

Risk Factors Comparison 2025-03-28 to 2024-03-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Our business is subject to a number of risks, including those described below. Our Development Activities Have Not Generated Significant Revenues At present, our asset development activities include water resource (supply, storage and conveyance) and **land and** agricultural development at our San Bernardino County properties. We have not received significant revenues from these development activities to date and we cannot predict with certainty when, if ever, we will receive operating revenues from these business segments sufficient to offset the costs of our development activities. As a result, we continue to incur a net loss from operations. We May Never Become Profitable Unless We Are Able to Successfully Implement Programs to Develop Our Land Assets ~~and Related Water Resources and Water Filtration Technology Assets~~ Our **agreements for** water supply **agreements**, ~~storage, and conveyance projects~~ are subject to financial and regulatory conditions **precedent**, which may not be satisfied. Further, the circumstances under which water supply, storage, conveyance, water filtration or sustainable agriculture can be developed and the profitability of any such project are subject to significant uncertainties, including the risk of variable water supplies and changing water allocation priorities, our ability to fulfill the required contractual conditions of any water supply agreements, and our ability to complete the needed construction for water delivery to occur. Additional risks include our ability to obtain all necessary regulatory approvals and permits, litigation by community, environmental or other groups, unforeseen technical difficulties, general market conditions and competition for agriculture, water filtration products and water supplies, and the time needed to generate significant operating revenues from such programs after contracts are secured ~~, crops are planted~~ or operations commence ~~. Cadiz Inc.~~ The Development of Our Properties Is Heavily Regulated, Requires Governmental Approvals and Permits That Could Be Denied, and May Have Competing Governmental Interests and Objectives In developing our land assets and related water resources, we are subject to local, state, and federal statutes, ordinances, rules and regulations concerning zoning, resource protection, environmental impacts, infrastructure design, subdivision of land, construction and similar matters. Our development activities are subject to the risk of adverse interpretations of such U. S. federal, state and local laws, regulations and policies and / or the adoption of new and amended laws, regulations and policies that prohibits, restrict, modify or delay our development activities. Further, our development activities require governmental approvals and permits. If such permits were to be denied or granted subject to unfavorable conditions or restrictions, our ability to successfully implement our development programs as planned would be adversely impacted and could delay returns on our investments in the development of our assets **. Cadiz Inc.** For example, while we presently hold agreements with multiple public water systems ~~to for their~~ purchase ~~15 of 21, 000 275~~ AFY and are in discussions with additional public water agencies to enter agreements ~~to for the fill full supply~~ the remaining capacity of our Northern Pipeline **Mojave Groundwater Bank** (~~25 50, 000~~ AFY) and whereby participating agencies would finance, own and operate the Northern Pipeline and lease 25, 000 AFY of annual supply from us, any contracts ~~and off take facility construction~~ will be subject to **conditions precedent including** standard environmental review and ~~a project level permitting process as conditions precedent~~. There is no assurance that we can meet the conditions precedent for any of these contracts and even if we do, there is no assurance that we can receive the needed permits in a timely manner. We cannot predict the terms, if any, which may be imposed ~~in order on our permits~~ to proceed with our water and other development programs. Current regulations that could impact our water resources development activities are generally related to water conveyance functions, particularly the conversion of existing pipelines and construction of new pipelines and related facilities necessary to move water to and from the Cadiz Property, or between points along these pipelines for the benefit of California water users. In this regard, we will need to obtain certain permits and approvals from public water agencies in California, the California State Lands Commission, and agencies of the federal government, such as the US Department of the Interior. Such regulatory requirements will be determined by any contractual obligation to transport water between parties via our pipeline infrastructure. Generally, opposition from third parties **with standing** expressed ~~to at any regulatory venue~~ **bodies with jurisdiction over our projects** can cause delays and increase the costs of our development efforts or preclude such development entirely. While we have worked with representatives of various environmental and third- party stakeholders to address any concerns about our **water development** projects, certain groups may remain opposed to our development plans regardless of our engagement and pursue legal and other **appeal** actions. Governmental approvals and permits granted authorizing our development activities may be challenged in court and such litigation could adversely impact our timelines, development plans, and ultimately the return on our investments. ~~Cadiz Inc.~~ **We may not be able to execute our plans for the construction, ownership, and operation of our Mojave Groundwater Bank and obtain the requisite funding. We have entered into letters of intent with a non- profit investment fund and Lytton Rancheria of California, a federally recognized Native American Tribe, as well as a letter of agreement with a publicly traded company, related to potential investments in MGSC by these entities to support the construction, ownership, and operation of the Mojave Groundwater Bank. The agreements announced with these potential investors are not binding and there is no guarantee that we will be able to enter into binding definitive agreements or that the proposed transactions pursuant to the letters of intent and letter of agreement will move forward based on the terms described in such agreements. Even if we do enter into definitive agreements for investments into the construction, ownership and operations of the Mojave Groundwater Bank, we may not be able to obtain the requisite total funding necessary for the construction of all facilities for the Mojave Groundwater Bank or such additional funding may not be available on terms satisfactory to the parties or in sufficient amounts, or the progress of the Mojave Groundwater Bank may not proceed as planned, or the definitive agreements entered into, if any, may not generate our anticipated benefits. These events could**

materially and adversely affect the success of the Mojave Groundwater Bank and, as a result, materially and adversely affect our business prospects. A Portion of Our Total Assets Consists of Goodwill and Intangibles, Which Are Subject to a Periodic Impairment Analysis, and a Significant Impairment Determination in Any Future Period Could Have an Adverse Effect on Our Statement of Operations Even Without a Significant Loss of Revenue or Increase in Cash Expenses Attributable to such Period We have goodwill of approximately \$ 5. 7 million including \$ 1. 9 million associated with the acquisition of assets of ATEC Systems, Inc. into ATEC Water Systems, LLC. We will be required to continue to evaluate this goodwill and intangibles for impairment based on the fair value of the operating business units to which the goodwill and intangible assets relate, at least once a year. These estimated fair values could change if we are unable to achieve revenue or operating results at the levels that have been forecasted, the market valuation of that business unit decreases based on transactions involving similar companies, or if there is a permanent, negative change in the market demand for the services offered by the business unit. These changes could result in further impairment of the existing goodwill and intangible balances and that could require a material non- cash charge to our results of operations. Our Failure to Make Timely Payments of Principal and Interest on Our Indebtedness or To Obtain Additional Financing Will Impact our Ability to Implement Our Asset Development Programs As of December 31, **2023-2024**, we had total indebtedness outstanding to our lenders of approximately \$ **38-60. 5-6** million which is secured by our assets. On March 6, 2024, we entered into a Third Amendment to Credit Agreement which, among other things, provided for (a) a new tranche of senior secured convertible term loans in an aggregate principal amount of \$ 20, 000, 000 with a maturity date of June 30, 2027; (b) extension of the maturity date for the existing convertible loans (\$ 16. 0 million in principal) and existing non-convertible loans (\$ 21. 2 million in principal) to June 30, 2027; and (c) subordination of the existing convertible loans to the existing non- convertible loans and new convertible loans (see Note **15-7** to the Condensed Consolidated Financial Statements – “**Subsequent Events-Long- Term Debt**”). Interest is payable quarterly in cash at a 7 % annual rate on the \$ 21. 2 million of non- convertible loans with PIK interest accruing quarterly at a 7 % annual rate on the \$ 16 million of **then** existing convertible loans and \$ 20 million of new convertible loans. To the extent that we do not make principal and interest payments on the indebtedness when due, or if we otherwise fail to comply with the terms of agreements governing our indebtedness, we may default on our obligations. We will continue to require additional working capital to meet our cash resource needs until such time as our asset development programs, including the **Water Project-Mojave Groundwater Bank**, and water filtration technology business produce revenues sufficient to fund operations **or we receive reimbursement for costs advanced for development of the Mojave Groundwater Bank from MGSC and payment from MGSC of \$ 51 million among other considerations for our transfer of assets into MGSC**. If we cannot raise funds if and when needed, we might be forced to make substantial reductions in our operating expenses, which could adversely affect our ability to implement our current business plan and ultimately our viability as a company. We cannot assure you that our current lenders, or any other lenders, will give us additional credit should we seek it. If we are unable to obtain additional credit, we may engage in further debt or equity financings. Our ability to obtain financing will depend, among other things, on the status of our asset development programs and water filtration technology business and general conditions in the capital markets at the time financing is sought. Any further equity or convertible debt financings would result in the dilution of ownership interests of our current stockholders. **Cadiz Inc.** The Issuance of Equity Securities and Management Equity Incentive Plans Will Cause Dilution We have and may continue to issue equity securities pursuant to “**at the market**” issuance sales agreements or direct placements. Further, our compensation programs for management and consultants emphasize long- term incentives, primarily through the issuance of equity securities and options to purchase equity securities. It is expected that plans involving the issuance of shares, options, or both will be submitted from time to time to our stockholders for approval. In the event that any such plans are approved and implemented, the issuance of shares and options under such plans may result in the dilution of the ownership interest of other stockholders and will, under currently applicable accounting rules, result in a charge to earnings based on the value of our common stock at the time of issue and the fair value of options at the time of their award. The expense would be recorded over the vesting period of each stock and option grant. The Volatility of the Stock Price of our Equity Securities Could Adversely Affect Current and Future Stockholders The market price of our common stock and depositary shares is volatile and fluctuates in response to various factors which are beyond our control. Such fluctuations are particularly common in companies such as ours, which have not generated significant revenues. The following factors, in addition to other risk factors described in this section, could cause the market price of our common stock to fluctuate substantially: ● developments involving the execution of our business plan; ● disclosure of any adverse results in litigation; ● regulatory developments affecting our ability to develop our properties; ● the dilutive effect or perceived dilutive effect of additional debt or equity financings; ● perceptions in the marketplace of our company and the industry in which we operate; and ● general economic, political and market conditions. In addition, the stock markets, from time to time, experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. These broad fluctuations may adversely affect the market price of our common stock. Price volatility could be worse if the trading volume of our common stock is low. Information Technology Failures and Data Security Breaches Could Harm Our Business We use information technology and other computer resources to carry out important operational and marketing activities and to maintain our business records. These information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced security breaches, cyber- attacks, significant systems failures and electrical outages in the past. A material network breach in the security of our information technology systems could include the theft of customer, employee or Company data. The release of confidential information as a result of a security breach may also lead to litigation or other proceedings against us by affected individuals or business partners, or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a significant negative impact on our business. We may also be required to incur significant costs to protect against damages caused by these information technology failures or security breaches in the future. However, we cannot provide assurance that a security breach, cyber- attack, data theft or other significant systems failure

will not occur in the future, and such occurrences could have a material and adverse effect on our consolidated results of operations or financial position. ~~Cadiz Inc.~~ Increased Cybersecurity Requirements, Vulnerabilities, Threats and More Sophisticated and Targeted Computer Crime Could Pose a Risk to Our Systems, Networks, Products, Solutions, Services and Data Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber- related attacks pose a risk to our security and our customers', partners', suppliers' and third- party service providers' products, systems and networks and the confidentiality, availability and integrity of the data. We remain potentially vulnerable to additional known or unknown threats despite our attempts to mitigate these risks. We also may have access to sensitive, confidential or personal data or information that is subject to privacy and security laws, regulations or customer- imposed controls. Our efforts to protect sensitive, confidential or personal data or information, may nonetheless leave us vulnerable to material security breaches, theft, misplaced or lost data, programming errors, employee errors and / or malfeasance that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber- related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action. Additionally, violations of privacy or cybersecurity laws (including the California Consumer Privacy Act), regulations or standards increasingly lead to class- action and other types of litigation, which can result in substantial monetary judgments or settlements. Therefore, any such security breaches could have a material adverse effect on us.