and the other Seventh Amendment Documents constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written.

G. Severability. Any provision of this Seventh Amendment that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining provisions of this Seventh Amendment or affecting the validity or enforceability of any provisions of this Seventh Amendment in any other jurisdiction.

H. Conflict. In the event that any of the terms and provisions of this Seventh Amendment conflicts with any of the terms and provisions of the other Seventh Amendment Documents, the terms and provisions of this Seventh Amendment shall, as between Administrative Agent, the Lenders and Borrower, govern and control.

I. Costs Borne by Non-Prevailing Party. In the event of any dispute with respect to this Seventh Amendment, the prevailing party shall be entitled to recover from the non-prevailing party all costs and attorneys' fees.

J. Captions; Paragraph Headings. The captions and paragraph headings used herein are for convenience only and shall not be used to interpret any term hereof.

IN WITNESS WHEREOF, the Administrative Agent, the Lenders and the Borrower have executed this Seventh Amendment by their duly authorized officers as of the date first set forth above.

CADIZ INC., as the Borrower

By: /s/ Keith Brackpool

Name: Keith Brackpool
Title: CEO

CADIZ REAL ESTATE LLC, a Borrower

By: /s/ Richard E. Stoddard

Name: Richard E. Stoddard
Title: CEO

ING CAPITAL, LLC, as the Administrative
Agent and a Lender

By: /s/ Geoffrey Arens

Name: Geoffrey Arens
Title: Managing Director

SCHEDULE A:

WIRE INSTRUCTIONS FOR ING AS THE ADMINISTRATIVE AGENT

Chase Manhattan Bank
New York, New York
ABA No.: 021 000 021
Account No.: 9301035763
Account Name: ING Capital
Attention: J. Chiappe
Reference: Cadiz

ING CAPITAL, LLC

SECOND AMENDED AND RESTATED TRANCHE A NOTE

\$15,000,000.00

Dated as of November 30, 2004

FOR VALUE RECEIVED, each of (a) CADIZ INC. (f/k/a Cadiz Land Company, Inc.) ("CADIZ"), a Delaware corporation and (b) CADIZ REAL ESTATE LLC ("CRE", and along with Cadiz, collectively, the "BORROWERS", and each individually, a "BORROWER"), a Delaware limited liability company, promise to pay, jointly and severally, to the order of ING CAPITAL, LLC (the "TRANCHE A LENDER") (f/k/a ING Baring (U.S.) Capital LLC, a Delaware limited liability company), as agent for Middenbank Curacao N.V., at the place and in the currency and manner designated in the Credit Agreement referred to below, in immediately available funds, the principal sum of FIFTEEN MILLION Dollars (\$15,000,000.00), in lawful money of the United States of America, and to pay interest on the unpaid principal amount of such Tranche A Loans at the place and in the currency and manner designated in the Credit Agreement, for the period commencing on November 30, 2004 until such Tranche A Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, prepayment, interest rate and maturity date of each Tranche A Loan made by the Tranche A Lender to the Borrowers, and each payment made on account of the principal thereof, shall be recorded by the Tranche A Lender on its books and, prior to any transfer of this Tranche A Note, endorsed by the Tranche A Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Tranche A Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Tranche A Loans made by the Tranche A Lender.

This Tranche A Note is one of the Tranche A Notes referred to in (a) the First Amendment to 2003 Restated Credit Agreement and Consent to Offering (the "Seventh Amendment"), dated as of November 30, 2004 among Borrowers, the Lenders party thereto, and ING Capital, LLC, as Administrative Agent, and (b) the Sixth Amended and Restated Credit Agreement dated as of December 15, 2003 (as modified, supplemented or otherwise modified and in effect from time to time, the "CREDIT AGREEMENT"), among Borrowers, the Lenders party thereto, and ING Capital, LLC, as Administrative Agent, and evidences Tranche A Loans made by the Tranche A Lender thereunder. Terms used but not defined in this Tranche A Note have the respective meanings assigned to them in the Credit Agreement.

Any holder of this Tranche A Note shall have all rights provided to a Tranche A Lender under the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Tranche A Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 9.04 of the Credit Agreement, this Tranche A Note may not be assigned by the Tranche A Lender to any other Person.

This Tranche A Note includes the indebtedness heretofore evidenced by that certain Amended and Restated Tranche A Note

dated as of September 30, 2003, as amended and in effect prior to the date hereof, made by Borrowers, as borrowers, in favor of Tranche A Lender in the principal amount of Fifteen Million Twenty Thousand and 00/100 Dollars (US \$15,020,000.00) (the "Prior Note") and this Tranche A Note amends and restates the Prior Note in its entirety.

The obligations of the Borrowers under this Tranche A Note shall constitute one joint and several direct and general obligation of all of the Borrowers. Notwithstanding anything to the contrary contained herein, each of the Borrowers shall be jointly and severally, with the other Borrower, directly and unconditionally liable to the Tranche A Lender for all obligations hereunder and shall have the obligations of co-maker with respect to this Tranche A Note and the obligations hereunder, it being agreed that the advances to each Borrower inure to the benefit of all Borrowers, and that the Tranche A Lender is relying on the joint and several liability of the Borrowers as co-makers in extending and continuing the extension of the Tranche A Note as provided hereunder. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest on, this Note payable to the Tranche A Lender, it will forthwith pay the same, without notice or demand.

This Tranche A Note shall be governed by, and construed in accordance with, the law of the State of California. 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 NOTE 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 HERETO OR TO THE OR TO THE CREDIT AGREEMENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON OR PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO OR TO THE CREDIT AGREEMENT HAVE BEEN INDUCED TO ENTER INTO, AS APPLICABLE, THIS NOTE AND THE CREDIT AGREEMENT BY, AMONG OTHER THINGS, THE FOREGOING MUTUAL WAIVERS AND CERTIFICATIONS.

CADIZ INC., a Delaware
corporation, as a Borrower

By: /s/ Keith Brackpool

Name: Keith Brackpool
Title: CEO

CADIZ REAL ESTATE LLC, a
Delaware limited liability
company, as a Borrower

By: /s/ Richard E. Stoddard

Name: Richard E. Stoddard
Title: CEO

SCHEDULE OF TRANCHE A LOANS

This Tranche A Note evidences Tranche A Loans made under the within-described Credit Agreement to the Borrowers, on the dates, in the principal amounts set forth below, subject to the payments and prepayments of principal set forth below:

DATE	PRINCIPAL AMOUNT OF LOAN	AMOUNT PAID OR PREPAID	UNPAID PRINCIPAL AMOUNT	NOTATION MADE BY
As of date hereof	\$15,000,000.00	\$0.00	\$15,000,000.00	As agreed by all parties

ING CAPITAL, LLC

SECOND AMENDED AND RESTATED TRANCHE B NOTE

\$10,000,000.00

Dated as of November 30, 2004
New York, New York

FOR VALUE RECEIVED, each of (a) CADIZ INC. (f/k/a Cadiz Land Company, Inc.) ("CADIZ"), a Delaware corporation and (b) CADIZ REAL ESTATE LLC ("CRE", and along with Cadiz, collectively, the "BORROWERS", and each individually, a "BORROWER"), a Delaware limited liability company, promise to pay, jointly and severally, to the order of ING CAPITAL, LLC (the "TRANCHE B LENDER") (f/k/a ING Baring (U.S.) Capital LLC, a Delaware limited liability company), as agent for Middenbank Curacao N.V., at the place and in the currency and manner designated in the Credit Agreement referred to below, in immediately available funds, the principal sum of TEN MILLION Dollars (\$10,000,000.00), in lawful money of the United States of America, and to pay interest on the unpaid principal amount of such Tranche B Loans at the place and in the currency and manner designated in the Credit Agreement, for the period commencing on November 30, 2004 until such Tranche B Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, prepayment, interest rate and maturity date of each Tranche B Loan made by the Tranche B Lender to the Borrowers, and each payment made on account of the principal thereof, shall be recorded by the Tranche B Lender on its books and, prior to any transfer of this Tranche B Note, endorsed by the Tranche B Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Tranche B Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Tranche B Loans made by the Tranche B Lender.

This Tranche B Note is one of the Tranche B Notes referred to in (a) the First Amendment to 2003 Restated Credit Agreement and Consent to Offering (the "Seventh Amendment"), dated as of November 30, 2004 among Borrowers, the Lenders party thereto, and ING Capital, LLC, as Administrative Agent, and (b) the Sixth Amended and Restated Credit Agreement dated as of December 15, 2003 (as modified, supplemented or otherwise modified and in effect from time to time, the "CREDIT AGREEMENT"), among Borrowers, the Lenders party thereto, and ING Capital, LLC, as Administrative Agent, and evidences Tranche B Loans made by the Tranche B Lender thereunder. Terms used but not defined in this Tranche B Note have the respective meanings assigned to them in the Credit Agreement.

Any holder of this Tranche B Note shall have all rights provided to a Tranche B Lender under the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Tranche B Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 9.04 of the Credit Agreement, this Tranche B Note may not be assigned by the Tranche B Lender to any other Person.

This Tranche B Note includes the indebtedness heretofore evidenced by that certain Amended and Restated Tranche B Note

dated as of September 30, 2003, as amended and in effect prior to the date hereof, made by Borrowers, as borrowers, in favor of Tranche B Lender in the principal amount of Ten Million and 00/100 Dollars (US \$10,000,000.00) (the "PRIOR NOTE") and this Tranche B Note amends and restates the Prior Note in its entirety.

The obligations of the Borrowers under this Tranche B Note shall constitute one joint and several direct and general obligation of all of the Borrowers. Notwithstanding anything to the contrary contained herein, each of the Borrowers shall be jointly and severally, with the other Borrower, directly and unconditionally liable to the Tranche B Lender for all obligations hereunder and shall have the obligations of co-maker with respect to this Tranche B Note and the obligations hereunder, it being agreed that the advances to each Borrower inure to the benefit of all Borrowers, and that the Tranche B Lender is relying on the joint and several liability of the Borrowers as co-makers in extending and continuing the extension of the Tranche B Note as provided hereunder. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest on, this Note payable to the Tranche B Lender, it will forthwith pay the same, without notice or demand.

This Tranche B Note shall be governed by, and construed in accordance with, the law of the State of California. 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 NOTE 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 HERETO OR TO THE OR TO THE CREDIT AGREEMENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON OR PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO OR TO THE CREDIT AGREEMENT HAVE BEEN INDUCED TO ENTER INTO, AS APPLICABLE, THIS NOTE AND THE CREDIT AGREEMENT BY, AMONG OTHER THINGS, THE FOREGOING MUTUAL WAIVERS AND CERTIFICATIONS.

CADIZ INC., a Delaware
corporation, as a Borrower

By: /s/ Keith Brackpool

Name: Keith Brackpool
Title: CEO

CADIZ REAL ESTATE LLC, a
Delaware limited liability
company, as a Borrower

By: /s/ Richard E. Stoddard

Name: Richard E. Stoddard
Title: CEO

SCHEDULE OF TRANCHE B LOANS

This Tranche B Note evidences Tranche B Loans made under the within-described Credit Agreement to the Borrowers, on the dates, in the principal amounts set forth below, subject to the payments and prepayments of principal set forth below:

Date	Principal Amount of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By
As of date hereof	\$10,000,000.00	\$0.00	\$10,000,000.00	As agreed by all parties

AMENDMENT NO. 1
TO LIMITED LIABILITY COMPANY AGREEMENT
OF
CADIZ REAL ESTATE LLC

This AMENDMENT NO. 1 TO LIMITED LIABILITY COMPANY AGREEMENT ("Amendment") is entered into as of October 29, 2004 by and between Cadiz Inc. ("Cadiz") and M. Solomon & Associates, Inc. (the "Independent Member"). The parties to this Amendment are hereinafter sometimes referred to collectively as the "Parties".

RECITALS:

WHEREAS, the Parties have entered into a Limited Liability Company Agreement of Cadiz Real Estate LLC dated as of December 11, 2003 (the "LLC Agreement"); and

WHEREAS, Section 4.1 of the LLC Agreement provides that the management of Cadiz Real Estate LLC (the "Company") shall be vested in a Board of Managers; and

WHEREAS, the Parties wish to amend the LLC Agreement in order to provide the Board of Managers with the authority to appoint officers of the Company, including a Chairman and a Chief Executive Officer, with the powers typically associated with such positions; and

WHEREAS, pursuant to Section 9.1 of the LLC Agreement, for as long as any amounts due under the terms of the New Note are outstanding, any amendment to the LLC Agreement (including this Amendment) requires the prior written consent of (i) the lenders holding at least 66% of the interest in the New Note or such higher supermajority as may be required pursuant to the terms of the New Note, and (ii) the Independent Member; and

WHEREAS, the consent to this Amendment of the Independent Member is evidenced by such Independent Member's execution of this Amendment; and

WHEREAS, the consent to this Amendment of ING Capital LLC, as the holder of 100% of the interest in the New Note, is set forth following the signatures of Cadiz and the Independent Member to this Amendment;

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 LLC AGREEMENT. Subject to Section 2 of this Amendment, the LLC Agreement is hereby amended by adding new Section 4.1(d) to read in full as follows:

"(d) OFFICERS.

i. APPOINTMENT OF OFFICERS. The Managers may appoint officers at any time. The officers of Company, if deemed necessary by the Managers, may include a chairman, chief executive officer/president, vice president, secretary, and chief financial officer. The officers shall serve at the pleasure of the Managers, subject to all rights, if any, of an officer under any contract of employment. Any individual may hold any number of offices. No officer need be a resident of the State of California or citizen of the United States. The officers shall exercise such powers and perform such duties as specified in this Agreement and as shall be determined from time to time by the

Managers.

ii. REMOVAL, RESIGNATION AND FILLING OF VACANCY OF OFFICERS. Subject to the rights, if any, of an officer under a contract of employment, any officer may be removed, either with or without cause, by the Managers at any time. Any officer may resign at any time by giving written notice to the Managers. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company under any contract to which the officer is a party. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in this Agreement for regular appointments to that office.

iii. SALARIES OF OFFICERS. All officers and agents of the Company shall receive such compensation, if any, as may be determined by the Managers from time to time.

iv. DUTIES AND POWERS OF THE CHAIRMAN. The chairman, if such an officer be appointed, shall, if present, preside at meetings of the Members and Managers, and exercise and perform such other powers and duties as may be from time to time assigned to him by the Managers or prescribed by this Agreement. If there is no president, the chairman shall in addition be the chief executive officer of the Company and shall have the powers and duties prescribed in Section (v) below.

v. DUTIES AND POWERS OF THE CHIEF EXECUTIVE OFFICER/PRESIDENT. Subject to such supervisory powers, if any, as may be given by the Managers to the chairman, if there be such an officer, the president shall be the chief executive officer of the Company, and shall, subject to the control of the Managers, have general and active management of the business of the Company and shall see that all orders and resolutions of the Members and Managers are carried into effect. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Managers or this Agreement. The president shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Company, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof shall be expressly delegated by the Managers to some other officer or agent of the Company.

vi. DUTIES AND POWERS OF OTHER OFFICERS. Any other officers of the Company as may be appointed by the Managers, such as, vice president, secretary, and chief financial officer, shall perform such other duties and have such other powers as the Managers may from time to time prescribe.

vii. ACTS OF OFFICERS AS CONCLUSIVE EVIDENCE OF AUTHORITY. Any note, mortgage, evidence of indebtedness, contract, certificate, statement, conveyance, or other instrument in writing, and any assignment or endorsement thereof, executed or entered into between the Company and any other person, when signed by the chairman of the board, the president or any vice president and any secretary, any assistant secretary, the chief financial officer, or any assistant treasurer of the Company, is not invalidated as to the Company by any lack of authority of the signing officers in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same.

viii.SIGNING AUTHORITY OF OFFICERS. Subject to any restrictions imposed by the Managers, any officer, acting alone, is authorized to sign contracts and obligations and endorse instruments on behalf of the Company."

2. EXISTING LLC AGREEMENT. Except as otherwise amended or modified herein or hereby, the provisions of the LLC Agreement (including, without limitation, the affirmative and negative covenants set forth in Sections 4.3 and 4.4 of the LLC Agreement) are hereby reaffirmed and shall remain in full force and effect. Notwithstanding anything herein to the contrary, any and all actions which require the consent and/or approval pursuant to the LLC Agreement of the Independent Member, Independent Manager and/or the lenders holding at least 66% of the interest in the New Note or such higher supermajority as may be required pursuant to the terms of the New Note shall, notwithstanding this Amendment, continue to require such consent and/or approval.

IN WITNESS WHEREOF, each of the Parties has caused this Amendment No. 1 to Limited Liability Company Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

"CADIZ"

CADIZ INC.

By: /s/ Keith Brackpool

Keith Brackpool
Chief Executive Officer

"INDEPENDENT MEMBER"

M. SOLOMON & ASSOCIATES, INC.

By: /s/ Michael H. Solomon

Michael H. Solomon
President

CONSENT OF HOLDER OF NEW NOTE:

Pursuant to Section 9.1 of the LLC Agreement, the undersigned, as the holder of 100% of the interest in the New Note, hereby consents to the foregoing Amendment.

ING CAPITAL LLC

By: /s/ Geoffrey Arens

Name: Geoffrey Arens
Title: M.D.

RESOLUTIONS ADOPTED BY THE
COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS OF
CADIZ INC.

WHEREAS, it is in the best interests of this Company that this Company implement a program to retain key personnel (including both employees and consultants) and to provide additional incentives to those personnel; and

WHEREAS, the Board of Directors of this Company (the "Board") has previously authorized the creation by this Company of a Management Equity Incentive Plan (the "Management Equity Incentive Plan" or the "Plan") for this purpose; and

WHEREAS, pursuant to such Board authorization, a total of 1,471,051 shares of this Company's common stock have been set aside and reserved for issuance under the Plan;

WHEREAS, a total of 717,373 shares (the "Initial Allocation Shares") have been allocated for issuance under the Plan pursuant to the direction of an initial allocation committee (the "Initial Allocation Committee") consisting of Keith Brackpool, Rick Stoddard and the Chairman of the Compensation Committee of this Board of Directors;

WHEREAS, the Board has further previously authorized that the 754,678 shares (the "Subsequent Allocation Shares") which have been reserved for issuance under the Plan but which are not included within the Initial Allocation Shares be issuable under the Plan pursuant to the direction of, and upon such vesting and other conditions as may be established by, this Compensation Committee;

WHEREAS, it is in the best interests of this Company and its shareholders that the Compensation Committee establish the vesting and other conditions upon which the Subsequent Allocation Shares shall be issuable;

NOW, THEREFORE, BE IT RESOLVED, that the Subsequent Allocation Shares be issued under the Plan pursuant to the direction of an allocation committee (the "Subsequent Allocation Committee") consisting of Keith Brackpool, Rick Stoddard and the Chairman of the Compensation Committee of this Board of Directors;

FURTHER RESOLVED, that one-half (i.e. 377,339) of the Subsequent Allocation Shares so issued under the Plan pursuant to the direction of the Subsequent Allocation Committee shall be in the form of shares of common stock, and that one-half (i.e. 377,339) of the Subsequent Allocation Shares so issued under the Plan pursuant to the direction of the Subsequent Allocation Committee shall be in the form of options to purchase common stock at the price of \$12 per share (i.e. the effective price per share obtained by the Company in its private placement of Units completed November 30, 2004); and

FURTHER RESOLVED, that the Subsequent Allocation Shares, whether issued in the form of shares of common stock or common stock options, be subject to vesting conditions, with the vesting period deemed to commence on December 7, 2004 irrespective of the actual initial grant date for any Subsequent Allocation Shares, so that 1/3 of any award grant shall vest immediately, with the remaining 2/3 of any award subject to vesting in two equal installments upon December 7, 2005 (or the date of grant, if later) and December 7, 2006 (or the date of grant, if later),

respectively, (subject to continued status as an employee or consultant to this Company as of the respective vesting date, but also subject to immediate vesting in full of any theretofore unvested shares upon any termination without cause); and

FURTHER RESOLVED, that if the issuance of any Subsequent Allocation Shares in the form described in the foregoing resolutions shall be deemed, under the rules and regulations of any exchange upon which this Company's common stock is traded or under the rules and regulations of the Securities and Exchange Commission, to require the prior approval of the stockholders of the Company, then this Committee shall adjust the form of Subsequent Allocation Shares so as to provide a substantially equivalent means of compensation to the recipient in a manner which does not require such stockholder approval; and

FURTHER RESOLVED, that the Subsequent Allocation Committee shall have the right to award all or any part of the Subsequent Allocation Shares under the Plan to members of the Subsequent Allocation Committee (as well as other key personnel) without the need for further approval of this Compensation Committee or the Board; and

FURTHER RESOLVED, that the Subsequent Allocation Committee or the recipients of Subsequent Allocation Shares under the Plan may designate such trusts or other nominees to hold such shares as may be reasonably appropriate for tax planning purposes;

FURTHER RESOLVED, that with respect to the Subsequent Allocation Shares, the Subsequent Allocation Committee shall have the authority to prepare, execute and administer any documentation with respect to the Plan and the issuance of securities pursuant to the Plan as the Subsequent Allocation Committee and/or counsel to the Company may deem necessary or desirable;

FURTHER RESOLVED, that any officer of the Company be and hereby is authorized, empowered and directed, for an on behalf of this Company, to take such actions as may be necessary or appropriate to effectuate the foregoing resolutions;

FURTHER RESOLVED, that any and all actions heretofore taken by any officer of the Company to the foregoing effect and all agreements, documents or writings related thereto, are hereby authorized, approved, ratified and confirmed in all respects; and any and all actions hereafter taken or to be taken by any such officers in furtherance of the objects set forth in any of the preceding resolutions, and all agreements, documents or writing relating thereto, are hereby authorized, approved, ratified and confirmed in all respects.

CADIZ INC. 2004 MANAGEMENT BONUS PLAN

The Compensation Committee of Cadiz Inc. (the "Corporation") acted on December 7, 2004 to establish this executive officer compensation plan pursuant to which a total of 10,000 shares of the Corporation's common stock (valued at \$12.00 per share) shall be issued to Mr. Keith Brackpool, Chairman and Chief Executive and Financial Officer of the Corporation, as a performance bonus. Such shares shall be issued immediately following the effectiveness of a Form S-8 registration statement under the Securities Act of 1933. In addition, Mr. Brackpool shall be awarded a cash bonus of \$120,000 with immediate effect.

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is entered into as of August 1, 2002, by and between Richard E. Stoddard ("Consultant") and Cadiz Inc., a Delaware corporation ("Cadiz").

WHEREAS, Consultant desires to provide to Cadiz, and Cadiz desires to obtain from Consultant, consulting services relating to the business operations of Cadiz;

NOW, THEREFORE, the parties agree as follows:

1. TERM. Cadiz hereby engages Consultant to provide consulting services to Cadiz, and Consultant accepts such engagement, for a term of two (2) years (the "Term") commencing as of the date of this Agreement (the "Commencement Date").

2. DUTIES. During the Term, Consultant shall serve as a consultant to Cadiz. Consultant shall render advisory and consulting services to Cadiz of the type customarily performed by persons serving in similar limited consulting capacities, consistent with the knowledge and experience possessed by Consultant. The Consultant's services shall include assisting Cadiz with the implementation of the Cadiz water program and other Cadiz water related matters and, in particular, providing advice and assistance to Cadiz management, Cadiz counsel and outside counsel regarding water strategy, the handling and settlement of litigation, and MWD and third party contract negotiations, as well as providing such other advice and assistance as the Board of Directors or the Chief Executive Officer of Cadiz may reasonably request. Consultant shall be granted such title as the Board of Directors of Cadiz may designate, subject to acceptance of such title by Consultant. Consultant shall also, if invited, serve as a member of the Board of Directors of Cadiz as provided in Section 6 below, subject to acceptance of such position by Consultant. For purposes of performing consulting services for Cadiz, Cadiz shall make available to Consultant office space at the offices of Cadiz in Santa Monica, California, or at such other location or locations as Cadiz and Consultant may agree.

3. NECESSARY SERVICES.

a. PERFORMANCE OF DUTIES. Consultant shall perform his duties in a diligent and reasonable manner consistent with professional standards in the field.

b. HOURS OF SERVICE. The parties acknowledge and agree that Consultant's fulfillment of his obligations to Cadiz hereunder will require Consultant's services for approximately one-half of Consultant's available working hours per week.

c. NON-EXCLUSIVEDUTIES. Nothing in this Agreement shall preclude Consultant from acting as a consultant to or employee of any other business or entity, except that:

(i) Consultant may not engage in any activity which materially detracts from the performance of Consultant's duties hereunder; and

(ii) Consultant may not render any services to, or engage in any activity for, another entity in any

capacity whatsoever (whether as an owner, employee, independent contractor or otherwise) which is in any way competitive with the business, as then being conducted, of Cadiz or any affiliate of Cadiz; provided, however, that Cadiz acknowledges that Consultant is providing and may continue to provide services on a priority basis to Kaiser Ventures LLC ("Kaiser") as Chairman and CEO of Kaiser. Cadiz acknowledges that it has been advised by Consultant of Consultant's obligations and duties to Kaiser and further acknowledges that at present and as currently contemplated Consultant's duties to Kaiser do not interfere with Consultant's obligations to Cadiz as contemplated by this Agreement. Notwithstanding the foregoing, Cadiz and Consultant agree in the event that in the judgment of either Cadiz or Consultant the provision of Consultant's duties to Kaiser interfere with Consultant's obligations to Cadiz under this Agreement, then Cadiz and Consultant shall negotiate in good faith adjustments to this Agreement as necessary to preserve, to the extent possible, the intent and purpose of this Agreement.

4. COMPENSATION. In consideration of the services to be provided by Consultant pursuant to this Agreement, Cadiz shall pay compensation to Consultant as follows:

a. BASE CASH COMPENSATION. Base cash compensation of \$150,000 annually, payable in equal monthly installments. Cadiz may make payment of cash compensation to Consultant in advance as a retainer to be applied against 50% of next succeeding monthly installments of base compensation until fully utilized. In the event of a termination of this Agreement pursuant to subparagraphs (i) or (iii) of paragraph 9(a) below at a time when any portion of a retainer remains outstanding and unutilized, Consultant agrees to make repayment of any such unutilized amount to Cadiz within 20 calendar days of termination. In addition, should counsel to Cadiz determine that an outstanding advance payment of cash compensation to a director or executive officer of Cadiz would violate the provisions of the Sarbanes-Oxley Act of 2002, then Consultant agrees to make repayment of any unutilized amount of such retainer to Cadiz immediately prior to (and as a condition to) any future appointment of Consultant as a director or executive officer of Cadiz. The retainer payment shall be subject to such further confirming documentation as may be mutually agreed upon between Cadiz and Consultant. The parties agree that the retainer payment may be subject to repayment and/or termination upon the satisfaction by Cadiz of certain financial milestones to be agreed upon by Cadiz and Consultant from time to time. .

b. ADDITIONAL CASH COMPENSATION. In light of Consultant's status as an independent contractor to Cadiz, the parties acknowledge that no payroll or employment taxes of any kind shall be withheld or paid by Cadiz with respect to payments to Consultant during the Term, and that Cadiz shall make no additional benefits available to Consultant. Nevertheless, Cadiz shall pay to Consultant, with each payment of base cash compensation, additional cash compensation in an amount equal to 8% of the amount of such payment of base cash compensation. Such additional payment is intended to be paid in lieu of the aggregate amount of payroll and/or employment taxes and benefits (including, but not limited to, FICA, federal personal income tax withholding, state income tax withholding, state unemployment insurance tax, Medicare withholding, disability insurance and 401(k) or similar retirement contributions) that would be paid by Cadiz on behalf of an executive

employee of Cadiz receiving equivalent base cash compensation as set forth in subsection (a) above.

c. EQUITY-BASED COMPENSATION. Consultant acknowledges and agrees that Cadiz contemplates the adoption, following the execution of this Agreement, of a new compensation plan or program for senior management (the "Compensation Plan"). Cadiz agrees that following adoption of the Compensation Plan Consultant shall be invited to participate in the Compensation Plan. Consultant's participation in the Compensation Plan shall be negotiated between Consultant and Cadiz in good faith at a level consistent with that of a member of senior management with comparable duties and responsibilities. Cadiz and Consultant acknowledge and agree that the receipt by Consultant of equity-based compensation under the Compensation Plan in form and amount satisfactory to Consultant is an integral part of the compensation to be received by Consultant for services to be performed under this Agreement. Accordingly, should Consultant not, within one hundred twenty (120) days of the effective date of this Agreement, be offered equity based compensation pursuant to the Compensation Plan which Consultant deems satisfactory in Consultant's sole and absolute discretion, then Consultant shall have the right to terminate this Agreement pursuant to Section 9(a)(v) below.

d. BONUS COMPENSATION. 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 Consultant during such year, on the basis of which Consultant shall receive a bonus in an amount to be determined at the discretion of the Board. Such evaluation shall be conducted, and the bonus amount determined, in a manner consistent with that which would be utilized by the Board in establishing a discretionary bonus for a member of senior management with comparable duties and responsibilities.

e. PAYMENT OF TAXES. Consultant acknowledges and agrees that Consultant is obligated to report as income all compensation received by Consultant pursuant to this Agreement and Consultant acknowledges the obligation to pay all self-employment tax and other taxes thereon and that he will not be eligible for any employee benefits. Consultant further agrees to indemnify Cadiz and hold it harmless to the extent of any obligation imposed on Cadiz: (i) to pay withholding taxes or similar items; or (ii) resulting from Consultant's being determined not to be an independent contractor. As may be appropriate, Cadiz shall report the payments made hereunder by (a) filing the appropriate 1099 forms and (b) making any other reports required by law.

5. REIMBURSEMENT OF EXPENSES. Cadiz will reimburse Consultant during both the Term for any appropriately documented, reasonable and necessary travel and other business expenses incurred by Consultant in the course of providing services pursuant to this Agreement, including for airline travel between Consultant's home in Colorado and Cadiz's offices as requested by Cadiz or as otherwise necessary or appropriate for the performance of Consultant's duties hereunder, and for meals, transportation and lodging related thereto. Notwithstanding the foregoing, for as long as Consultant continues to provide services for Kaiser, Cadiz shall be responsible for only one-half of the cost of airline transportation between Colorado and Southern California and for one-half of the cost of a rental car for ground transportation while Consultant is in Southern California. Consultant confirms and agrees that he will only

seek reimbursement for the foregoing reasonable and necessary expenses consistent with the foregoing terms and consistent with Cadiz's expense reimbursement policies and procedures.

6. MEMBERSHIP ON THE BOARD OF DIRECTORS. In connection with Consultant's continuing service to Cadiz, the Board of Directors of Cadiz anticipates that it shall invite Consultant to serve as a member of the Board of Directors of Cadiz to serve until Cadiz's next Annual Meeting of Stockholders or until his successor is elected and qualified. In addition, Cadiz may invite Consultant from time to time to serve as a director of one or more subsidiaries of Cadiz. Nothing in this Agreement shall be construed to grant Consultant the right to continue to serve as a director of Cadiz or any of its subsidiaries. Should Consultant accept the position of director of Cadiz and/or its subsidiaries, Consultant shall not while this Agreement is in effect be entitled to separate compensation for his services as a director of Cadiz or its subsidiaries.

Upon termination of this Agreement, Consultant agrees to provide a letter of resignation from the Board of Directors of Cadiz and/or any subsidiaries thereof effective, in each case, upon such termination, unless Cadiz, acting through its Board of Directors, requests in writing that Consultant withdraw such resignation and Consultant agrees in writing to withdraw such resignation prior to the termination of this Agreement.

7. INDEPENDENT CONTRACTOR. Cadiz and Consultant agree that the relationship among the parties shall be that of independent contractor. Cadiz and Consultant acknowledge that during the term of this Agreement, Consultant will not be acting as an officer or employee of Cadiz (although Consultant shall serve, if invited, as a director of Cadiz as provided in Section 6 hereof). However, in his role as Consultant, Consultant is not, and will not, be responsible for any management decisions on behalf of Cadiz, and may not commit Cadiz to any action. Consultant understands and acknowledges that this Agreement shall not create or imply any agency relationship among the parties, and Consultant will not commit Cadiz in any manner except when a commitment has been specifically authorized in writing by Cadiz or to the extent Consultant is acting in his authorized capacity as director.

8. CONFIDENTIALITY AND TRADE SECRETS. For purposes of this Section 8, the term "Cadiz" shall collectively refer to Cadiz and any affiliate thereof.

a. CONFIDENTIAL INFORMATION. Consultant shall keep in strictest confidence all information relating to the business, affairs, customers and suppliers of Cadiz (collectively hereinafter referred to as "Trade Secrets") which Consultant may acquire during the performance of services and duties hereunder and which is not otherwise generally known to the public. During the term of this Agreement, and at all times thereafter, Consultant shall not publish, communicate, divulge, disclose or use, whether or not for its own benefit, any such information without the prior written consent of Cadiz.

b. ONGOING OBLIGATION. The provisions in this Section 8 shall be binding during the term of this Agreement 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. TERMINATION.

a. TERMINATION EVENTS. Notwithstanding the provisions of Section 1 above, this Agreement shall terminate:

i. At the election of Cadiz, upon the death or permanent disability of Consultant, "permanent disability" being defined as any continuous loss of one-half ('is) or more of the time spent by Cadiz in the usual weekly 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 Cadiz, at such time, if any, as Cadiz ceases to conduct business for any reason whatsoever.

iii. At the election of the Cadiz, upon the breach by, Consultant of any term or condition of this Agreement or upon the dismissal of Consultant by Cadiz for cause. For purposes of this Agreement, Cadiz shall have "cause" to terminate Consultant'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 Cadiz assets or engages in gross misconduct materially injurious to Cadiz or its affiliates or subsidiaries; or (4) willfully fails to comply with the written instructions of the Board of Directors or Chief Executive Officer of Cadiz.

iv. At the election of Consultant, upon a breach by Cadiz of this Agreement.

v. At the election of Consultant, in the event that Consultant shall not, within one hundred twenty (120) days of the effective date of this Agreement, have been offered equity based compensation pursuant to the Compensation Plan which Consultant deems satisfactory in Consultant's sole and absolute discretion, as further described in Section 4(c) above.

b. PAYMENTS FOLLOWING TERMINATION. Following termination of this Agreement for any reason other than pursuant to Section 9(a)(iv) above, Cadiz shall have no obligation to make payments to, or bestow benefits upon, Consultant after the date of termination (otherwise than as required by law), except for theretofore accrued and unpaid compensation under Section 4; provided, however, that the termination of this Agreement shall not affect the right of Consultant to exercise any rights to purchase or otherwise acquire securities of the Cadiz which may have vested in full prior to the date of termination.

c. RETURN OF COMPANY'S PROPERTY. If this Agreement is terminated for any reason, Cadiz may, at its option, require Consultant to vacate his offices prior to the effective date of a termination and to cease all activities on Cadiz's behalf. Consultant agrees that on the termination of this Agreement in any manner, he will immediately deliver to Cadiz all notebooks, brochures, documents, memoranda, reports, files, books, correspondence,

customer lists, or other written or graphical records, and the like, relating to the business or work of Cadiz, which are or have been in his possession or under his control and which have not been returned to the Cadiz. Consultant hereby expressly acknowledges that all such materials referenced above are the property of Cadiz.

d. PUBLIC IDENTIFICATION. If this Agreement is terminated for any reason, Consultant shall immediately and forever thereafter cease to hold himself out to any person, firm, partnership, corporation or other entity as an independent contractor or representative of Cadiz or of any entity owned by, or affiliated with, Cadiz.

10. CONFLICTING OBLIGATIONS. Consultant certifies that Consultant has no outstanding agreement or obligation that is in conflict with any of the provisions of this Agreement, or that would preclude Consultant from fully complying with the provisions hereof, and further certifies that Consultant will not enter into any such conflicting agreement during the term of this Agreement.

11. INJUNCTIVE RELIEF. Consultant acknowledges that a breach by Consultant of the provisions of Sections 3(c) and 8 of this Agreement will cause Cadiz irreparable injury. It is, therefore, expressly acknowledged that the provisions of Sections 3(c) and 8 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 Cadiz may have for such breach.

12. 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.

13. ADDITIONAL ACKNOWLEDGMENTS.

a. Consultant understands that the terms of this Agreement may be required to be disclosed in, or filed as an exhibit to, Cadiz' annual proxy statement or other reports filed publicly with the U.S. Securities and Exchange Commission.

b. Consultant acknowledges and agrees that Consultant has fully read and understands this Agreement, has been advised to and has been given the opportunity to consult with his attorney concerning this Agreement, has had any questions regarding its effect or the meaning of its terms answered to Consultant's satisfaction and, intending to be legally bound hereby, has freely and voluntarily executed this Agreement.

c. Cadiz and Consultant acknowledge and agree that Consultant is serving as a consultant to Cadiz at the request of Cadiz and as such Consultant is to be deemed an "Agent" of Cadiz for purposes of the indemnity provisions set forth in Article VI of the Bylaws of Cadiz. Accordingly, Consultant shall be entitled to indemnification from Cadiz to the full extent to which an Agent is entitled to indemnification pursuant to the provisions of Article VI of the Bylaws of Cadiz.

d. Cadiz and Consultant acknowledge and agree that upon the receipt by Consultant of equity-based compensation under the Compensation Plan in form and amount satisfactory to Consultant pursuant to Section 4(c) above or otherwise prior to the expiration of the term of this Agreement, it may be beneficial to the parties to engage Consultant as an employee of Cadiz, rather than as a Consultant to Cadiz. Each party agrees to enter into good faith discussions concerning such a change in status at the request of the other and, if such a change is agreed upon, to enter into a new agreement (or modification of this Agreement) setting forth the terms and conditions of such employment; provided, however that neither party shall have an obligation to agree to a change in status if such a change would result in a diminution in the benefits of such party or an increase in the obligations of such party as otherwise provided for in this Agreement.

14. GENERAL PROVISIONS.

a. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns. However, neither party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto.

b. 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.

c. 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.

d. This Agreement may not be modified except by a written instrument signed by all parties hereto.

e. 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.

f. 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.

Cadiz:

Cadiz Inc.

By: /s/ Keith Brackpool

Keith Brackpool

Chief Executive Office

By: /s/ Murray H. Hutchison

Murray H. Hutchison
Chair, Compensation Committee

Consultant

/s/ Richard E. Stoddard

Richard E. Stoddard

EXTENSION
OF
CONSULTING AGREEMENT

This Extension of Consulting Agreement ("Extension") is entered into as of the 1st day of January, 2004, by and between Richard E. Stoddard ("Consultant") and Cadiz Inc., a Delaware corporation ("Cadiz").

Whereas, Consultant and Cadiz entered into a Consulting Agreement dated August, 2002:

Whereas, Consultant and Cadiz have continued such agreement by Extension dated June 1, 2003 and desire to continue said consulting agreement again:

Now therefore, the parties agree as follows:

1. Term, Duties and Necessary Services. These provisions shall remain unchanged from the original agreement provided, however, in addition, Consultant agrees to serve as an officer or member of the Board of Managers of any Cadiz subsidiaries as determined from time to time by Cadiz.
2. Compensation. On the effective date of this agreement, Consultant shall be paid a monthly amount equal to \$20833 payable on the 20th day of each month, beginning January 20, 2004, and will continue on a month to month basis until terminated by either party. The parties acknowledge that Consultant shall not be paid benefits or participate in any Cadiz benefit plans.
3. Current Equity Grant. The Parties acknowledge that Consultant was included in the most recent equity grant set forth in Board resolutions attached.
4. Future Equity Participation. The Parties acknowledge that Consultant is eligible to participate as a member of the key management team in any further equity grants considered by the compensation committee of the Board of Cadiz.
5. Original Contract. All other provisions of the original Consulting Agreement, where not inconsistent with this Extension, shall remain in full force and effect.

In Witness Whereof, the parties hereto have executed this Agreement as of the date first above written.
Cadiz Inc.

/s/ Keith Brackpool

Keith Brackpool, Chairman and CEO

Consultant

/s/ Richard Stoddard

Richard E. Stoddard

CADIZ INC.

SUBSIDIARIES OF THE COMPANY

Rancho Cadiz Mutual Water Company
Sun World International, Inc.
Cadiz Real Estate LLC

CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I , Keith Brackpool, certify that:

1. I have reviewed this annual report on Form 10-K of Cadiz Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves

management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2005

/s/ Keith Brackpool

Keith Brackpool
Chairman, Chief Executive Officer
and Chief Financial Officer