Duke Energy CORP
Form 8-K
March 07, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 1, 2016**

Duke Energy Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**001-32853**	**20-2777218**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

550 South Tryon Street, Charlotte, North Carolina 28202

(Address of Principal Executive Offices, including Zip Code)

(704) 382-3853

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On March 1, 2016, Duke Energy Corporation (the Company) entered into a forward sale agreement relating to 9,250,000 shares of the Company s common stock, par value $0.001 per share (or 10,637,500 shares of the Company s common stock if the underwriters exercise their option to purchase additional shares of common stock in full), documented under a Confirmation subject to a master agreement (together, the Original Forward Sale Agreement) with Barclays Bank PLC (in such capacity, the Forward Purchaser). On March 2, 2016, the underwriters exercised in full their option to purchase an additional 1,387,500 shares of the Company s common stock. In connection therewith, the Company and the Forward Purchaser entered into an additional forward sale agreement relating to such number of shares, documented under a separate Confirmation subject to a master agreement (together, the Additional Forward Sale Agreement).

In connection with the Original Forward Sale Agreement and the Additional Forward Sale Agreement (each, a Forward Sale Agreement), the Company entered into an Underwriting Agreement on March 1, 2016 among the Company, the underwriters named therein and Barclays Capital Inc., acting in its capacity as forward seller and as agent for the Forward Purchaser, pursuant to which the forward seller sold to the underwriters an aggregate of 10,637,500 shares. Also in connection with the Forward Sale Agreements, the forward seller borrowed 10,637,500 shares of the Company s common stock from third parties.

Upon physical settlement of the Forward Sale Agreements, the Company will receive from the Forward Purchaser an amount equal to the net proceeds of the borrowed shares of common stock sold pursuant to the Underwriting Agreement, subject to certain adjustments pursuant to the Forward Sale Agreements. The Company will receive such amount at a forward sale price that initially will be $69.84 per share (which is the initial price to the public of $72.00 per share less the underwriting discount) but that will be subject to certain adjustments pursuant to the Forward Sale Agreements.

The Company expects the Forward Sale Agreements to settle by the end of 2016, but settlement may occur as late as June 30, 2017. The Company may, subject to certain conditions, elect to accelerate the settlement of all or a portion of the number of shares of common stock underlying the Forward Sale Agreements and the Forward Purchaser may accelerate settlement of the Forward Sale Agreements upon the occurrence of certain events.

On a settlement date, if the Company decides to physically settle a Forward Sale Agreement, the Company will issue shares of common stock to the Forward Purchaser under the Forward Sale Agreement at the then-applicable forward sale price. Each of the Forward Sale Agreements provides that the forward sale price will be subject to adjustment on a daily basis based on a floating interest rate factor determined by reference to the federal funds rate less a spread and will be decreased on certain dates by amounts related to expected dividends on shares of the Company s common stock during the term of the Forward Sale Agreements. If the federal funds rate is less than the spread for any day, the interest rate factor will result in a reduction of the forward sale price.

Except under circumstances described in each Forward Sale Agreement, the Company has the right to elect physical, cash or net share settlement under the Forward Sale Agreement. Although the Company expects to settle the Forward Sale Agreements entirely by delivering shares of common stock in connection with full physical settlement, the Company may, subject to certain conditions, elect cash settlement or net share settlement for all or a portion of its obligations if it concludes that doing so is in the best interest of the Company. In the event the Company elects to cash settle or net share settle, the settlement amount generally will be related to (1)(a) the market value of the shares of common stock during the unwind period under the related Forward Sale Agreement minus (b) the forward sale price;

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multiplied by (2) the number of shares of common stock underlying the Forward Sale Agreement then subject to cash settlement or net share settlement. If this settlement amount is a negative number, the Forward Purchaser will pay to the Company the absolute value of that amount or deliver to the Company a number of shares of the Company s common stock having a value equal to the absolute value of such amount. If this settlement amount is a positive number, the Company will pay to the Forward Purchaser that amount or deliver to the Forward Purchaser a number of shares of common stock having a value equal to such amount. In connection with any cash settlement or net share settlement, the Company would expect the Forward Purchaser or an affiliate to purchase shares of the Company s common stock in secondary market transactions for delivery to third party stock lenders in order to close out its, or its affiliate s, hedge positions in respect of the related Forward Sale Agreement.

The Forward Purchaser will have the right to accelerate each Forward Sale Agreement (or, in certain cases, any affected portion of the transaction as determined by the Forward Purchaser under the Forward Sale Agreement) and require the Company to settle on a date specified by the Forward Purchaser if (1) the Forward Purchaser is unable to, or would incur a materially increased cost to, establish, maintain or unwind its hedge position with respect to the Forward Sale Agreement, subject to certain exceptions in the case of such a materially increased cost; (2) the Forward Purchaser determines it is unable to, or it is commercially impracticable for it to, continue to borrow a number of shares of the Company s common stock equal to the number of shares of common stock underlying the Forward Sale Agreement or that, with respect to borrowing such number of shares of common stock, it would incur a rate that is greater than the borrow cost specified in the Forward Sale Agreement, subject to certain exceptions in the case of such a rate of borrowing that is greater than such specified borrow cost; (3) the Forward Purchaser determines that it has an excess Section 13 ownership position or an excess regulatory ownership position (as such terms are defined in the Forward Sale Agreement) with respect to certain ownership restrictions and related filing requirements under federal securities laws, Delaware corporate laws or other applicable laws and regulations, as applicable; (4) the Company declares a dividend or distribution on its shares of common stock with a cash value in excess of a specified amount, an ex-dividend date that occurs earlier than a specified date or certain non-cash dividends; (5) there occurs a public announcement of an event or transaction that, if consummated, would result in a merger event, tender offer, nationalization or change in law (in each case, as determined pursuant to the terms of the Forward Sale Agreement); or (6) certain other events of default, termination events or other specified events occur, including, among other things, any material misrepresentation made by the Company in connection with entering into the Forward Sale Agreement or a market disruption event during a specified period that lasts for more than eight scheduled trading days (in each case, as determined pursuant to the terms of the Forward Sale Agreement). The Forward Purchaser s decision to exercise its right to accelerate the settlement of the Forward Sale Agreement will be made irrespective of the Company s interests, including the Company s need for capital. In such cases, the Company could be required to issue and deliver shares of common stock under the physical settlement provisions, which would result in dilution to our earnings per share, return on equity and dividends per share. In addition, upon certain events of bankruptcy, insolvency or reorganization relating to the Company, the Forward Sale Agreement will terminate. Following any such termination, the Company may not issue any shares of common stock and would not receive any proceeds pursuant to the Forward Sale Agreement.

The description of the Forward Sale Agreements set forth above is qualified in its entirety by reference to the Forward Sale Agreements, copies of which are filed as Exhibits 10.1 and 10.2 to this Current Report on Form 8-K and incorporated by reference herein.

Item 8.01. Other Events.

On March 1, 2016, the Company entered into the Underwriting Agreement (the Underwriting Agreement) with Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, on their own behalf and the several underwriters named therein and Barclays Capital Inc., acting in its capacity as a forward seller and as agent for Barclays Bank PLC, relating to the registered public offering and sale by the forward seller of 9,250,000 shares of the Company s common stock, par value $0.001 at a price to the public of $72.00 per share. On March 2, 2016, the underwriters exercised in full their option to purchase an additional 1,387,500 shares of the Company s common stock pursuant to the Underwriting Agreement.

The description of the Underwriting Agreement set forth above is qualified in its entirety by reference to the Underwriting Agreement, a copy of which is filed as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference here.

Also, in connection with the issuance and sale of the shares of common stock, the Company is filing a legal opinion regarding the validity of the shares of common stock as Exhibit 5.1 to this Form 8-K for the purpose of incorporating the opinion into the Company s Registration Statement No. 333-191462.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit	**Description**
Exhibit 5.1	Opinion regarding validity of the shares of common stock
Exhibit 10.1	Confirmation of Forward Sale Transaction, dated March 1, 2016, between the Company and Barclays Capital Inc., acting as agent for Barclays Bank PLC
Exhibit 10.2	Additional Confirmation of Forward Sale Transaction, dated March 2, 2016, between the Company and Barclays Capital Inc., acting as agent for Barclays Bank PLC
Exhibit 23.1	Consent (included as part of Exhibit 5.1)
Exhibit 99.1	Underwriting Agreement, dated March 1, 2016, among the Company, the Underwriters named therein and Barclays Capital Inc., acting in its capacity as forward seller and as agent for Barclays Bank PLC

Information Regarding Forward-Looking Statements

This current report includes forward-looking statements. Duke Energy Corporation based these forward-looking statements on its current expectations about future events in light of its knowledge of facts as of the date of this current report and its assumptions about future circumstances. Investors are cautioned that any such forward-looking statements are subject to risks and uncertainties and that actual results may differ materially from those projected in the forward-looking statements. The Company assumes no obligation to update any such forward-looking statement. Prospective investors should also review the risks and uncertainties included in the Company s most recent Annual Report on Form 10-K and the Company s reports on Forms 10-Q and 8-K filed with the United States Securities and Exchange Commission, including Management s Discussion and Analysis of Financial Condition and Results of Operations and the risks described therein from time to time.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	DUKE ENERGY CORPORATION		
Date: March 7, 2016			
	By:	/s/ Robert T. Lucas III	
		Name:	Robert T. Lucas III
		Title:	Assistant Secretary

EXHIBIT INDEX

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p style="vertical-align: text-top; line-height: 1; font-size: smaller">(38)

10.53	Closing Share and Warrant Issuance Agreement by and between Cadiz Inc. and MSD Credit Opportunity Master Fund, L.P., dated as of November 29, 2016 [41]
10.54	Closing Share and Warrant Issuance Agreement by and between Cadiz Inc. and MILFAM II L.P., dated as of November 29, 2016 [41]
10.55	Closing Share and Warrant Issuance Agreement by and between Cadiz Inc. and WPI-Cadiz Farm CA, LLC, dated as of November 29, 2016 [41]
10.56	Form of Interest Share Issuance Agreement [41]
10.57	$60,000,000 Credit Agreement, dated as of May 1, 2017, by and among Cadiz Inc. and Cadiz Real Estate LLC as borrowers, Apollo Special Situations Fund, L.P. and the other lenders from time to time party thereto, and Wells Fargo Bank, National Association, as administrative agent [43]
10.58	Amended and Restated Payoff Agreement and Stipulation dated as of May 24, 2017, by Cadiz Inc., Cadiz Real Estate LLC, MSD Credit Opportunity Master Fund, L.P., Milfam II L.P., WPI-Cadiz Farm CA, LLC and Wells Fargo Bank, National Association, as administrative agent [42]

10.59 Security Agreement made by Cadiz Inc. and Cadiz Real Estate LLC, as loan parties, in favor of Wells Fargo Bank, National Association, as Agent, dated as of May 25, 2017 [42]

10.60 Deed of Trust, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing dated as of May 25, 2017 from Cadiz Inc., Cadiz Real Estate LLC, and Octagon Partners, LLC, collectively, as Trustor to Chicago Title Company, as Trustee and Wells Fargo Bank, National Association, as Agent for the Lenders from time to time under the Credit Agreement, as Beneficiary [42]

10.61 Settlement Agreement and Release, dated as of October 2, 2017, by and among Cadiz Inc., Cadiz Real Estate LLC, MSD Master Credit Opportunity Fund, L.P., Milfam II L.P. and WPI-Cadiz Farm CA, LLC [44]

10.62 Letter Agreement, dated November 8, 2017, by and among Cadiz Inc., and Apollo Special Situations Fund. L.P. [45]

21.1 Subsidiaries of the Registrant

23.1 Consent of Independent Registered Public Accounting Firm

31.1 Certification of Scott Slater, Chief Executive Officer of Cadiz Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Timothy J. Shaheen, Chief Financial Officer and Secretary of Cadiz Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Scott Slater, Chief Executive 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

32.2 Certification of Timothy J. Shaheen, Chief Financial Officer and Secretary of Cadiz Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(1) Previously filed as an Exhibit to our Registration Statement on 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 filed on November 14, 1996

(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

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(4) 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
(5) Previously filed as an Exhibit to our Current Report on Form 8-K dated November 30, 2004 filed on December 2, 2004
(6) 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
(7) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 filed on March 31, 2005
(8) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 filed on March 16, 2007
(9) Previously filed as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 filed on August 6, 2007
(10) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed on March 14, 2008
(11) Previously filed as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 filed on November 10, 2008
(12) Previously filed as Appendix A to our definitive proxy dated November 3, 2009, and filed on November 5, 2009
(13) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed on March 15, 2010
(14) Previously filed as an Exhibit to our Current Report on Form 8-K dated June 23, 2010 and filed on June 24, 2010
(15) Previously filed as an Exhibit to our Current Report on Form 8-K dated June 25, 2010 and filed on June 30, 2010
(16) Previously filed as an Exhibit to our Current Report on Form 8-K dated October 4, 2010 and filed on October 7, 2010
(17) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed on March 16, 2011
(18) Previously filed as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed on May 9, 2011
(19) Previously filed as an Exhibit to our Current Report on Form 8-K dated December 1, 2011, and filed on December 7, 2011
(20) Previously filed as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 9, 2012
(21) Previously filed as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed on November 8, 2012
(22) Previously filed as an Exhibit to our Current Report on Form 8-K dated December 7, 2012, and filed on December 12, 2012
(23) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on March 15, 2013
(24) Previously filed as an Exhibit to our Current Report on Form 8-K dated July 1, 2013 and filed on July 2, 2013
(25) Previously filed as an Exhibit to our registration statement on Form S-3 (Registration No. 333-190288) filed on July 31, 2013
(26) Previously filed as an Exhibit to our Current Report on Form 8-K dated October 30, 2013 and filed on October 31, 2013
(27) Previously filed as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, filed on November 8, 2013
(28) Previously filed as an Exhibit to our Current Report on Form 8-K dated June 10, 2014 and filed on June 13, 2014

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(29) Previously filed as an Exhibit to our Current Report on Form 8-K dated November 7, 2014 and filed on November 10, 2014
(30) Previously filed as an Exhibit to our Current Report on Form 8-K dated December 19, 2014 and filed on December 22, 2014
(31) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on March 9, 2015
(32) Previously filed as an Exhibit to our Current Report on Form 8-K dated November 23, 2015 and filed on November 30, 2015
(33) Previously filed as an Exhibit to our Current Report on Form 8-K dated December 10, 2015 and filed on December 16, 2015
(34) Previously filed as an Exhibit to our Current Report on Form 8-K dated December 23, 2015 and filed on December 30, 2015
(35) Previously filed as an Exhibit to our Current Report on Form 8-K dated February 8, 2016 and filed on February 12, 2016
(36) Previously filed as an Exhibit to our Current Report on Form 8-K dated March 4, 2016 and filed on March 10, 2016
(37) Previously filed as an Exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed on March 14, 2016
(38) Previously filed as an Exhibit to our Current Report on Form 8-K dated April 26, 2016 and filed on April 29, 2016
(39) Previously filed as an Exhibit to our Current Report on Form 8-K dated June 9, 2016 and filed on June 14, 2016
(40) Previously filed as an Exhibit to our registration statement on Form S-3 (Registration No. 333-214318) filed on October 28, 2016
(41) Previously filed as an Exhibit to our Current Report on Form 8-K dated November 29, 2016 and filed on December 1, 2016
(42) Previously filed as an Exhibit to our Current Report on form 8-K dated May 24, 2017 and filed on May 26, 2017
(43) Previously filed as an Exhibit to our Current Report on Form 8-K dated May 1, 2017 and filed on May 2, 2017
(44) Previously filed as an Exhibit to our Current Report on Form 8-K dated October 2, 2017 and filed on October 3, 2017
(45) Previously filed as an Exhibit to our Quarter Report on Form 10-Q for the quarter ended September 30, 2017, filed on November 8, 2017

ITEM 16. Form 10-K Summary

None.

CADIZ INC. CONSOLIDATED FINANCIAL STATEMENTS

(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.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Cadiz Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, cash flows and stockholders' deficit for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for testing goodwill for impairment as a result of the early adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2017-04, "Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment," on September 30, 2017.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

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Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
March 14, 2018

We have served as the Company's auditor since at least 1995. We have not determined the specific year we began serving as auditor of the Company.

Cadiz Inc.

Consolidated Statements of Operations And Comprehensive Loss

	Year Ended December 31,		
(In thousands, except per share data)	2017	2016	2015
Total revenues (rental income)	$437	$412	$304
Costs and expenses:			
Cost of sales (exclusive of depreciation shown below)	-	-	334
General and administrative	12,803	9,330	13,709
Depreciation	274	292	270
Total costs and expenses	13,077	9,622	14,313
Operating loss	(12,640)	(9,210)	(14,009)
Interest expense, net	(17,719)	(14,875)	(10,070)
Loss on extinguishment of debt and debt refinancing	(3,501)	(2,250)	-
Other income, net	-	-	70
Loss before income taxes	(33,860)	(26,335)	(24,009)
Income tax expense	4	4	4
Net loss and comprehensive loss	$(33,864)	$(26,339)	$(24,013)
Basic and diluted net loss per share	$(1.50)	$(1.41)	$(1.35)
Weighted-average shares outstanding	22,535	18,719	17,782

See accompanying notes to the consolidated financial statements.

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Cadiz Inc.

Consolidated Balance Sheets

($ in thousands, except per share data)	December 31, 2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$13,030	$12,172
Accounts receivable	36	39
Prepaid expenses and other	411	3,391
Total current assets	13,477	15,602
Property, plant, equipment and water programs, net	45,269	44,182
Goodwill	3,813	3,813
Other assets	3,946	3,502
Total assets	$66,505	$67,099
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$411	$439
Accrued liabilities	2,281	3,953
Current portion of long term debt	1,408	170
Warrant liabilities	2,387	-
Total current liabilities	6,487	4,562
Long-term debt	123,768	102,374
Long-term lease obligations with related party, net	13,276	12,287
Deferred revenue	750	750
Other long-term liabilities	923	1,443
Total liabilities	145,204	121,416
Commitments and contingencies (Note 11)		
Stockholders' deficit:		
Common stock - $0.01 par value; 70,000,000 shares authorized; shares issued and outstanding: 22,987,434 at December 31, 2017, and 21,768,864 at December 31, 2016	230	218
Additional paid-in capital	364,806	355,336
Accumulated deficit	(443,735)	(409,871)
Total stockholders' deficit	(78,699)	(54,317)
Total liabilities and stockholders' deficit	$66,505	$67,099

See accompanying notes to the consolidated financial statements.

Cadiz Inc.

Consolidated Statements of Cash Flows

($ in thousands)	Year Ended December 31, 2017	2016	2015
Cash flows from operating activities:			
Net loss	$(33,864)	$(26,339)	$(24,013)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation	274	292	270
Increase in warrant liabilities	2,608	-	-
Amortization of deferred loan costs	193	238	198
Amortization of debt discount	3,644	3,739	1,635
Interest expense added to loan principal	9,269	7,636	8,237
Interest added to lease liability	964	755	-
Loss on debt conversion	58	1,234	-
Loss on early extinguishment of debt and debt refinancing	3,501	2,250	-
Compensation charge for stock awards and share options	2,304	1,296	1,116
Changes in operating assets and liabilities:			
Decrease in accounts receivable	3	148	52
Decrease (increase) in prepaid expenses and other	2,980	(3,082)	37
Increase in other assets	(444)	(185)	(186)
(Decrease) increase in accounts payable	(79)	130	9
(Decrease) increase in accrued liabilities	(1,877)	2,374	77
Net cash used for operating activities	(10,466)	(9,514)	(12,568)
Cash flows from investing activities:			
Additions to property, plant and equipment	(1,006)	-	(906)
Net cash used for investing activities	(1,006)	-	(906)
Cash flows from financing activities:			
Net proceeds from issuance of common stock	-	10,510	-
Up-front payment related to lease liability	-	12,000	-
Net proceeds from issuance of long-term debt	57,253	8,000	-
Debt issuance costs	-	(960)	-
Principal payments on long-term debt	(44,923)	(10,554)	(42)
Net cash provided by (used for) financing activities	12,330	18,996	(42)
Net increase (decrease) in cash and cash equivalents	858	9,482	(13,516)
Cash and cash equivalents, beginning of period	12,172	2,690	16,206
Cash and cash equivalents, end of period	$13,030	$12,172	$2,690

See accompanying notes to the consolidated financial statements.
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Cadiz Inc.

Consolidated Statements of Stockholders' Deficit

($ in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance as of December 31, 2014	17,681,274	$ 177	$ 319,604	$ (359,519)	$ (39,738)
Issuance of shares pursuant to bond conversion	126,633	1	1,005	-	1,006
Convertible term loan conversion option	-	-	5,139	-	5,139
Stock compensation expense	68,109	1	1,107	-	1,108
Net Loss	-	-	-	(24,013)	(24,013)
Balance as of December 31, 2015	17,876,016	179	326,855	(383,532)	(56,498)
Issuance of shares to lenders	1,128,257	11	6,075	-	6,086
Issuance of shares pursuant to shelf takedown	1,150,000	12	10,498	-	10,510
Issuance of stock pursuant to bond conversion	1,406,723	14	9,566	-	9,580
Beneficial conversion feature	-	-	1,482	-	1,482
Stock compensation expense	207,868	2	860	-	862
Net Loss	-	-	-	(26,339)	(26,339)
Balance as of December 31, 2016	21,768,864	218	355,336	(409,871)	(54,317)
Issuance of shares to lenders	293,802	3	3,731	-	3,734
Issuance of stock pursuant to bond Conversion	413,335	4	2,821	-	2,825
Stock compensation expense	511,433	5	2,918	-	2,923
Net Loss	-	-	-	(33,864)	(33,864)
Balance as of December 31, 2017	22,987,434	$ 230	$ 364,806	$ (443,735)	$ (78,699)

See accompanying notes to the consolidated financial statements.

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Cadiz Inc.

Notes To The Consolidated Financial Statements

NOTE 1 – DESCRIPTION OF BUSINESS

Cadiz Inc. ("Cadiz" or "the Company") is a land and water resource development company with 45,000 acres of land in three areas of eastern San Bernardino County, California. Virtually all of this land is underlain by high-quality, naturally recharging groundwater resources, and is situated in proximity to the Colorado River and the Colorado River Aqueduct ("CRA"), California's primary mode of water transportation for imports from the Colorado River into the State. The Company's properties are suitable for various uses, including large-scale agricultural development, groundwater storage and water supply projects. The Company's main objective is to realize the highest and best use of its land and water resources in an environmentally responsible way.

The Company has been primarily focused on the development of the Cadiz Valley Water Conservation, Recovery and Storage Project ("Water Project" or "Project"), which will capture and conserve millions of acre-feet of native groundwater currently being lost to evaporation from the aquifer system beneath the Company's 34,500-acre property in the Cadiz and Fenner valleys of eastern San Bernardino County (the "Cadiz/Fenner Property"), and deliver it to water providers throughout Southern California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated 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 $33.9 million, $26.3 million and $24.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company had working capital of $7.0 million at December 31, 2017, and used cash in operations of $10.5 million for the year ended December 31, 2017. Cash requirements during the year ended December 31, 2017 primarily reflect certain administrative costs related to the Company's water project development efforts. Currently, the Company's sole focus is the development of its land and water assets.

In May 2017, the Company entered into a new $60 million credit agreement ("Credit Agreement") with funds affiliated with Apollo Global Management, LLC ("Apollo") that replaced and refinanced its then existing $45 million senior secured mortgage debt ("Prior Senior Secured Debt") and provided $15 million of new senior debt to fund immediate construction related expenditures ("New Senior Secured Debt"). The Company's New Senior Secured Debt and its convertible notes contain representations, warranties and covenants that are typical for agreements of this type, including restrictions that would limit the Company's ability to incur additional indebtedness, incur liens, pay dividends or make restricted payments, dispose of assets, make investments and merge or consolidate with another person. However, while there are affirmative covenants, there are no financial maintenance covenants and no restrictions on the Company's ability to issue additional common stock to fund future working capital needs. The debt covenants associated with the New Senior Secured Debt were negotiated by the parties with a view towards the Company's operating and financial condition as it existed at the time the agreements were executed. At December 31, 2017, the Company was in compliance with its debt covenants.

The Company's cash resources provide the Company with sufficient funds to meet its working capital needs for a period beyond one year from this annual report issuance date. The Company may meet working capital requirements beyond this period through a variety of means, including construction financing, equity or debt placements, through the sale or other disposition of assets or reductions in operating costs. Equity placements may be made using our existing shelf registration. Equity placements, if made, would be undertaken only to the extent necessary, so as to minimize the dilutive effect of any such placements upon the Company's existing stockholders.

Limitations on the Company's liquidity and ability to raise capital may adversely affect it. Sufficient liquidity is critical to meet the Company's resource development activities. Although the Company currently expects its sources of capital to be sufficient to meet its near-term liquidity needs, there can be no assurance that its liquidity requirements will continue to be satisfied. If the Company cannot raise needed funds, it might be forced to make 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.

Principles of Consolidation

The consolidated financial statements include the accounts of Cadiz Inc. and all subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

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 goodwill and other long-lived assets, stock compensation and deferred tax assets. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes rental income through its lease with Fenner Valley Farms LLC.

Stock-Based Compensation

General and administrative expenses include $2.3 million, $1.3 million and $1.1 million of stock-based compensation expenses in the years ended December 31, 2017, 2016 and 2015, respectively.

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The Company applies the Black-Scholes valuation model in determining the fair value of options granted to employees and consultants. For employees, the fair value is then charged to expense on the straight-line basis over the requisite service period. For consultants, the fair value is remeasured at each reporting period and recorded as a liability until the award is settled.

Accounting Standards Codification Topic 718, "Compensation – Stock Compensation" ("Topic 718") also requires the Company to estimate forfeitures in calculating the expense related to stock-based compensation as opposed to only recognizing forfeitures and the corresponding reduction in expense as they occur. As of December 31, 2017, all options outstanding are fully vested; therefore, there is no potential impact of forfeitures. The Company is in a tax loss carryforward position and is not expected to realize a benefit from any additional compensation expense recognized under Topic 718. See Note 7, "Income Taxes".

Net Loss Per Common Share

Basic net loss per share is computed by dividing the net loss by the weighted-average common shares outstanding. Options, deferred stock units, warrants, and the zero coupon term loan convertible into or exercisable for certain shares of the Company's common stock were not considered in the computation of net loss per share because their inclusion would have been antidilutive. Had these instruments been included, the fully diluted weighted average shares outstanding would have increased by approximately 10,894,000 shares, 11,070,000 shares and 8,453,000 shares for the years ended December 31, 2017, 2016 and 2015, respectively.

Property, Plant, Equipment and Water Programs

Property, plant, equipment and water programs are stated at cost. 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, and five to fifteen years for machinery and equipment. Leasehold improvements are amortized over the shorter of the term of the relevant lease agreement or the estimated useful life of the asset.

Water rights, storage and supply programs are stated at cost. Certain costs directly attributable to the development of such programs have been 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 additional feasibility studies, and other professional and legal fees. While interest on borrowed funds is currently expensed, interest costs related to the construction of project facilities will be capitalized at the time construction of these facilities commences.

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 prior to the adoption of Accounting Standards Codification 350, "Intangibles – Goodwill and Other" ("ASC 350") on January 1, 2002. Since the adoption of ASC 350, there have been no goodwill impairments recorded. The Cadiz reporting unit to which $3.8 million of goodwill is allocated had a negative carrying amount on December 31, 2017, 2016 and 2015.

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Deferred loan costs represent costs incurred to obtain debt financing. Such costs are amortized over the life of the related loan using the interest method. At December 31, 2017, the deferred loan fees relate to the corporate term loan, as described in Note 6, "Long-Term Debt".

Impairment of Goodwill and Long-Lived Assets

The Company assesses long-lived assets, excluding goodwill, for recoverability whenever events or changes in circumstances indicate that their carrying value may not be recoverable through the estimated undiscounted future cash flows resulting from the use of the assets. If it is determined that the carrying value of long-lived assets may not be recoverable, the impairment is measured by using the projected discounted cash-flow method.

The Company uses a one-step impairment test to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any) for the Company. This quantitative assessment is performed at least annually in the fourth quarter and compares a reporting unit's fair value to its carrying amount to determine if there is a potential impairment. An impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.

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.

Fair Value of Financial Instruments

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and accrued liabilities due to their short-term nature. The carrying value of the Company's secured debt approximates fair value, based on interest rates available to the Company for debt with similar terms. The fair value of the Company's convertible debt exceeds its carrying value due to the increased value of its conversion feature, which is determined using the Black-Scholes model. See Note 6, "Long-Term Debt", for discussion of fair value of debt.
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Supplemental Cash Flow Information

Under the terms of the Prior Senior Secured Debt, the Company was required to pay 50% of all quarterly interest payments in cash or stock on the Prior Senior Secured Debt, rather than in accretion to principal. Under the terms of the New Senior Secured Debt, the Company is required to pay 25% of all future quarterly interest payments in cash. During the year ended December 31, 2017, approximately $748 thousand in interest payments on corporate debt was paid in cash, and approximately $433 thousand in interest payments on the corporate secured debt was paid in stock. As a result of the interest payments paid in stock, 29,706 shares of common stock were issued to the lenders. No other payments are due on the corporate secured debt or convertible notes prior to their maturities.

In connection with the New Senior Secured Debt, the Company issued a warrant to purchase an aggregate of 362,500 shares of its common stock ("2017 Warrant"). The Company recorded a debt discount at the time of the closing of the New Senior Secured Debt in the amount of $2.9 million which was the fair value of the 2017 Warrant issued. The fair value of the 2017 Warrant is remeasured each reporting period, and the change in warrant value is recorded as an adjustment to the derivative liability and interest expense.

During the year ended December 31, 2017, approximately $2.93 million in convertible notes were converted by certain of the Company's lenders. As a result, 413,335 shares of common stock were issued to the lenders.

Cash payments for income taxes were $4,000 for each of the years ended December 31, 2017, 2016, and 2015.

Recent Accounting Pronouncements

Accounting Guidance Not Yet Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update related to lease accounting including enhanced disclosures. Under the new standard, a lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified assets for a period of time in exchange for consideration. Lessees will classify leases with a term of more than one year as either operating or finance leases and will need to recognize a right-of-use asset and a lease liability. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. This guidance is effective January 1, 2019, but early adoption is permitted. The Company is currently evaluating this new guidance and cannot determine the impact of this standard at this time.

In August 2016, the FASB issued an accounting standards update which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, but early adoption is permitted. While the Company continues to asses all potential impacts of this standard, the Company does not currently expect the adoption of this standard to have a material impact on the Company's condensed consolidated financial statements.

In January 2017, the FASB issued an accounting standards update which clarifies the definition of a business and provides guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those periods, with early adoption permitted. While the Company continues to asses all potential impacts of this standard, the Company does not currently expect the adoption of this standard to have a material impact on the Company's condensed consolidated financial statements.

In May 2017, the FASB issued an accounting standards update which clarifies which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting, in accordance with Topic 718. An entity should account for the effect of a modification unless all of the following are met:

1. The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified. If the modification does not affect any of the inputs of the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification.
2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified.
3. The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified.

This guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those periods with early adoption permitted. While the Company continues to asses all potential impacts of this standard, the Company does not currently expect the adoption of this standard to have a material impact on the Company's condensed consolidated financial statements.

In July 2017, the FASB issued an accounting standards update to provide new guidance for the classification analysis of certain equity-linked financial instruments, or embedded features, with down round features, as well as clarify existing disclosure requirements for equity-classified instruments. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating this new guidance and cannot determine the impact of this standard at this time.

Accounting Guidance Adopted

In March 2016, the FASB issued an accounting standards update to simplify the accounting for share-based payments. Under this new guidance, the tax effects related to share based payments are recorded through the income statement. Previously, tax benefits in excess of compensation cost ("windfalls") are recorded in equity, and tax deficiencies ("shortfalls") are recorded in equity to the extent of previous windfalls, and then to the income statement. This guidance is effective January 1, 2017, and early adoption was permitted. The new standard also revised reporting on the statement of cash flows. The Company adopted this guidance on January 1, 2017, and the new standard did not have a material impact on the Company's condensed consolidated financial statements.
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In January 2017, the FASB issued an accounting standards update which eliminates Step 2 from the goodwill impairment test. Entities should perform their goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company adopted this guidance on September 30, 2017, and the new standard did not have a material impact on the Company's condensed consolidated financial statements.

In May 2014, the FASB issued an accounting standards update on revenue recognition including enhanced disclosures. Under the new standard, revenue is recognized when (or as) a good or service is transferred to the customer and the customer obtains control of the good or service. On July 9, 2015, the FASB approved a one-year deferral, updating the effective date to January 1, 2018. The Company adopted this guidance on January 1, 2018, and the new standard did not have a material impact on the Company's consolidated financial statements.

NOTE 3 – PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

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

	December 31, 2017	December 31, 2016
Land and land improvements	$24,781	$24,781
Water programs	22,595	21,324
Buildings	1,572	1,572
Leasehold improvements	570	570
Furniture and fixtures	461	461
Machinery and equipment	1,337	1,313
Construction in progress	123	112
	51,439	50,133
Less accumulated depreciation	(6,170)	(5,951)
	$45,269	$44,182

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NOTE 4 – OTHER ASSETS

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

	December 31, 2017	December 31, 2016
Prepaid rent	$3,554	$3,369
Security deposits	392	133
	$3,946	$3,502

Prepaid rent primarily consists of fees incurred to obtain the right-of-way for the Water Project. Amortization of prepaid rent was approximately $115,000, $115,000 and $115,000 in 2017, 2016 and 2015, respectively.

NOTE 5 – ACCRUED LIABILITIES

At December 31, 2017 and 2016, accrued liabilities consist of the following (dollars in thousands):

	December 31, 2017	December 31, 2016
Payroll, bonus, and benefits	$1,204	$317
Legal and consulting	550	167
Stock-based compensation	71	171
Litigation settlement	-	3,000
Other accrued expenses	456	298
	$2,281	$3,953

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NOTE 6 – LONG-TERM DEBT AND LEASE OBLIGATION

At December 31, 2017 and 2016, the carrying amount of the Company's outstanding debt is summarized as follows (dollars in thousands):

	December 31, 2017	2016
New Senior secured debt due March 25, 2021 Interest accrues at 8% per annum	$62,701	$-
Prior Senior secured debt due September 28, 2019 Interest accrues at 8% per annum	-	43,550
Convertible note instrument due March 5, 2018 Interest accrues at 7% per annum (1)	1,371	2,154
Convertible note instrument due March 5, 2020 Interest accrues at 7% per annum	69,488	66,800
Lease Obligation	13,720	12,755
Other loans	160	144
Debt discount and debt issuance costs, net of accumulated accretion	(8,988)	(10,572)
	138,452	114,831
Less current portion	1,408	170
	$137,044	$114,661

(1) As of March 5, 2018, all convertible notes due on March 5, 2018 were converted by certain of the Company's lenders.

The carrying value of the Company's secured debt approximates fair value. The fair value of the Company's secured debt (Level 2) is determined based on an estimation of discounted future cash flows of the debt at rates currently quoted or offered to the Company by its lenders for similar debt instruments of comparable maturities by its lenders.

The fair value of the Company's convertible debt exceeds its carrying value of approximately $71.0 million, which includes accreted interest, by approximately $57.2 million due to the increased value of its conversion feature. The conversion feature's fair value increases as the Company's common stock price increases. The fair value of the conversion feature (Level 3) is determined using the Black-Scholes model. Significant inputs to the model were the conversion price ($6.75 to $8.05), the number of shares of common stock that could be acquired upon conversion as of December 31, 2017, the Company's stock price as of December 31, 2017 of $14.25 and stock volatility of 51%, which was determined using our publicly-traded stock price over the last two years.

Pursuant to the Company's loan agreements, annual maturities of long-term debt outstanding on December 31, 2017, are as follows:

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Year Ending December 31	($ in thousands)
2018	$ 1,426
2019	59
2020	69,634
2021	62,239
2022+	13,720
	$ 147,078

Credit Agreement

On May 25, 2017 ("Closing Date"), the Company entered into a new $60 million credit agreement ("Credit Agreement") with funds affiliated with Apollo Global Management, LLC ("Apollo") that replaced and refinanced the Company's then existing $45 million senior secured mortgage debt ("Prior Senior Secured Debt") and provided $15 million of new senior debt to fund immediate construction related expenditures ("New Senior Secured Debt"). The New Senior Secured Debt will mature on the earliest of (a) the four year anniversary of the Closing Date, and (b) the "Springing Maturity Date", which is defined as the date which is 91 days prior to the maturity date of the 7.00% Convertible Senior Notes of Cadiz due 2020 (the "New Convertible Notes") that were issued in December 2015 and April 2016 pursuant to the New Convertible Notes Indenture as defined in the Credit Agreement, if on the 91st day preceding the maturity date of the New Convertible Notes, the 5-Day VWAP, as defined in the Credit Agreement, is less than 120% of the then applicable Conversion Rate, as defined in the New Convertible Notes Indenture, and at least $10,000,000 in original principal amount of the New Convertible Notes is outstanding ((a) or (b), as applicable, the "Maturity Date").

The proceeds from the Credit Agreement were used to repay the Prior Senior Secured Debt resulting in a loss on extinguishment of $3.5 million which consisted of the write-off of unamortized debt discount, unamortized debt issuance costs and fees paid to the former lenders. In addition, the Company incurred $1.5 million in legal and finders' fees which was recorded as additional debt discount and is being amortized through December 2019, which is the Springing Maturity Date as discussed above.

Interest on the New Senior Secured Debt is due quarterly on each March 31, June 30, September 30 and December 31 (each an "Interest Date") beginning on June 30, 2017. Interest on the New Senior Secured Debt will (i) accrete to the outstanding principal amount at a rate per annum equal to 6% (the "PIK Rate") compounded quarterly on each Interest Date and (ii) accrue on the outstanding principal amount at a rate per annum equal to 2% (the "Cash Rate"). The Company, in its discretion, may make any quarterly interest payment in cash on the applicable Interest Date at the PIK Rate, in lieu of accretion of such interest to the principal amount at the PIK Rate.

The Accreted Loan Value plus the Applicable Prepayment Premium will be due and payable on the Maturity Date. "Accreted Loan Value" means, as of the date of determination, the outstanding principal amount of the applicable Loan, plus all accreted interest as of the calendar day immediately prior to such date of determination. "Applicable Prepayment Premium" means with respect to any repayment of the New Senior Secured Debt (a) the Accreted Loan Value of the New Senior Secured Debt being prepaid or repaid, as applicable, multiplied by (b) 3.00%.
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The Company may prepay the New Senior Secured Debt, in whole or in part, for an amount equal to the Accreted Loan Value plus the Applicable Prepayment Premium; provided that if the Springing Maturity Date has not occurred, the Company may not prepay the New Senior Secured Debt, without the prior written consent of the holders of more than 50% of the aggregate unpaid principal amount of the New Senior Secured Debt, during the period commencing on the date that is 91 days prior to the maturity date of the New Convertible Notes and ending on the maturity date of the New Convertible Notes.

The Company paid Apollo an upfront fee of 2.00% of the aggregate principal amount of the New Senior Secured Debt funded on the Closing Date. This amount was recorded as additional debt discount and is being amortized over the remaining term of the loan.

In conjunction with the closing of the New Senior Secured Debt, the Company issued to Apollo a warrant to purchase an aggregate 362,500 shares of its common stock ("2017 Warrant"). The Company recorded a debt discount at the time of the closing of the New Senior Secured Debt in the amount of $2.9 million which is the fair value of the 2017 Warrant issued. The debt discount is being amortized through December 2019, which is the Springing Maturity Date as discussed above. The fair value of the 2017 Warrant will be remeasured each reporting period, and the change in warrant value will be recorded as an adjustment to the derivative liability. The warrant has a five-year term and an exercise price of $14.94 per share, subject to adjustment.

Total unrealized losses of $2.6 million for warrant liabilities accounted for as derivatives have been recorded in interest expense in the year ended December 31, 2017.

Convertible Notes

On April 26, 2016, the Company entered into a note purchase agreement with new and existing investors (the "Investors"), pursuant to which the Company issued approximately $10.0 million of its 7.00% Convertible Senior Notes due 2020 ("2020 Notes)in aggregate principal and accrued interest. The proceeds from the issuance of the 2020 Notes to the Investors (such 2020 Notes, the "New Notes"), approximately $8.0 million before fees and expenses, were used for general working capital purposes.

The 2020 Notes accrue interest at 7.00% per year, with no principal or interest payments due prior to maturity on March 5, 2020. The 2020 Notes, including original principal and accrued interest, are convertible at any time into the Company's common stock at a price of $6.75 per share, pursuant to the terms of the Indenture dated as of December 10, 2015, by and between the Company and U.S. Bank National Association (the "Indenture"), under which the New Notes were issued. As a result of this transaction, the Company recorded a debt discount in the amount of $2.0 million which is the difference between the proceeds from this transaction and the principal and accrued interest of New Notes on the day of the issuance. In addition, based on the conversion rate of $6.75 per share, the fair value of the shares receivable on conversion exceed the $8.0 million in net proceeds; therefore, a beneficial conversion feature was recorded in the amount of $1.48 million. This amount was recorded as additional debt discount with a corresponding amount recorded as additional paid-in capital. Such debt discount is accreted to the redemption value of the instrument over the remaining term of the loan. Furthermore, the Company incurred $400 thousand in placement agent fees which was recorded as additional debt discount and is being amortized over the remaining term of the loan.

In connection with issuing the New Notes, the Company entered into a First Supplemental Indenture to the Indenture, dated as of April 28, 2016, by and between the Company and U.S. Bank National Association.

The Company's New Senior Secured Debt and its convertible notes contain representations, warranties and covenants that are typical for agreements of this type, including restrictions that would limit the Company's ability to incur additional indebtedness, incur liens, pay dividends or make restricted payments, dispose of assets, make investments and merge or consolidate with another person. However, while there are affirmative covenants, there are no financial maintenance covenants and no restrictions on the Company's ability to issue additional common stock to fund future working capital needs. The debt covenants associated with the New Senior Secured Debt were negotiated by the parties with a view towards the Company's operating and financial condition as it existed at the time the agreements were executed. At December 31, 2017, the Company was in compliance with its debt covenants.

Lease Obligation

On February 8, 2016, the Company entered into a lease agreement with Fenner Valley Farms LLC ("FVF") (the "lessee"), a subsidiary of Water Asset Management LLC, a related party, pursuant to which FVF is leasing, for a 99-year term, 2,100 acres owned by Cadiz in San Bernardino County, California, to be used to plant, grow and harvest agricultural crops ("FVF Lease Agreement"). As consideration for the lease, FVF paid the Company a one-time payment of $12.0 million upon closing.

Under the FVF Lease Agreement, the Company has a repurchase option to terminate the lease at any time during the twenty (20) year period following the effective date of the lease ("Termination Option Period") upon (1) repayment of the one-time $12 million lease payment plus a ten percent (10%) compounded annual return (provided that the amount of such payment shall be not less than $14,400,000), (2) reimbursement of water-related infrastructure on the leased property plus 8% per annum as well as the actual costs of any farming-related infrastructure installed on the leased property and (3) reimbursement of certain pipeline-related development expenses, working in coordination with Cadiz, not to exceed $3,000,000 (such payments, the " Termination Payments "). If (x) Cadiz does not exercise its termination right within such 20-year period or (y) the Agent under Cadiz's credit agreement declares an event of default under Cadiz's Senior Secured Debt and accelerates the indebtedness due and owing thereunder by Cadiz (or such indebtedness automatically accelerates under the terms of Cadiz's Senior Secured Debt), then the lessee may purchase the leased property for $1.00. The Company has recorded the one-time payment of $12 million, before legal fees, paid by FVF as a long-term lease liability. The Company's consolidated statement of operations reflects a net charge equal to a 10% finance charge compounding annually over the 20-year Termination Option Period. The net charge to the consolidated statement of operations reflects (1) rental income associated with the use of the land by FVF over the 20-year termination option period and (2) interest expense at a market rate reflective of a 20-year secured loan transaction. As a result of this transaction, the Company incurred approximately $490 thousand of legal fees which was recorded as a debt discount and is being amortized over the 20-year Termination Option Period.

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NOTE 7 – 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, 2017 and 2016 are as follows (dollars in thousands):

	December 31, 2017	2016
Deferred tax assets:		
Net operating losses	$59,551	$74,195
Fixed asset basis difference	4,559	10,662
Contributions carryover	4	5
Deferred compensation	1,352	2,375
Accrued liabilities	971	389
Total deferred tax assets	66,437	87,626
Valuation allowance for deferred tax assets	(66,437)	(87,626)
Net deferred tax asset	$-	$-

The valuation allowance decreased $21,189,000 and increased $7,121,000 in 2017 and 2016, respectively. The change in deferred tax assets resulted from current year net operating losses and changes to future tax deductions resulting from terms of stock compensation plans, fixed assets, and accrued liabilities. The 2017 change in deferred tax assets was impacted significantly by the passage of the Tax Cuts and Jobs Act ("TCJA") enacted in the United States on December 22, 2017. One of the effects of the TCJA is to reduce the effective federal corporate tax rate to 21%, effective January 1, 2018. The 2017 deferred tax assets above take into account a remeasurement to the new federal tax rate. The effect to the Company of this new legislation resulted in a reduction in federal deferred tax assets (prior to valuation allowance) of approximately $30,675,000. This provision includes a reasonable estimate of the impact of the TCJA on our tax provision following the guidance of SEC Staff Accounting Bulletin No. 118.

As of December 31, 2017, the Company had net operating loss (NOL) carryforwards of approximately $286.3 million for federal income tax purposes and $166.3 million for California income tax purposes. Such carryforwards expire in varying amounts through the year 2036. Use of the carryforward amounts is subject to an annual limitation as a result of a previous ownership change.

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As of December 31, 2017, the Company possessed unrecognized tax benefits totaling approximately $2.8 million. None of these, if recognized, would affect the Company's effective tax rate because the Company has recorded a full valuation allowance against these tax assets.

The Company's tax years 2014 through 2017 remain subject to examination by the Internal Revenue Service, and tax years 2013 through 2017 remain subject to examination by California tax jurisdictions. In addition, the Company's loss carryforward amounts are generally subject to examination and adjustment for a period of three years for federal tax purposes and four years for California purposes, beginning when such carryovers are utilized to reduce taxes in a future tax year.

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

	Year Ended December 31,		
	2017	2016	2015
Expected federal income tax benefit at 34%	$(11,477)	$(8,955)	$(8,163)
Loss with no tax benefit provided	8,156	6,918	7,389
State income tax	4	4	4
Non-deductible expenses and other	3,321	2,037	774
Income tax expense	$4	$4	$4

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.

NOTE 8 – COMMON STOCK

As previously disclosed, in January 2013, the Company revised its then existing agreement with the law firm of Brownstein Hyatt Farber Schreck LLP ("Brownstein"), a related party. Under this agreement, the Company is to issue up to a total of 400,000 shares of the Company's common stock, with 100,000 shares earned upon the achievement of each of four enumerated milestones as follows:

i. 100,000 shares earned upon the execution of the revised agreement;

ii. 100,000 shares earned upon receipt by the Company of a final judicial order dismissing all legal challenges to the Final Environmental Impact Report for the Project;

iii. 100,000 shares earned upon the signing of binding agreements for more than 51% of the Project's annual capacity; and

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iv. 100,000 shares earned upon the commencement of construction of all of the major facilities contemplated in the Final Environmental Impact Report necessary for the completion and delivery of the Project.

All shares earned upon achievement of any of the four milestones will be payable three years from the date earned.

The first of the four milestones was satisfied in January 2013, and at that time, the Company recorded a stock compensation expense for the first 100,000 shares earned. In May 2016, the second milestone was earned when a three-judge Appellate judge panel unanimously sustained the six trial court decisions and validated the Project's environmental review and approvals. As a result, the Company accrued and recognized stock compensation in 2016 in the amount of $520,000 for the second of the four milestones. Because the shares were payable three years from the date earned, the fair value of these shares was measured by applying a discount which was determined by using the Finnerty model for discounts for lack of marketability. In December 2017, the Company eliminated the holding period for these shares which required the Company to re-measure the award at the time the shares were issued. The Company recognized additional stock compensation during the fourth quarter of 2017 in the amount of $171,000 to reflect the issuance of these shares. Additionally, the Company incurred direct expenses to Brownstein associated with the Water Project of approximately $1.8 million and $1.1 million in 2017 and 2016, respectively.

On October 2, 2017, the Company agreed to issue an aggregate of 264,096 shares (the "Shares") of the Company's common stock with an aggregate value of $3.3 million in connection with a Payoff Agreement the Company entered into with prior lenders on May 24, 2017. Effective upon the delivery of the Shares, outstanding warrants registered in the name of the prior lenders (the "2016 Warrants"), pursuant to which the prior lenders had a right to purchase up to 357,500 shares of the Company's common stock, were cancelled. The Company recorded a $3.1 million expense in 2017 for the issuance of these shares and cancellation of the warrants. The expense is included in interest expense.

NOTE 9 – STOCK-BASED COMPENSATION PLANS AND WARRANTS

The Company has issued options and has granted stock awards pursuant to its 2009 Equity Incentive Plan and 2014 Equity Incentive Plan, as described below.

2009 Equity Incentive Plan

The 2009 Equity Incentive Plan was approved by stockholders at the 2009 Annual Meeting. The plan provides for the grant and issuance of up to 850,000 shares and options to the Company's employees and consultants. The plan became effective when the Company filed a registration statement on Form S-8 on December 18, 2009. All options issued under the 2009 Equity Incentive Plan have a ten-year term with vesting periods ranging from issuance date to 24 months.

2014 Equity Incentive Plan

The 2014 Equity Incentive Plan was approved by stockholders at the June 10, 2014 Annual Meeting. The plan provides for the grant and issuance of up to 675,000 shares and options to the Company's employees, directors and consultants. Upon approval of the 2014 Equity Incentive Plan, all shares of common stock that remained available for award under the 2009 Equity Incentive Plan were cancelled. Following registration of the 2014 Plan on Form S-8, the Company entered into revised employment agreements with certain senior management that provided for the issuance of up to 162,500 Restricted Stock Units ("RSU's") during the period July 1, 2014 through December 31, 2016, and the issuance of up to 200,000 RSU's in connection with obtaining construction financing for the Water Project ("Milestone RSUs"). The Milestone RSUs vested in June 2017, and the Company recorded stock compensation expense of $1.7 million during the year ended December 31, 2017, to reflect the issuance of these shares.

Under the 2014 Equity Incentive Plan, each outside director receives $30,000 of cash compensation and receives a deferred stock award consisting of shares of the Company's common stock with a value equal to $20,000 on June 30 of each year. The award accrues on a quarterly basis, with $7,500 of cash compensation and $5,000 of stock earned for each fiscal quarter in which a director serves. The deferred stock award vests automatically on January 31 in the year following the award date.

All options that have been issued under the above plans have been issued to officers, employees and consultants of the Company. In total, options to purchase 507,500 shares were unexercised and outstanding on December 31, 2017, under the 2009 and 2014 equity incentive plans.

For consultants of the Company, the fair value of each option granted under the 2009 Equity Incentive Plan is estimated at each reporting period using the Black-Scholes option pricing model and recorded as a liability until the award is settled.

For officers and employees of the Company, the fair value of each option granted under the plans was estimated on the date of grant using the Black-Scholes option pricing model.

The risk-free interest rate is assumed to be equal to the yield of a U.S. Treasury bond of comparable maturity, as published in the Federal Reserve Statistical Release for the relevant date. The expected life estimate is based on an analysis of the employees receiving option grants and the expected behavior of each employee. The expected volatility is derived from an analysis of the historical volatility of the trading price per share of the Company's common stock on the NASDAQ Global Market. The Company does not anticipate that it will pay dividends to common stockholders in the future.

The Company recognized no stock-option-related compensation costs for the years ended December 31, 2015, 2016 and 2017 relating to these options. No stock options were exercised during 2017.

No options were granted in 2017, 2016 and 2015. A summary of option activity under the plans as of December 31, 2017, and changes during the years ended December 31, 2016 and 2015 are presented below:

	Shares		Weighted-Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value ($000's)
Outstanding at January 1, 2015	822,500		$ 11.82	3.4	$ 7,181
Granted	-		$ -		
Forfeited, Expired or canceled	(315,000)		$ 12.09	-	$ 3,247
Exercised	-		$ -		
Outstanding at December 31, 2015	507,500		$ 11.66	4.3	$ 3,934
Granted	-		$ -		
Forfeited, Expired or canceled	-		$ -		
Exercised	-		$ -		
Outstanding at December 31, 2016	507,500		$ 11.66	3.3	$ 3,934
Granted	-		$ -		
Forfeited, Expired or canceled	-		$ -		
Exercised	-		$ -		
Outstanding at December 31, 2017	507,500	(a)	$ 11.66	2.3	$ 3,394
Options exercisable at December 31, 2017	507,500		$ 11.66	2.3	$ 3,394
Weighted-average years of remaining contractual life of options outstanding ad December 31, 2017	2.3				

(a) Exercise prices vary from $9.88 to $12.51, and expiration dates vary from January 2020 to December 2021.

Stock Awards to Directors, Officers, Consultants and Employees

The Company has granted stock awards pursuant to its 2009 Equity Incentive Plan and 2014 Equity Incentive Plan.

Of the total 850,000 shares reserved under the 2009 Equity Incentive Plan, 297,265 shares were issued as share grants and 507,500 were issued as options. Upon approval of the 2014 Equity Incentive Plan in June 2014, 45,235 shares remaining available for award under the 2009 Equity Incentive Plan were cancelled.

Of the total 675,000 shares reserved under the 2014 Equity Incentive Plan, 605,948 shares have been awarded to the Company's directors, consultants and employees. Of the 605,948 shares awarded, 8,694 shares were awarded for service during the plan year ended June 30, 2017, became effective on that date and vested on January 31, 2018.

The accompanying consolidated statements of operations and comprehensive loss include approximately $2,303,000, $1,296,000 and $1,116,000 of stock-based compensation expense related to stock awards in the years ended December 31, 2017, 2016 and 2015, respectively.

A summary of stock awards activity under the plans during the years ended December 31, 2017 and 2016 is presented below:

	Shares	Weighted-Average Grant-date Fair Value
Nonvested at December 31, 2015	76,850	$ 8.54
Granted	84,383	$ 7.23
Forfeited or canceled	-	$ -
Vested	(143,868)	$ 8.11
Nonvested at December 31, 2016	17,365	$ 5.76
Granted	231,762	$ 22
Forfeited or canceled	-	$ -
Vested	(240,433)	$ 12.66
Nonvested at December 31, 2017	8,694	$ 13.81

NOTE 10 – SEGMENT INFORMATION

The primary business of the Company is to acquire and develop land and water resources. As a result, the Company's financial results are reported in a single segment.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company leases equipment and office facilities under operating leases that expire through April 2019. Aggregate rental expense under all operating leases was approximately $224,000, $157,000 and $207,000 in the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017, the future minimum rental commitments under existing non-cancelable operating leases totaled $267,000.

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 entered into a Services and Exclusivity Agreement with Layne Christensen Company ("Layne") on November 2009. The agreement provides that the Company will contract exclusively with Layne for certain water related services, including drilling of boreholes, drilling of monitoring wells, completion of test wells, completion of production wells, and completion of aquifer, storage and recovery wells. In exchange for the Services and Exclusivity Agreement, Layne has agreed to forego $923,000 for work performed. This amount continues to be recorded as an other long-term liability as of December 31, 2017, and will be credited toward future work performed during the construction phase of the Water Project.

Pursuant to cost-sharing agreements that have been entered into by participants in the Company's Water Project, $750,000 in funds has offset costs incurred in the environmental analysis of the Water Project. These funds may either be reimbursed or credited to participants participation in the Water Project and, accordingly, are fully reflected as deferred revenue as of December 31, 2017.

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

NOTE 12 – FAIR VALUE MEASUREMENTS

The following table presents information about warrant liabilities that are measured at fair value on a recurring basis as of December 31, 2017, and indicate the fair value hierarchy of the valuation techniques we utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. We consider a security that trades at least weekly to have an active market. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

	Investments at Fair Value as of December 31, 2017			
(in thousands)	Level 1	Level 2	Level 3	Total
Warrant liabilities	-	-	(2,387)	(2,387)
Total warrant liabilities	$-	$ -	$(2,387)	$(2,387)

The following table presents a reconciliation of Level 3 activity for the year ended December 31, 2017:

(in thousands)	Level 3 Liabilities Warrant Liabilities
Balance at January 1, 2017	$ -
New warrants issued	3,080
Unrealized losses, net	2,608
Settlement of warrants	(3,301)
Balance at December 31 ,2017	$ 2,387

The 2017 Warrants are Level 3 liabilities and are valued using a lattice model that uses unobservable inputs such as volatility and future probability of issuing new shares.

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NOTE 13 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share data)

	Quarter Ended March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Revenues	$108	$108	$111	$110
Gross profit	108	108	111	110
Operating loss	(4,113)	(2,105)	(2,414)	(4,008)
Net loss	(7,227)	(13,570)	(5,992)	(7,075)
Basic and diluted net loss per common share	$(0.33)	$(0.60)	$(0.26)	$(0.31)

	Quarter Ended March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Revenues	$75	$108	$120	$109
Gross profit (loss)	75	108	120	109)
Operating loss	(2,353)	(2,606)	(1,930)	(2,321)
Net loss	(8,795)	(5,645)	(5,175)	(6,724)
Basic and diluted net loss per common share	$(0.49)	(0.31)	$(0.28)	$(0.34)

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Cadiz Inc.

Schedule II - Valuation and Qualifying Accounts

For the years ended December 31, 2017, 2016 and 2015 ($ in thousands)

Year ended December 31, 2017	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Other Accounts	Impact of Tax Cuts and Jobs Act	Balance at End of Period
Deferred tax asset valuation allowance	$ 87,626	$9,486	$ -	$(30,675)	$66,437
Year ended December 31, 2016					
Deferred tax asset valuation allowance	$ 80,505	$7,121	$ -	$-	$87,626
Year ended December 31, 2015					
Deferred tax asset valuation allowance	$ 71,939	$8,566	$ -	$-	$80,505

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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/ Scott Slater
Scott Slater,
Chief Executive Officer

Date: March 14, 2018

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	March 14, 2018
/s/ Scott Slater Scott Slater, Chief Executive Officer, President and Director (Principal Executive Officer)	March 14, 2018
/s/ Timothy J. Shaheen Timothy J. Shaheen, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	March 14, 2018
/s/ Geoffrey Grant Geoffrey Grant, Director	March 14, 2018
/s/ Winston H. Hickox Winston H. Hickox, Director	March 14, 2018
/s/ Murray H. Hutchison Murray H. Hutchison, Director	March 14, 2018
/s/ Raymond J. Pacini Raymond J. Pacini, Director	March 14, 2018
/s/ Stephen E. Courter Stephen E. Courter, Director	March 14, 2018
/s/ Richard Nevins Richard Nevins, Director	March 14, 2018