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300000727273cdzi:AtecAcquisitionMember2024-06-30 Â Â Â united states Securities and Exchange Commission Washington, D. C. 20549 Â FORM 10-Q Â (Mark One) Â â˜' Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2024 OR Â â˜ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from â€¦â€¦ to â€¦â€¦. Â Commission File Number 0-12114 Â Cadiz Inc. (Exact name of registrant specified in its charter) Â Delaware 77-0313235 (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.) Â 550 South Hope Street, Suite 2850 Â Los Angeles, California 90071 (Address of principal executive offices) (Zip Code) Â Registrantâ€™s telephone number, including area code: (213) 271-1600 Â Securities Registered Pursuant to Section 12(b) of the Act: Â Title of each class Trading Symbol(s) Name of each exchange on which registered Common Stock, par value $0.01 per share CDZI The NASDAQ Global Market Depositary Shares (each representing a 1/1000thÂ fractional interest in share of 8.875% Series A Cumulative Perpetual Preferred Stock, par value $0.01 per share) CDZIP The NASDAQ Global Market Â Â Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes â˜'Â NoÂ â˜ Â Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the

registrant was required to submit such files). Yes â˜'Â NoÂ â˜ Â Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company.Â See the definitions of "large accelerated filer," "accelerated filer" , "smaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act: â˜Â Large accelerated filer â˜Â Accelerated filer â˜'Â Non-accelerated filer â˜'Â Smaller Reporting Company â˜Â Emerging growth company Â If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.Â â˜ Â Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes â˜Â NoÂ â˜' Â As of August 9, 2024, the Registrant had 67,896,161 shares of common stock, par value $0.01 per share, outstanding. Â Â Â Â Â Â Â Fiscal Second Quarter 2024 Quarterly Report on Form 10-Q Page Â Â Â Â PART I â€"Â FINANCIAL INFORMATION Â Â Â ITEM 1. Financial Statements Â Â Â Cadiz Inc. Condensed Consolidated Financial StatementsÂ Â Â Â Â Â Â Â Â Â Â Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended June 30, 2024 and 2023 1 Â Â Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the six months ended June 30, 2024 and 2023 2 Â Â Unaudited Condensed Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023 3 Â Â Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023 4 Â Â Unaudited Condensed Consolidated Statement of Stockholdersâ€™Â Equity for the three and six months ended June 30, 2024 5 Â Â Unaudited Condensed Consolidated Statement of Stockholdersâ€™Â Equity for the three and months ended June 30, 2023 6 Â Â Unaudited Notes to the Condensed Consolidated Financial Statements 7 Â Â ITEM 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations 22 Â Â ITEM 3. Quantitative and Qualitative Disclosures about Market Risk 31 Â Â ITEM 4. Controls and Procedures 31 Â Â PART II â€"Â OTHER INFORMATION Â Â ITEM 1. Legal Proceedings 32 Â Â ITEM 1A. Risk Factors 32 Â Â ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds 32 Â Â ITEM 3. Defaults Upon Senior Securities 32 Â Â ITEM 4. Mine Safety Disclosures 32 Â Â ITEM 5. Other Information 32 Â Â ITEM 6. Exhibits 33 Â Â Â Â Â CADIZ INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED) Â Â Â Â For the Three Months Â Â Â Ended June 30, Â ($ in thousands, except per share data) Â 2024 Â Â 2023 Â Â Â Â Â Â Â Â Â Total revenues Â $ 513 Â Â $ 809 Â Â Â Â Â Â Â Â Â Costs and expenses: Â Â Â Â Â Â Â Â Cost of sales Â Â 852 Â Â Â 768 Â General and administrative Â Â 6,305 Â Â Â 5,320 Â Depreciation Â Â 305 Â Â Â 305 Â Â Â Â Â Â Â Â Â Â Total costs and expenses Â Â 7,462 Â Â Â 6,393 Â Â Â Â Â Â Â Â Â Â Operating loss Â Â (6,949) Â Â (5,584) Â Â Â Â Â Â Â Â Â Interest expense, net Â Â (1,921) Â Â (1,128) Loss on derivative liability Â Â - Â Â Â (350) Â Â Â Â Â Â Â Â Â Loss before income taxes Â Â (8,870) Â Â (7,062) Income tax expense Â Â (2) Â Â (2) Â Â Â Â Â Â Â Â Â Net loss and comprehensive loss Â $ (8,872) Â $ (7,064) Â Â Â Â Â Â Â Â Â Less: Preferred stock dividend Â Â (1,288) Â Â (1,288) Â Â Â Â Â Â Â Â Â Net loss and comprehensive loss applicable to common stock Â $ (10,160) Â $ (8,352) Â Â Â Â Â Â Â Â Â Basic and diluted net loss per common share Â $ (0.15) Â $ (0.13) Â Â Â Â Â Â Â Â Â Basic and diluted weighted average shares outstanding Â Â 67,771 Â Â Â 66,606 Â Â See accompanying notes to the unaudited condensed consolidated financial statements. Â 1 Â Â CADIZ INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED) Â Â Â Â For the Six Months Â Â Â Ended June 30, Â ($ in thousands, except per share data) Â 2024 Â Â 2023 Â Â Â Â Â Â Â Â Â Total revenues Â $ 1,634 Â Â $ 939 Â Â Â Â Â Â Â Â Â Costs and expenses: Â Â Â Â Â Â Â Â Cost of sales Â Â 1,856 Â Â Â 790 Â General and administrative Â Â 11,035 Â Â Â 9,251 Â Depreciation Â Â 600 Â Â Â 634 Â Â Â Â Â Â Â Â Â Â Total costs and expenses Â Â 13,491 Â Â Â 10,675 Â Â Â Â Â Â Â Â Â Â Operating loss Â Â (11,857) Â Â (9,736) Â Â Â Â Â Â Â Â Â Interest expense, net Â Â (3,860) Â Â (2,464) Loss on derivative liability Â Â - Â Â Â (220) Loss on early extinguishment of debt Â Â - Â Â Â (5,331) Â Â Â Â Â Â Â Â Â Loss before income taxes Â Â (15,717) Â Â (17,751) Income tax expense Â Â (5) Â Â (4) Â Â Â Â Â Â Â Â Â Net loss and comprehensive loss Â $ (15,722) Â $ (17,755) Â Â Â Â Â Â Â Â Â Less: Preferred stock dividend Â Â (2,553) Â Â (2,553) Â Â Â Â Â Â Â Â Â Net loss and comprehensive loss applicable to common stock Â $ (18,275) Â $ (20,308) Â Â Â Â Â Â Â Â Â Basic and diluted net loss per common share Â $ (0.27) Â $ (0.31) Â Â Â Â Â Â Â Â Â Basic and diluted weighted average shares outstanding Â Â 67,384 Â Â Â 64,633 Â Â See accompanying notes to the unaudited condensed consolidated financial statements. Â 2 Â Â CADIZ INC. CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) Â Â Â June 30, Â Â December 31,Â ($ in thousands, except per share data) Â 2024 Â Â 2023Â Â Â Â Â Â Â Â Â Â ASSETS Â Â Â Â Â Â Â Â Current assets: Â Â Â Â Â Â Â Â Cash and cash equivalents
Â $10,102Â Â $4,502Â Accounts receivable Â Â 1,619Â Â Â 904Â Inventories Â Â 4,497Â Â Â 2,106Â Prepaid expenses and other current assets Â Â 1,006Â Â Â 508Â Total current assets
Â Â 17,224Â Â Â 8,020Â Â Â Â Â Â Â Â Â Â Property, plant, equipment and water programs, net Â Â 87,034Â Â Â 87,217Â Long-term deposit/prepaid expenses Â Â 420Â Â Â 420Â Goodwill
Â Â 5,714Â Â Â 5,714Â Right-of-use asset Â Â 2,221Â Â Â 431Â Long-term restricted cash Â Â 134Â Â Â 134Â Other assets Â Â 5,365Â Â Â 5,438Â Total assets
Â $118,112Â Â $107,374Â Â Â Â Â Â Â Â Â Â LIABILITIES AND STOCKHOLDERSâ€™ EQUITY Â Â Â Â Â Â Â Â Current liabilities: Â Â Â Â Â Â Â Â Accounts payable Â $1,901Â Â $1,245Â Accrued liabilities Â Â 2,309Â Â Â 1,170Â Current portion of long-term debt Â Â 155Â Â Â 182Â Dividend payable Â Â 1,288Â Â Â 1,288Â Contingent consideration liabilities
Â Â 1,450Â Â Â 1,450Â Deferred revenue Â Â 1,843Â Â Â 373Â Operating lease liabilities Â Â 171Â Â Â 127Â Total current liabilities Â Â 9,117Â Â Â 5,835Â Â Â Â Â Â Â Â Â Â Long-term debt, net Â Â 54,724Â Â Â 37,711Â Long-term lease obligations with related party, net Â Â 24,055Â Â Â 22,877Â Long-term operating lease liabilities Â Â 1,976Â Â Â 318Â Deferred revenue
Â Â 625Â Â Â 625Â Other long-term liabilities Â Â 43Â Â Â 41Â Total liabilities Â Â 90,540Â Â Â 67,407Â Â Â Â Â Â Â Â Â Â Commitments and contingencies (Note 10) Â Â Â Â Â Â Â Â Stockholdersâ€™ equity: Â Â Â Â Â Â Â Â Preferred stock - $.01 par value; 100,000 shares authorized at June 30, 2024 and December 31, 2023; shares issued and outstanding â€" 329 at June 30, 2024 and December 31, 2023 Â Â 1Â Â Â 1Â 8.875% Series A cumulative, perpetual preferred stock - $.01 par value; 7,500 shares authorized at June 30, 2024 and December 31, 2023; shares issued and outstanding â€" 2,300 at June 30, 2024 and December 31, 2023 Â Â 1Â Â Â 1Â Common stock - $.01 par value; 100,000,000 shares authorized at June 30, 2024 and 85,000,000 authorized at December 31, 2023; shares issued and outstanding â€" 67,800,188 at June 30, 2024 and 66,710,795 at December 31, 2023 Â Â 676Â Â Â 665Â Additional paid-in capital Â Â 685,019Â Â Â 679,150Â Accumulated deficit Â Â (658,125)Â Â (639,850) Total stockholdersâ€™ equity Â Â 27,572Â Â Â 39,967Â Total liabilities and stockholdersâ€™ deficit
Â $118,112Â Â $107,374Â Â See accompanying notes to the unaudited condensed consolidated financial statements. Â 3 Â Â CADIZ INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) Â Â Â Â For the Six Months Â Â Â Ended June 30, Â ($ in thousands) Â 2024 Â Â 2023 Â Â Â Â Â Â Â Â Â Cash flows from operating activities: Â Â Â Â Â Â Â Â Net loss Â $ (15,722) Â Â (17,755) Adjustments to reconcile net loss to net cash used in operating activities: Â Â Â Â Â Â Â Â Depreciation Â Â 600 Â Â Â 634 Â Amortization of debt discount and issuance costs Â Â 611 Â Â Â 273 Â Amortization of right-of-use asset Â Â 66 Â Â Â 59 Â Interest expense added to loan principal Â Â 1,024 Â Â Â 435 Â Interest expense added to lease liability Â Â 1,166 Â Â Â 1,032 Â Finance expense Â Â 307 Â Â Â - Â Unrealized loss on derivative liability Â Â - Â Â Â 220 Â Loss on early extinguishment of debt Â Â - Â Â Â 5,331 Â Compensation charge for stock and share option awards Â Â 2,380 Â Â Â 489 Â Changes in operating assets and liabilities: Â Â Â Â Â Â Â Â Accounts receivable Â Â (715) Â Â (426) Inventories Â Â (2,391) Â Â (849) Prepaid expenses and other current assets Â Â (498) Â Â (233) Other assets Â Â 73 Â Â Â (443) Accounts payable Â Â 670 Â Â Â 816 Â Lease liabilities Â Â (154) Â Â (53) Deferred revenue Â Â 1,470 Â Â Â - Â Other accrued liabilities Â Â 1,177 Â Â Â 599 Â Â Â Â Â Â Â Â Â Â Net cash used in operating activities Â Â (9,936) Â Â (9,871) Â Â Â Â Â Â Â Â Â Cash flows from investing activities: Â Â Â Â Â Â Â Â Additions to property, plant and equipment and water programs Â Â (467) Â Â (3,213) Â Â Â Â Â Â Â Â Â Net cash used in investing activities Â Â (467) Â Â (3,213) Â Â Â Â Â Â Â Â Â Cash flows from financing activities: Â Â Â Â Â Â Â Â Net proceeds from issuance of stock Â Â - Â Â Â 38,490 Â Dividend payments Â Â (2,553) Â Â (2,553) Proceeds from the issuance of long-term debt Â Â 20,000 Â Â Â - Â Principal payments on long-term debt Â Â (98) Â Â (15,088) Issuance costs long-term debt Â Â (1,294) Â Â (27) Costs for early extinguishment of debt Â Â - Â Â Â (600) Taxes paid related to net share settlement of equity awards Â Â (52) Â Â (261) Â Â Â Â Â Â Â Â Â Net cash provided by financing activities Â Â 16,003 Â Â Â 19,961 Â Â Â Â Â Â Â Â Â Â Net increase in cash, cash equivalents and restricted cash Â Â 5,600 Â Â Â 6,877 Â Â Â Â Â Â Â Â Â Â Cash, cash equivalents and restricted cash, beginning of period Â Â 4,636 Â Â Â 13,782 Â Â Â Â Â Â Â Â Â Â Cash, cash equivalents and restricted cash, end of period Â $ 10,236 Â Â $ 20,659 Â Â See accompanying notes to the unaudited condensed consolidated financial statements. Â 4 Â Â CADIZ INC. CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY Â (UNAUDITED) Â Â For the three and six months ended June 30, 2024 ($ in thousands, except share data) Â Â 8.875% Series A Cumulative Â Â Additional Â Â Â Â Â Â Total Â Â Â Common Stock Â Â Preferred Stock Â Â Perpetual Preferred Stock Â Â Paid-in Â Â Accumulated Â Â Stockholdersâ€™ Â Â Â Shares Â Â Amount Â Â Shares Â Â Amount Â Â Shares Â Â Amount Â Â Capital Â Â Deficit Â Â Equity Â Balance as of December 31, 2023
Â Â 66,710,795Â Â $665Â Â Â 329Â Â $1Â Â Â 2,300Â Â $1Â Â $679,150Â Â $(639,850)Â $39,967Â Stock-based compensation expense, net of taxes Â Â 472,779Â Â Â 5Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 1,202Â Â Â -Â Â Â 1,207Â Issuance of warrants Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 887Â Â Â -Â Â Â 887Â Shares to be issued to lenders Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 480Â Â Â -Â Â Â 480Â Issuance of shares to consultants Â Â 100,000Â Â Â 1Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 256Â Â Â -Â Â Â 257Â Capitalization of gain on extinguishment of debt Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 1,928Â Â Â -Â Â Â 1,928Â Dividends declared on 8.875% series A cumulative perpetual preferred shares ($550 per share) Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,265)Â Â (1,265) Net loss and comprehensive loss Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -
Â Â Â (6,850)Â Â (6,850)Â Balance as of March 31, 2024
Â Â 67,283,574Â Â Â 671Â Â Â 329Â Â $1Â Â Â 2,300Â Â $1Â Â Â 683,903Â Â Â (647,965)Â Â 36,611Â Stock-based compensation expense, net of taxes Â Â 516,614Â Â Â 5Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 1,116Â Â Â -Â Â Â 1,121Â Dividends declared on 8.875% series A cumulative perpetual preferred shares ($560 per share) Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,288)Â Â (1,288) Net loss and comprehensive loss Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -
Â Â Â (8,872)Â Â (8,872)Â Balance as of June 30, 2024
Â Â 67,800,188Â Â Â 676Â Â Â 329Â Â Â 1Â Â Â 2,300Â Â Â 1Â Â Â 685,019Â Â Â (658,125)Â Â 27,572Â Â See accompanying notes to the unaudited condensed consolidated financial statements. Â 5 Â Â CADIZ INC. CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY Â (UNAUDITED) Â Â For the three and six months ended June 30, 2023 ($ in thousands, except share data) Â Â 8.875% Series A Cumulative Â Â Additional Â Â Â Â Â Â Total Â Â Â Common Stock Â Â Preferred Stock Â Â Perpetual Preferred Stock Â Â Paid-in Â Â Accumulated Â Â Stockholdersâ€™ Â Â Â Shares Â Â Amount Â Â Shares Â Â Amount Â Â Shares Â Â Amount Â Â Capital Â Â Deficit Â Â Equity Â Balance as of December 31, 2022
Â Â 55,823,810Â Â $556Â Â Â 329Â Â $1Â Â Â 2,300Â Â $1Â Â $636,963Â Â $(603,298)Â $34,223Â Stock-based compensation expense Â Â 217,452Â Â Â 2Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 63Â Â Â -Â Â Â 65Â Issuance of shares pursuant to direct offerings Â Â 10,500,000Â Â Â 105Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 38,385Â Â Â -Â Â Â 38,490Â Dividends declared on 8.875% series A cumulative perpetual preferred shares ($550 per share) Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,265)Â Â (1,265) Net loss and comprehensive loss Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -
Â Â Â (10,691)Â Â (10,691)Â Balance as of March 31, 2023
Â Â 66,541,262Â Â Â 663Â Â Â 329Â Â $1Â Â Â 2,300Â Â $1Â Â Â 675,411Â Â Â (615,254)Â Â 60,822Â Stock-based compensation expense Â Â 54,344Â Â Â 1Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 163Â Â Â -Â Â Â 164Â Dividends declared on 8.875% series A cumulative perpetual preferred shares ($560 per share) Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,288)Â Â (1,288) Net loss and comprehensive loss Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -
Â Â Â (7,064)Â Â (7,064)Â Balance as of June 30, 2023
Â Â 66,595,606Â Â Â 664Â Â Â 329Â Â $1Â Â Â 2,300Â Â $1Â Â Â 675,574Â Â Â (623,606)Â Â 52,634Â Â See accompanying notes to the unaudited condensed consolidated financial statements. Â Â 6 Â Â CADIZ INC.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Â Â NOTE 1 â€" BASIS OF PRESENTATION Â The Condensed Consolidated Financial Statements and notes have been prepared by Cadiz Inc., also referred to as â€œCadizâ€ or â€œthe Companyâ€, without audit and should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Companyâ€™s Annual Report on Form 10-K for the year ended December 31, 2023. Â The foregoing Condensed Consolidated Financial Statements include the accounts of the Company and contain all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair statement of the Companyâ€™s financial position, the results of its operations and its cash flows for the periods presented and have been prepared in accordance with generally accepted accounting principles. Â The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates and such differences may be material to the financial statements. The results of operations for the six months ended June 30, 2024, are not necessarily indicative of results for the entire fiscal year ending DecemberÂ 31, 2024. Â Liquidity Â The Condensed 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. Â The Company incurred losses of $15.7 million for the six months ended June 30, 2024, compared to $17.8 million for the six months ended June 30, 2023. The Company had working capital of $8.1 million at June 30, 2024 and used cash in its operations of $9.9 million for the six months ended June 30, 2024. The lower loss in 2024 was primarily due to a 2023 loss on early extinguishment of debt recorded in the amount of $5.3 million resulting from issuance of a conversion instrument, a repayment fee and elimination of debt discount associated with the paydown of $15 million of senior secured debt in 2023, offset by higher compensation costs related to stock based non-cash bonus awards and increased interest expense related to the Third Amended Credit Agreement in 2024. Â Cash requirements during the six months ended June 30, 2024 primarily reflect certain operating and administrative costs related to the Companyâ€™s land, water, infrastructure and technology assets for water solutions including the Cadiz Water Conservation & Storage Project (â€œWater Projectâ€), agricultural operations and water filtration business. The Companyâ€™s present activities are focused on the development of its assets in ways that meet a need for groundwater storage capacity in Southern California and growing demands for affordable, reliable, long-term water supplies in the Southwestern United States. Â 7 Â Â CADIZ INC. Â Â On January 30, 2023, the Company completed the sale and issuance of 10,500,000 shares of the Companyâ€™s common stock to certain institutional investors in a registered direct offering (â€œJanuary 2023 Direct Offeringâ€). The shares of common stock were sold at a purchase price of $3.84 per share, for aggregate gross proceeds of $40.32 million and aggregate net proceeds of approximately $38.5 million. A portion of the proceeds were used to repay the Companyâ€™s debt in the principal amount of $15 million, together with fees and interest required to be paid in connection with such repayment. Â On February 2, 2023, the Company and its wholly-owned subsidiary, Cadiz Real Estate LLC, as borrowers (collectively, the â€œBorrowersâ€) entered into a First Amendment to Credit Agreement with BRF Finance Co., LLC (â€œLendersâ€) and B. Riley Securities, Inc., (â€œBRSâ€) as administrative agent, to amend certain provisions of the Credit Agreement dated as of July 2, 2021 (â€œFirst Amended Credit Agreementâ€). Under the First Amended Credit Agreement, the lenders will have a right to convert up to $15 million of outstanding principal, plus any PIK interest and any accrued and unpaid interest (the â€œConvertible Loanâ€) into shares of the Companyâ€™s common stock at a conversion price of $4.80 per share (the â€œConversion Priceâ€). Â On March 6, 2024, the Company entered into a Third Amendment to Credit Agreement and First Amendment to Security Agreement (â€œThird Amended Credit Agreementâ€). The Third Amended Credit Agreement provides, among other things, (a) a new tranche of senior secured convertible terms loans from HHC $ Fund 2012 (â€œHeeremaâ€) in an aggregate principal amount of $20 million, having a maturity date of June 30, 2027 (â€œNew Secured Convertible Debtâ€); (b) the aggregate principal amount of the secured non-convertible term loans acquired by Heerema from an existing lender has been increased from $20 million to $21.2 million and the applicable repayment fee in respect thereof has been eliminated; (c) the Convertible Loan existing prior to the Third Amended Credit Agreement, in an aggregate principal amount of approximately $16 million plus interest accruing thereon, has become unsecured; and (d) extension of the maturity date for the existing Convertible Loan and non-convertible loans to June 30, 2027 (see â€œNote 3 â€" Long-Term Debtâ€, below). The proceeds from the Third Amended Credit Agreement will be used to fund expenditures associated with development of the Companyâ€™s water supply projects, to fund working capital needs, to pay transaction related expenses and

for general corporate purposes. Â The Company may meet its debt and working capital requirements through a variety of means, including extension, refinancing, equity placements, the sale or other disposition of assets, deferring the timing of preferred stock dividend payments (see Note 9 - Common and Preferred Stock) or reductions in operating costs. The covenants in the senior secured debt do not prohibit the Companyâ€™s use of additional equity financing and allow the Company to retain 100% of the proceeds of any common equity financing.Â The Company does not expect the loan covenants to materially limit its ability to finance its water solutions and agricultural development activities. Â Management assesses whether the Company has sufficient liquidity to fund its costs for the next twelve months from each financial statement issuance date. Management evaluates the Companyâ€™s liquidity to determine if there is a substantial doubt about the Companyâ€™s ability to continue as a going concern. In the preparation of this liquidity assessment, management applies judgement to estimate the projected cash flows of the Company including the following: (i) projected cash inflows and outflows and their timing, (ii) categorization of expenditures as discretionary versus non-discretionary and (iii) the ability to raise capital. The cash flow projections are based on known or planned cash requirements for operating costs as well as planned costs for project development. Â Â 8 Â Â CADIZ INC.Â Â Limitations on the Companyâ€™s liquidity and ability to raise capital may adversely affect it. Sufficient liquidity is critical to meet the Companyâ€™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. Â Supplemental Cash Flow Information Â During the six months ended June 30, 2024, approximately $737,000 in interest payments on the Companyâ€™s senior secured debt was paid in cash and approximately $1,024,000 was recorded as interest payable in kind. There are no scheduled principal payments due on the senior secured debt prior to its maturity. Â At June 30, 2024, accruals for cash dividends payable on the Series A Preferred Stock was $1.28 million (see Note 9 â€“ â€œCommon and Preferred Stockâ€). The cash dividends were paid on July 15, 2024. Â The balance of cash, cash equivalents, and restricted cash as shown in the condensed consolidated statements of cash flows is comprised of the following: Â Cash, Cash Equivalents and Restricted Cash Â June 30, 2024 Â Â December 31, 2023 Â Â June 30, 2023 Â (in thousands) Â Cash and Cash Equivalents Â $10,102Â Â $4,502Â Â $19,237Â Restricted Cash Â Â -Â Â Â -Â Â Â 1,288Â Long Term Restricted Cash Â Â 134Â Â Â 134Â Â Â 134Â Cash, Cash Equivalents and Restricted Cash in the Consolidated Statement of Cash Flows Â $10,236Â Â $4,636Â Â $20,659Â Â The restricted cash amounts primarily represented funds deposited into a segregated account, representing an amount sufficient to pre-fund quarterly dividend payments on Series A Preferred Stock underlying the Depositary Shares issued in the Depositary Share Offering through approximately July 2023. Â In conjunction with the Third Amended Credit Agreement, the Company issued warrants to Heerema and paid a consent fee with common stock which are non-cash financing activities. See Note 3 â€“ â€œLong Term Debtâ€ for additional discussion of these non-cash financing activities. Â Recent Accounting Pronouncements Â Accounting Guidance Not Yet Adopted Â In November 2023, the Financial Account Standards Board (â€œFASBâ€) issued Accounting Standards Update ("ASU") No. ASU 2023-07, Segment Reporting (Topic 280)("ASU 2023-07").Â ASU 2023-07 modifies the disclosure and presentation requirements of reportable segments. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within those financial years beginning after December 15, 2024, with early adoption permitted. The Company is currently assessing this new guidance and expects this new standard will not have a material impact on the consolidated financial statements. Â 9 Â Â CADIZ INC.Â Â In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740)("ASU 2023-09").Â ASU 2023-09 expands disclosures in an entityâ€™s income tax rate reconciliation table and disclosures regarding cash tax paid in the U.S. and foreign jurisdictions. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. The Company is currently assessing this new guidance and expects this new standard will not have a material impact on the consolidated financial statements. Â Â NOTE 2 â€“ REPORTABLE SEGMENTS Â The Company currently operates in two reportable segments based upon its organizational structure and the way in which its operations are managed and evaluated. The Companyâ€™s largest segment is Land and Water Resources, which comprises all activities regarding its properties in the eastern Mojave Desert including pre-revenue development of the Water Project (supply, storage and conveyance), and agricultural operations. The Companyâ€™s second operating segment is its Water Filtration Technology business, ATEC Water Systems LLC (â€œATECâ€) which provides innovative water filtration solutions for impaired or contaminated groundwater sources. The Company acquired the assets of ATEC Systems, Inc. in November 2022 into its new subsidiary ATEC.Â There were no intersegment sales during the six months ended June 30, 2024 and $311 thousand during the six months ended June 30, 2023. Â We evaluate our performance based on segment operating (loss). Interest expense, income tax expense and losses related to equity method investments are excluded from the computation of operating (loss) for the segments. Segment net revenue, segment operating expenses and segment operating (loss) information consisted of the following for the three and six months ended June 30, 2024 and 2023: Â Â Â Three Months Ended June 30, 2024 Â (in thousands) Â Land and Water Resources Â Â Water Filtration Technology Â Â Total Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Revenues Â $350Â Â $163Â Â $513Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Costs and expenses: Â Â Â Â Â Â Â Â Â Â Â Â Â Cost of sales Â Â 679Â Â Â 173Â Â Â 852Â General and administrative Â Â 5,917Â Â Â 388Â Â Â 6,305Â Depreciation Â Â 292Â Â Â 13Â Â Â 305Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total costs and expenses Â Â 6,888Â Â Â 574Â Â Â 7,462Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Operating loss Â $(6,538)Â $(411)Â $(6,949) Â 10 Â Â CADIZ INC.Â Â Â Â Three Months Ended June 30, 2023 Â (in thousands) Â Land and Water Resources Â Â Water Filtration Technology Â Â Total Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Revenues Â $379Â Â $430Â Â $809Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Costs and expenses: Â Â Â Â Â Â Â Â Â Â Â Â Â Cost of sales Â Â 432Â Â Â 336Â Â Â 768Â General and administrative Â Â 5,232Â Â Â 88Â Â Â 5,320Â Depreciation Â Â 271Â Â Â 34Â Â Â 305Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total costs and expenses Â Â 5,935Â Â Â 458Â Â Â 6,393Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Operating loss Â $(5,556)Â $(28)Â $(5,584) Â Â Â Six Months Ended June, 2024 Â (in thousands) Â Land and Water Resources Â Â Water Filtration Technology Â Â Total Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Revenues Â $986Â Â $648Â Â $1,634Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Costs and expenses: Â Â Â Â Â Â Â Â Â Â Â Â Â Cost of sales Â Â 1,339Â Â Â 517Â Â Â 1,856Â General and administrative Â Â 10,397Â Â Â 638Â Â Â 11,035Â Depreciation Â Â 574Â Â Â 26Â Â Â 600Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total costs and expenses Â Â 12,310Â Â Â 1,181Â Â Â 13,491Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Operating loss Â $(11,324)Â $(533)Â $(11,857) Â Â Â Six Months Ended June 30, 2023 Â (in thousands) Â Land and Water Resources Â Â Water Filtration Technology Â Â Total Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Revenues Â $509Â Â $430Â Â $939Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Costs and expenses: Â Â Â Â Â Â Â Â Â Â Â Â Â Cost of sales Â Â 454Â Â Â 336Â Â Â 790Â General and administrative Â Â 8,999Â Â Â 252Â Â Â 9,251Â Depreciation Â Â 549Â Â Â 85Â Â Â 634Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total costs and expenses Â Â 10,002Â Â Â 673Â Â Â 10,675Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Operating loss Â $(9,493)Â $(243)Â $(9,736) Â Assets by operating segment are as follows (dollars in thousands): Â Â Â June 30, 2024 Â Â December 31, 2023 Â Operating Segment: Â Â Â Â Â Â Â Water and Land Resources Â $109,387Â Â $101,946Â Water Filtration Technology Â Â 8,725Â Â Â 5,428Â Â $118,112Â Â $107,374Â Â 11 Â Â CADIZ INC.Â Â Goodwill by operating segment is as follows (dollars in thousands): Â Â Â June 30, 2024 Â Â December 31, 2023 Â Operating Segment: Â Â Â Â Â Â Â Water and Land Resources Â $3,813Â Â $3,813Â Water Filtration Technology Â Â 1,901Â Â Â 1,901Â Â $5,714Â Â $5,714Â Â Property, plant, equipment and water programs consist of the following (dollars in thousands): Â Â Â June 30, 2024 Â Â Â Water and Land Resources Â Â Water Filtration Technology Â Â Â Â Â Â Â Â Â Land and land improvements Â $33,004Â Â $-Â Water programs Â Â 29,321Â Â Â -Â Pipeline Â Â 22,098Â Â Â -Â Buildings Â Â 1,805Â Â Â -Â Leasehold improvements, furniture and fixtures Â Â 1,605Â Â Â 4Â Machinery and equipment Â Â 3,826Â Â Â 247Â Construction in progress Â Â 5,091Â Â Â 4Â Â Â 96,750Â Â Â 255Â Less accumulated depreciation Â Â (9,811)Â Â (160)Â Â $86,939Â Â $95Â Â Â Â December 31, 2023 Â Â Â Water and Land Resources Â Â Water Filtration Technology Â Â Â Â Â Â Â Â Â Land and land improvements Â $32,357Â Â $-Â Water programs Â Â 29,209Â Â Â -Â Pipeline Â Â 22,096Â Â Â -Â Buildings Â Â 1,730Â Â Â -Â Leasehold improvements, furniture and fixtures Â Â 1,605Â Â Â 4Â Machinery and equipment Â Â 3,719Â Â Â 210Â Construction in progress Â Â 5,664Â Â Â -Â Â Â 96,380Â Â Â 214Â Less accumulated depreciation Â Â (9,238)Â Â (139)Â Â $87,142Â Â $75Â Â Â NOTE 3 â€“ LONG-TERM DEBT Â The carrying value of the Companyâ€™s senior secured debt and the Company's convertible note instrument approximates fair value. Â On July 2, 2021, the Company entered into a $50 million senior secured credit agreement (â€œCredit Agreementâ€). Interest is paid quarterly at a rate of seven percent per annum.Â The obligations under the Credit Agreement are secured by substantially all of the Companyâ€™s assets on a first-priority basis. Currently, in connection with any repayment or prepayment of the Convertible Loan (as defined below), the Company is required to pay a repayment fee equal to the principal amount being repaid or prepaid, multiplied by 6.0%. At any time, the Company will be permitted to prepay the principal of the debt, in whole or in part, provided that such prepayment is accompanied by any accrued interest on such principal amount being prepaid plus any applicable repayment fee described above. Â 12 Â Â CADIZ INC.Â Â In connection with entering into the Credit Agreement, on July 2, 2021 (the â€œOriginal Issue Dateâ€) the Company issued to the Lenders two warrants (â€œA Warrantsâ€ and â€œB Warrantsâ€), each granting an option to purchase 500,000 shares of the Companyâ€™s common stock (collectively, the â€œWarrantsâ€). The A Warrants and B Warrants expired on July 2, 2024. Â As a result of the issuance of the A and B Warrants, which met the criteria for equity classification under applicable GAAP, the Company recorded additional paid-in capital in the amount of $1.9 million which was the fair value of the Warrants on the issuance date. In addition, the fair value of the Warrants was recorded as debt discount and was amortized over the term of the related debt. Â On February 2, 2023, the Company entered into a First Amendment to Credit Agreement to amend certain provisions of the Credit Agreement (â€œFirst Amended Credit Agreementâ€). In connection with the First Amended Credit Agreement, the Company repaid $15 million of the senior secured debt together with fees and interest required to be paid in connection with such repayment under the Credit Agreement. Under the First Amended Credit Agreement, the lenders have a right to convert up to $15 million of outstanding principal, plus any PIK interest and any accrued and unpaid interest (the â€œConvertible Loanâ€) into shares of the Companyâ€™s common stock at a conversion price of $4.80 per share (the â€œConversion Priceâ€). Additionally, the maturity date of the Credit Agreement was extended from July 2, 2024 to June 30, 2026. The annual interest rate remains unchanged at 7.00%. Interest on $20 million of the principal amount will be paid in cash. Interest on the $15 million principal amount of the Convertible Loan will be paid in kind on a quarterly basis by addition such amount to the outstanding principal amount of the outstanding Convertible Loan. The amendment was recorded as a debt extinguishment. Â As a result of the First Amended Credit Agreement, the Company bifurcated the new conversion option from the debt and recorded a derivative liability.Â As of the effective date of the First Amended Credit Agreement, the derivative liability had a fair value of approximately $2.4 million which was recorded as loss on early extinguishment of debt.Â In addition, the loss on early extinguishment of debt included $2.0 million of repayment fees for both repaid and amended principal and $980 thousand of unamortized debt issuance costs. Â The fair value of the derivative liability was remeasured each reporting period using an option pricing model, and the change in fair value was recorded as an adjustment to the derivative liability with the change in fair value recorded as income or expense. On August 14, 2023, the Credit Agreement was further amended to remove a conversion exchange cap provision (â€œSecond Amended Credit Agreementâ€). As a result of the Second Amended Credit Agreement, the Company reclassified the carrying value of the bifurcated conversion option at the time of the modification from a derivative liability in the amount of $2.57 million to additional paid-in capital. Total unrealized losses of derivative liabilities accounted for as derivatives prior to the Second Amended Credit Agreement were $350 thousand and $220 thousand for the three and six months ended June 30, 2023, respectively. Â 13 Â Â CADIZ INC.Â Â On March 6, 2024, the Company entered into the Third Amended Credit Agreement. Before entering into the Third Amended Credit Agreement, Heerema purchased the outstanding secured non-convertible term loans under the Credit Agreement (â€œAssignmentâ€) at a discount on behalf of the Company. The Assignment was considered a debt extinguishment resulting in a gain of $1.9 million recorded as additional paid-in-capital as Heerema is a significant shareholder of the Company. The acquired secured non-convertible term loans were issued to Heerema at a discount which is being amortized over the term of the non-convertible term loan. In connection with the Assignment, the existing holders of both the Convertible Loan and non-convertible term loans consented to effectuate the Third Amended Credit Agreement in consideration of a consent fee in the aggregate amount of $479,845 payable in the form of the Companyâ€™s registered common stock (valued at $2.89 per share, or 166,036 shares). The consent fee was capitalized as an additional debt discount and is being amortized over the remaining term of the Convertible Loan. Â The Third Amended Credit Agreement provides, among other things, (a) a new tranche of senior secured convertible terms loans from Heerema in an aggregate principal amount of $20 million, having a maturity date of June 30, 2027 (â€œNew Secured Convertible Debtâ€); (b) the aggregate principal amount of the secured non-convertible term loans acquired by Heerema has been increased from $20 million to $21.2 million and the applicable repayment fee in respect thereof has been eliminated; (c) the Convertible Loan existing prior to the Third Amended Credit Agreement, in an aggregate principal amount of approximately $16 million plus interest accruing thereon, has become unsecured; and (d) extension of the maturity date for the existing Convertible Loan and non-convertible loans to June 30, 2027. The New Secured Convertible Debt will bear PIK interest at a rate of 7% per annum, payable quarterly in arrears. The initial conversion price of the New Secured Convertible Debt is $5.30 per share and will be subject to anti-dilution adjustments. Â In connection with the debts issued to Heerema, the Company issued a warrant to purchase 1,000,000 shares of our common stock (the â€œHeerema Warrantâ€) to Heerema. The Heerema Warrant has an exercise price of $5.00 per share, which will be subject to anti-dilution adjustments. The Heerema Warrant expires on June 30, 2027. The Company recorded the fair value of the Heerema Warrant on the issuance date in additional paid-in capital in the amount of $0.9 million. In addition, the fair value of the Heerema Warrant was recorded as debt discount and is being amortized over the term of the secured debt issued to Heerema. Â In the event of certain asset sales, the incurrence of indebtedness or a casualty or condemnation event, in each case, under certain circumstances as described in the Credit Agreement, the Company will be required to use a portion of the proceeds to prepay amounts under the secured debt. In the event of any additional issuance of depositary receipts (â€œDepositary Receiptsâ€) representing interests in shares of 8.875% Series A Cumulative Perpetual Preferred Stock (â€œSeries A Preferred Stockâ€) by the Company, the Company will be required to, within five business days after the receipt of the net cash proceeds, apply 75% of the net cash proceeds to prepay amounts due under the debt (including the applicable repayment fee described above).Â Â The Credit Agreement includes customary affirmative and negative covenants, including delivery of financial statements and other reports. The negative covenants limit the ability of the Company to, among other things, incur debt, incur liens, make investments, sell assets, pay dividends and enter into transactions with affiliates. In addition, the Credit Agreement includes customary events of default and remedies. Â 14 Â Â CADIZ INC.Â Â NOTE 4 â€“ STOCK-BASED COMPENSATION PLANS Â The Company has issued options and has granted stock awards pursuant to its 2019 Equity Incentive Plan, as described below. Â 2019 Equity Incentive Plan Â The 2019 Equity Incentive Plan (â€œ2019 EIPâ€) was originally approved by stockholders at the July 10, 2019 Annual Meeting, with amendments to the plan approved by stockholders at the July 12, 2022 Annual Meeting and the June 11, 2024 Annual Meeting. The plan, as amended, provides for the grant and issuance of up to 5,200,000 shares and options to the Companyâ€™s employees, directors and consultants. Â Effective July 1, 2021, under the 2019 EIP, each outside director receives $75,000 of cash compensation and receives a deferred stock award consisting of shares of the Companyâ€™s common stock with a value equal to $25,000 on June 30 of each year. The award accrues on a quarterly basis, with $18,750 of cash compensation and $6,250 of stock earned for each fiscal quarter in which a director serves. The deferred stock award vests automatically on the January 31 that first follows the award date. Â Stock Awards to Directors, Officers, and Consultants Â The Company has granted stock awards pursuant to its 2019 EIP. Â Of the total 5,200,000 shares reserved under the 2019 Equity Incentive Plan, as amended, 4,251,207 shares and restricted stock units (â€œRSUsâ€) have been awarded to the Company directors, employees and consultants as of June 30, 2024. Of the 4,251,207 shares and RSUs awarded, 69,479 shares were awarded to the Companyâ€™s directors for services performed during the plan year ended June 30, 2024. These shares will vest and be issued on January 31, 2025. Â 825,000 RSUs were granted to employees in April 2021 as long-term equity incentive awards (â€œApril 2021 RSU Grantâ€). Of the 825,000 RSUs granted under the April 2021 RSU Grant, 510,000 RSUs were scheduled to vest upon completion of certain milestones, including (a) 255,000 RSUs which vested in July 2021 upon completion of refinancing of the Companyâ€™s then existing senior secured debt and funding to complete the purchase of the Northern Pipeline (â€œ Northern Pipeline Vesting Eventâ€), and (b) 255,000 RSUs scheduled to vest upon completion of final binding water supply agreement(s) for the delivery of at least 9,500 acre-feet of water per annum to customers (â€œSupply Agreement Vesting Eventâ€). 170,000 RSUs, including 85,000 related to the Supply Agreement Vesting Event, were accelerated and became fully vested as a result of an amended employee agreement entered into in February 2022 upon the change of the Companyâ€™s Executive Chair, 60,000 RSUs vested and were issued on January 3, 2023, and 170,000 RSUs vested and were issued on March 1, 2023. 85,000 of the RSUs related to the Supply Agreement Vesting Event were cancelled effective December 31, 2023 and the remaining 85,000 shares related to the Supply Agreement Vesting Event vested in March 2024. Â 15 Â Â CADIZ INC.Â Â Additionally, in July 2022, 60,000 RSUs were granted to employees as long-term equity incentive awards (â€œJuly 2022 RSU Grantâ€). The RSUs granted under the July 2022 RSU Grant vested on January 2, 2024. In January 2024, 60,000 additional RSUs were granted to employees which vest on January 2, 2025. The RSU incentive awards are subject in each case to continued employment with the Company through the vesting date. Â Of the 255,000 RSUs earned and issued in July 2021 upon the Northern Pipeline Vesting Event, the Company issued 158,673 shares net of taxes withheld and paid in cash by the Company. Of the 170,000 RSUs issued on March 1, 2023, the Company issued 102,871 shares net of taxes withheld and paid in cash by the Company. Of the 85,000 RSUs earned and issued in March 2024 upon the Supply Agreement Vesting Event, the Company issued 62,624 shares net of taxes withheld and paid in cash by the Company. Â Additionally, in April 2022 the Company issued 450,000 of performance stock units (â€œPSUsâ€) upon achievement of certain performance events. The PSUs were to vest upon the Companyâ€™s common stock achieving price hurdles (â€œPrice Hurdlesâ€) but not sooner than three years from date of grant date. These PSUs were cancelled in April 2024 in conjunction with entering into an amended and restated employment agreement with the Companyâ€™s Chief Executive Officer which provided a grant of 1.6 million RSUs and PSUs with (a) 700,000 RSUs that will vest over the three-year period from 2024 to 2026; (b) 600,000 RSUs that will vest upon achievement of milestones related to completion of certain permits, entering into binding contracts for water delivery or storage, and delivery of water, and (c) 300,000 PSUs that will vest upon a Price Hurdle of $15 per share for 20 consecutive days. Â 400,000 RSUs were granted to a consultant on July 1, 2023 (â€œJuly 2023 RSU Grant). Of the 400,000 RSUs granted under the July 2023 RSU Grant, 200,000 RSUs vested and were issued upon completion of the Third Amended Credit Agreement in March 2024. Of the remaining 200,000 RSUs granted, 100,000 RSUs vested and were issued on October 1, 2023, and 100,000 vested and were issued on February 1, 2024. Â Additionally, 300,000 RSUs were granted to a consultant in January 2024 which vest upon achieving certain milestone events. 100,000 of these RSUs vested and were issued in March 2024 upon entering into binding supply agreements for the Water Project. Â The accompanying consolidated statements of operations and comprehensive loss include approximately $2,380,000 and $489,000 of stock-based compensation expense related to stock awards in the six months ended June 30, 2024 and 2023, respectively. Â Â NOTE 5 â€“ INCOME TAXES Â As of June 30, 2024, the Company had net operating loss (â€œNOLâ€) carryforwards of approximately $348 million for federal income tax purposes and $323 million for California state income tax purposes. Such carryforwards expire in varying amounts through the year 2037 and 2043 for federal and California purposes, respectively. For federal losses arising in tax years ending after December 31, 2017, the NOL carryforwards are allowed indefinitely. Use of the carryforward amounts is subject to an annual limitation as a result of a previous ownership change and an ownership change that occurred in June 2021. Â 16 Â Â CADIZ INC.Â Â As of June 30, 2024, the Companyâ€™s unrecognized tax benefits were immaterial. Â The Company's tax years 2020 through 2023 remain subject to examination by the Internal Revenue Service, and tax years 2019 through 2023 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. Â 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 all deferred assets. Accordingly, no deferred tax asset has been reflected in the accompanying condensed consolidated balance sheet. Â Â NOTE 6 â€“ NET LOSS PER COMMON SHARE Â Basic net loss per common share is computed by dividing the net loss by the weighted-average common shares outstanding. Options, deferred stock units, convertible debt, convertible preferred shares and warrants 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 11,071,000 and 5,029,000 for the three months ended June, 2024 and 2023, respectively; and 10,075,000 and 5,029,000 for the six months ended June 30, 2024 and 2023, respectively. Â Â NOTE 7 â€“ LEASES & PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS Â Effective February 1, 2024, the Company entered into a 26-year right-of-way agreement with the United States Bureau of Land Management (â€œBLMâ€) with respect to the Companyâ€™s Northern Pipeline asset which resulted in recording right-of-use assets and lease liabilities in the amount of $1.9 million resulting from $4.8 million in future lease payments over the 26 years less imputed interest of $2.9 million based upon a 10% weighted average discount rate. The right-of-way agreement has an annual rent expense of approximately $186,000, with annual defined inflation increases. Â The Company has operating leases for right-of-way agreements, corporate offices, vehicles and office equipment. The Companyâ€™s leases have remaining lease terms of 1 month to 26 years as of June 30, 2024, some of which include options to extend or terminate the lease. However, the Company is not reasonably certain to exercise options to renew or terminate, and therefore renewal and termination options are not included in the lease term or the right-of-use asset and lease liability balances. The Companyâ€™s current lease arrangements expire in 2049. The Company does not have any finance leases. Â 17 Â Â CADIZ INC.Â Â As a lessor, in February 2016, the Company entered into a lease agreement with Fenner Valley Farms LLC (â€œFVFâ€) (the â€œlesseeâ€), 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 (â€œFVF Lease Agreementâ€). As consideration for the lease, FVF paid the Company a one-time payment of $12.0 million upon closing. The Company expects to recognize rental income of $420,000 annually over the next five years related to the FVF Lease Agreement. Â Depreciation expense on land improvements, buildings, leasehold improvements, machinery and equipment and furniture and fixtures was $600,000 and $634,000 for the six months ended June 30, 2024 and 2023, respectively. Â Â NOTE 8 â€“ FAIR VALUE MEASUREMENTS Â Fair values determined by LevelÂ 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company considers a security that trades at least weekly to have an active market. Fair values determined by LevelÂ 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by LevelÂ 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. Â Â In 2022, the Company recorded a contingent consideration liability in the amount of $1.45 million related to the purchase price of the ATEC acquisition for amounts payable upon the sale of a requisite number of water filtration units under an asset purchase agreement. Â Â Â Investments at Fair Value as of June 30, 2024 Â (in thousands) Â Level 1 Â Â Level 2 Â Â Level 3 Â Â Total Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Liabilities Â Contingent consideration liabilities Â $ - Â Â $ - Â Â $ 1,450 Â Â $ 1,450 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total Liabilities Â $ - Â Â $ - Â Â $ 1,450 Â Â $ 1,450 Â Â Â NOTE 9 â€“ COMMON AND PREFERRED STOCK Â Common Stock Â The Company is authorized to issue 100 million shares of Common Stock at a $0.01 par value. As of June 30, 2024, the Company had 67,800,188 shares issued and outstanding. Â Series 1 Preferred Stock Â The Company has issued a total of 10,000 shares of Series 1 Preferred Stock (â€œSeries 1 Preferred Stockâ€) to certain holders (â€œHoldersâ€) under certain conversion and exchange agreements entered into in March 2020. Each share of Series 1 Preferred Stock is convertible at any time at the option of the Holder into 405.05 shares of Common Stock. As of June 30, 2024, Holders of Series 1 Preferred Stock exercised their option to convert 9,671 shares of Series 1 Preferred Stock into 3,917,235 shares of Common Stock. The Company has 329 shares of Series 1 Preferred Stock issued and outstanding as of June 30, 2024. Â 18 Â Â CADIZ INC.Â Â Series A Preferred Stock Â On June 29, 2021, the Company entered into an Underwriting Agreement with BRS as representative of the several underwriters named there, to issue and sell an aggregate of 2,000,000 depositary shares (the â€œDepositary Sharesâ€), as well as up to 300,000 Depositary Shares sold pursuant to the exercise of an option to purchase additional Depositary Shares (â€œDepositary Share Offeringâ€), each representing 1/1000th of a share of the 8.875% Series A Cumulative Perpetual Preferred Stock (the â€œSeries A Preferred Stockâ€). The Depositary Share Offering was completed on July 2, 2021 for net proceeds of approximately $54 million. Â On July 1, 2021, the Company filed the Certificate of Designation (â€œCertificate of Designationâ€) for the Series A Preferred Stock with the Secretary of State of the State of Delaware, which became effective upon acceptance for record. The Certificate of Designation classified a total of 7,500 shares of the Companyâ€™s authorized shares of preferred stock, $0.01 par value per share, as Series A Preferred Stock. Â As set forth in the Certificate of Designation, the Series A Preferred Stock will rank,Â as to dividend rights and rights upon the Companyâ€™s liquidation, dissolution orÂ winding up: (i)Â senior to Common Stock of the Company; (ii) junior to the Series 1 Preferred Stock with respect to the distribution of assets upon the Companyâ€™s voluntary or involuntary liquidation, dissolution or winding up; (iii) senior to the Series 1 Preferred Stock with respect to the payment of dividends and (iv) effectively junior to all the Companyâ€™s existing and future indebtedness (including indebtedness convertible into Common Stock or preferred stock) and to the indebtedness and other liabilities of (as well as any preferred equity interests held by others in) the Companyâ€™s existing or future subsidiaries. Â Holders of Series A Preferred Stock, when and as authorized by the Companyâ€™s Board of Directors, are entitled to cumulative cash dividends at the rate of 8.875% of the $25,000.00 ($25.00 per Depositary Share) liquidation preference per year (equivalent to $2,218.75 per shareÂ per year or $2.21875 per Depositary Share per year). Dividends will be payable quarterly in arrears, on or about the 15th of January, April, July and October, beginning on or about OctoberÂ 15, 2021. As of June 30, 2024, the Company has paid aggregate cash dividends of $14,214,000. On June 20, 2024, the Companyâ€™s Board of Directors declared that holders of Series A Preferred stock will receive a cash dividend equal to $560.00 per whole share; therefore, holders of Depositary Shares will receive a cash dividend equal to $0.56 per Depositary Share. The dividend was paid on July 15, 2024 to respective holders of record as of the close of business on July 5, 2024. Â Dividends on the Series A Preferred Stock underlying the depositary shares will continue to accumulate whether or not (i)Â any of our agreements prohibit the current payment of dividends, (ii)Â we have earnings or funds legally available to pay the dividends, or (iii)Â our Board of Directors does not declare the payment of the dividends. Â 19 Â Â CADIZ INC.Â Â Holders of depositary shares representing interests in the Series A Preferred Stock generally will have no voting rights. However, if we do not pay dividends on any outstanding shares of Series A Preferred Stock for six or more quarterly dividend periods (whether or not declared or consecutive), holders of the Series A Preferred Stock (voting separately as a class with all other outstanding series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to elect two additional directors to the Board of Directors to serve until all unpaid dividends have been fully paid or declared and set apart for payment. Â On and after July 2, 2026, the shares of SeriesÂ A Preferred Stock will be redeemable at the Companyâ€™s option, in whole or in part, at a redemption price equal to $25,000.00 per share ($25.00 per Depositary Share), plus any accrued and unpaid dividends. Furthermore, upon a change of control or delisting event (each as defined in the Certificate of Designation), the Company will have a special option to redeem the Series A Preferred Stock at $25,000.00 per share ($25.00 per Depositary Share), plus any accrued and unpaid dividends. Â Shares of Series A Preferred Stock are convertible into shares of Common Stock if, and only if, a change of control or delisting event (each as defined in the Certificate of Designation) has occurred, and the Company has not elected to redeem the Series A Preferred Stock prior to the applicable conversion date. Upon any conversion, each share of Series A Preferred Stock will be converted into that number of shares of Common Stock equal to the lesser of (i) the quotient obtained by dividing (A) the sum of (x) the $25,000 liquidation preference per share plus (y) the amount of an accrued and unpaid dividends to, but not including, the conversion date by (B) the Common Stock Purchase Price (as defined in the Certificate of Designation), and (ii) 3,748.13 (the â€œShare Capâ€), subject to certain adjustments. Â The Company has 2,300 shares of Series A Preferred Stock issued and outstanding as of June 30, 2024. Â Â NOTE 10 â€“ COMMITMENTS AND CONTINGENCIES Â 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. Â Pursuant to cost-sharing agreements that have been entered into by participants in the Companyâ€™s Water Project, $625,000 in funds have been received in order to offset costs incurred in the environmental analysis of the Water Project. These funds may either be reimbursed or credited to participantsâ€™ participation in the Water Project and, accordingly, are fully reflected as deferred revenue as of June 30, 2024 and June 30, 2023. Â The Company recorded a contingent consideration liability in the amount of $1.45 million related to the purchase price of the ATEC acquisition for amounts payable upon the sale of a requisite number of water filtration units under an asset purchase agreement. Â 20 Â Â CADIZ INC.Â Â The Company is from time to time involved in various lawsuits and legal proceedings that arise in the ordinary course of business. At this time, the Company is not aware of any other pending or threatened litigation that it expects will have a material adverse effect on its business, financial condition, liquidity, or operating results. Legal claims are inherently uncertain, however, and it is possible that the Companyâ€™s business, financial condition, liquidity and/or operating results could be adversely affected in the future by legal proceedings. Â 21 Â Â CADIZ INC.Â Â ITEM 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations Â In connection with the â€œsafe harborâ€ provisions of the Private Securities Litigation Reform Act of 1995, the following discussion contains trend analysis and other forward-looking statements. Forward-looking statements can be identified by the use of words such as â€œintendsâ€, â€œanticipatesâ€, â€œbelievesâ€, â€œestimatesâ€, â€œprojectsâ€, â€œforecastsâ€, â€œexpectsâ€, â€œplansâ€ and â€œproposesâ€. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. These include, among others, our ability to maximize value from our land and water resources and our ability to obtain new financings as needed to meet our ongoing working capital needs. See additional discussion under the heading â€œRisk Factorsâ€ in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023. Our forward-looking statements are made only as of the date hereof. We assume no duty to update these forward-looking statements to reflect new, changed or unanticipated events or circumstances, other than as may be required by law. Â We are a water solutions provider with a unique combination of land, water, pipeline and water filtration technology assets located in Southern California between water systems serving population centers in the Southwestern United States. Our portfolio of assets includes 2.5 million acre-feet of water supply (permits complete), 220 miles of existing, buried pipeline, 1 million acre-feet of groundwater storage capacity, versatile, scalable and cost-effective water filtration technology. Â We manage our landholdings, pipeline and water filtration technology assets to offer a suite of integrated products and services to public water systems, government agencies and commercial customers that include reliable water supply, groundwater storage, water conveyance and custom-designed water filtration technology systems. Â Water Supply â€“ We own vested water rights to withdraw 2.5 million acre-feet of groundwater for beneficial uses, including agricultural development on our property and export to serve communities across Southern California. Because water in the aquifer system will continue to be lost to evaporation, surplus water that is captured and withdrawn before it evaporates is a new water supply (â€œconservedâ€ water). We have completed environmental review in accordance with local, state and federal laws authorizing the management of the groundwater aquifer underlying our property in the Cadiz Valley (â€œCadiz Propertyâ€ or â€œCadiz Ranchâ€) which is expected to produce an average of 50,000 acre-feet of water per year (â€œAFYâ€) for 50 years for beneficial use in Southern California communities. Â Water Storage â€“ The alluvium aquifer that lies beneath the Cadiz Property is also large enough for use as a water â€œbankingâ€ facility, capable of storing water â€œin-lieuâ€ for supply customers and up to 1 million acre-feet of imported surplus water for return during drought periods. For comparison, Metropolitan Water District of Southern California stores approximately 1.2 million acre-feet of water in the largest surface reservoir in the United States, Lake Mead. Â 22 Â CADIZ INC. Â Â Water Conveyance Infrastructure â€“ We own an existing 220-mile 30-inch steel pipeline (â€œNorthern Pipelineâ€), that intersects several water storage and conveyance facilities in Southern California, including the California Aqueduct, the Los Angeles Aqueduct, and the Mojave River Pipeline. We also own a 99-year lease with the Arizona & California Railroad Company that will allow us to construct a 43-mile water conveyance pipeline (â€œSouthern Pipelineâ€) within the existing, active railroad right-of-way that extends from the Cadiz Ranch to the Colorado River Aqueduct. The capacity of the Northern Pipeline for water conveyance is 25,000 AFY. The capacity of the Southern Pipeline ranges from 75,000 AFY to 150,000 AFY depending on the pipeline diameter (54-inch to 84-inch) selected to accommodate imported water storage. Â Water Filtration Technology â€“ In 2022, we completed the acquisition of the assets of ATEC Water Systems, Inc. into ATEC Water Systems, LLC (â€œATECâ€), which provides innovative water filtration solutions for impaired or contaminated groundwater sources. ATECâ€™s specialized filtration media provide cost-effective, high-rate of removal for common groundwater impairments and contaminants that pose health risks in drinking water including iron, manganese, arsenic, Chromium-6, nitrates, and other constituents of concern. Â Our addition of pipeline infrastructure and ATEC water filtration technology to our portfolio of land and water assets enabled us in 2023 to adjust our business model to begin offering integrated services and solutions to public water systems that address the urgent challenges of climate change and make significant progress in advancing contract negotiations for water supply with public water systems. Â In the first two quarters of 2024, we entered into agreements with multiple public water systems to purchase 16,275 AFY of annual water supply from us to be delivered via the Northern Pipeline. These agreements cumulatively represent 65% of the full capacity (25,000 AFY) of the Northern Pipeline. Â Through membership in Fenner Gap Mutual Water Company, a mutual water company to be owned by the participating water agencies, these agreements provide for delivery of purchased annual water supply over a 40-year term (take or pay), at an agreed upon market price estimated to start at approximately $850/AFY at the wellhead, subject to annual adjustment. In addition, participating public agencies are expected to fund costs of delivery of water from the Cadiz Property to their service area, and the capital costs for conversion of the Northern Pipeline from gas to water, including construction of pumping stations and appurtenant facilities.Â We anticipate that a portion of capital costs would be eligible for public infrastructure funding and grants. Also, forming a Master Limited Partnership (â€œMLPâ€) entity may allow for public agency partners and investors to act as limited partners and commit funding for the capital infrastructure costs required for the Water Project and/or obtain grant funding in exchange for an agreed-upon cash flow share from the project.Â Â Under an MLP structure, traditionally used for pipeline and real estate assets, we would act as General Partner and contribute our infrastructure assets to the partnership and a share of the long-term cash flows from the groundwater banking operationsÂ in exchange for the capital funding provided by the limited partners.Â We are in discussions with parties that could participate in establishing a MLP. Â 23 Â Â CADIZ INC. Â Â In the second quarter we also executed Letters of Intent with communities in San Bernardino County reserving up to 100,000 acre-feet of surplus water over the life of the Water Project for the benefit of local disadvantaged communities as part of the Mojave-San Bernardino County One Water Project (â€œOne Waterâ€) launched by the Victor Valley Wastewater Reclamation Authority (â€œVVWRAâ€). One Water is a collaboration among public agencies and water providers in San Bernardino Countyâ€™s High Desert region to develop a regional, integrated and sustainably managed water system to preserve access and affordability for area communities. Under the program, we would make surplus available at cost after all first priority contracts are served and the One Water partners will join efforts to access grants and funding to support Northern Pipeline development. Â Final agreements and facility construction are subject to standard environmental review and a project-level permitting process. Â ATEC and our agricultural operations provide our current principal source of revenue, although our working capital needs are not fully supported by these operations at this time. We believe that our water supply, storage, pipeline conveyance and treatment solutions will provide a significant source of future cash flow for the business and our stockholders. We presently rely upon debt and equity financing to support our working capital needs and development of our water solutions. Â Our current and future operations also include activities that further our commitments to sustainable stewardship of our land, water, pipeline and water filtration technology assets, good governance and corporate social responsibility. We believe these commitments are important investments that will assist in maintenance of sustained stockholder value. Â Results of Operations Â Three Months Ended June 30, 2024, Compared to Three Months Ended June, 2023 Â We currently operate in two reportable segments. Our largest segment is Land and Water Resources, which comprises all activities regarding our properties in the eastern Mojave Desert, pre-revenue development of the Water Project (supply, storage and conveyance), and agricultural operations. Our second operating segment is Water Filtration Technology comprised of ATEC which provides innovative water filtration technology solutions for impaired or contaminated groundwater sources. Â 24 Â Â CADIZ INC. Â Â We evaluate our performance based on segment operating (loss). Interest expense, income tax expense and losses related to equity method investments are excluded from the computation of operating (loss) for the segments. Segment net revenue, segment operating expenses and segment operating (loss) information consisted of the following for the three months ended June 30, 2024 and 2023: Â Â Â Three Months Ended June 30, 2024 Â (in thousands) Â Land and Water Resources Â Â Water Filtration Technology Â Â Total Â Â Â Â Â Â Â Â Â Â Â Â Â Â Revenues Â $ 350 Â Â $ 163 Â Â $ 513 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Costs and expenses: Â Â Â Â Â Â Â Â Â Â Â Â Cost of sales Â Â 679 Â Â Â 173 Â Â Â 852 Â General and administrative Â Â 5,917 Â Â Â 388 Â Â Â 6,305 Â Depreciation Â Â 292 Â Â Â 13 Â Â Â 305 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total costs and expenses Â Â 6,888 Â Â Â 574 Â Â Â 7,462 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Operating loss Â $ (6,538) Â $ (411) Â $ (6,949) Â Â Â Â Three Months Ended June 30, 2023 Â (in thousands) Â Land and Water Resources Â Â Water Filtration Technology Â Â Total Â Â Â Â Â Â Â Â Â Â Â Â Â Â Revenues Â $ 379 Â Â $ 430 Â Â $ 809 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Costs and expenses: Â Â Â Â Â Â Â Â Â Â Â Â Cost of sales Â Â 432 Â Â Â 336 Â Â Â 768 Â General and administrative Â Â 5,232 Â Â Â 88 Â Â Â 5,320 Â Depreciation Â Â 271 Â Â Â 34 Â Â Â 305 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total costs and expenses Â Â 5,935 Â Â Â 458 Â Â Â 6,393 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Operating loss Â $ (5,556) Â $ (28) Â $ (5,584) Â We have not received significant revenues from our water supply, storage, or conveyance assets to date. Our revenues have been limited to rental income from our agricultural leases, sales from our alfalfa plantings and ATEC sales. As a result, we have historically incurred a net loss from operations. We incurred a net loss of $8.9 million in the three months ended June 30, 2024, compared to a $7.1 million net loss during the three months ended June 30, 2023. The higher 2024 loss was primarily due to higher stock compensation expense and increased interest expense related to the Third Amended Credit Agreement in 2024. Â Our primary expenses are our ongoing overhead costs associated with the development of our water supply, storage, conveyance (i.e., general and administrative expense), farming expenses at the Cadiz Ranch, manufacturing operations of ATEC and our interest expense. We will continue to incur non-cash expenses in connection with our equity incentive compensation plan. Â Revenues Revenue totaled $0.5 million during the three months ended June 30, 2024, primarily related to ATEC sales totaling $0.2 million, sales from the harvest from our 760 acres of commercial alfalfa crop totaling $0.2 million and rental income from our agricultural leases totaling $0.1 million. Revenue totaled $0.8 million during the three months ended June 30, 2023, primarily related to ATEC sales totaling $0.4 million, sales from the harvest from our 760 acres of commercial alfalfa crop totaling $0.3 million and rental income from our agricultural leases totaling $0.1 million. Â 25 Â Â CADIZ INC. Â Â Cost of Sales Cost of sales totaled $0.9 million during the three months ended June 30, 2024, comprised of $0.7 million related to our alfalfa crop harvest and $0.2 million related to ATEC. Cost of sales totaled $0.8 million during the three months ended June 30, 2023, which comprised of $0.4 million related to our alfalfa crop harvest and $0.4 million related to ATEC. Â General and Administrative Expenses General and Administrative Expenses, exclusive of stock-based compensation costs, totaled $5.2 million in the three months ended June 30, 2024, compared to $5.2 million in the three months ended June 30, 2023. Â Compensation costs for stock and option awards for the three months ended June 30, 2024, were $1.1 million, compared to $0.2 million for the three months ended June 30, 2023. The higher 2024 expense was primarily due to stock-based non-cash awards to employees. Â Depreciation Depreciation expense totaled $0.3 million during each of the three months ended June 30, 2024 and 2023. Â Interest Expense, net Net interest expense totaled $1.9 million during the three months ended June 30, 2024 compared to $1.1 million during the same period in 2023. The following table summarizes the components of net interest expense for the two periods (in thousands): Â Â Â Three Months Ended Â Â Â June 30, Â Â Â 2024 Â Â 2023 Â Â Â Â Â Â Â Â Â Â Interest on outstanding debt Â $ 1,731 Â Â $ 1,267 Â Amortization of debt discount Â Â 342 Â Â Â 71 Â Interest income Â Â (132) Â Â (210) Other income Â Â (20) Â Â - Â Â Â Â Â Â Â Â Â Â Â Â $ 1,921 Â Â $ 1,128 Â Â Interest income primarily relates to interest on investments in short-term deposits. Â Losses on Derivative Liabilities Losses on derivative liabilities totaled $0 during the three months ended June 30, 2024 compared to $0.4 million in the three months ended June 30, 2023, resulting from a remeasurement of a conversion option under the Companyâ€™s senior secured debt. Â Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023 Â We incurred a net loss of $15.7 million in the six months ended June 30, 2024, compared to a $17.8 million net loss during the six months ended June 30, 2023. The higher 2023 loss was primarily due to a loss on extinguishment of debt in the amount of $5.3 million resulting from issuance of a conversion instrument, a repayment fee and elimination of debt discount associated with the paydown of $15 million of senior secured debt in February 2023, offset by a higher stock compensation expense and increased interest expense related to the Third Amended Credit Agreement in 2024. Â 26 Â Â CADIZ INC. Â Â Revenues Revenue totaled $1.6 million during the six months ended June 30, 2024, primarily related to and ATEC sales totaling $0.6 million, sales from the harvest from our 760 acres of commercial alfalfa crop totaling $0.8 million and rental income from our agricultural leases totaling $0.2 million. Revenue totaled $0.9 million during the six months ended June 30, 2023, primarily related to ATEC sales totaling $0.4 million, sales from the harvest from our 760 acres of commercial alfalfa crop totaling $0.3 million and rental income from our agricultural leases totaling $0.2 million. Â Cost of Sales Cost of sales totaled $1.9 million during the six months ended June 30, 2023, which comprised of $0.5 million related to ATEC and $1.4 million related to our alfalfa crop harvest . The 2024 alfalfa crop harvest net operating loss to date of $1.0 million primarily relates to continued suppressed market conditions for alfalfa on the West Coast. Cost of sales totaled $0.8 million during the six months ended June 30, 2023, which comprised of $0.4 million related to ATEC and $0.4 million related to our alfalfa crop harvest. Â General and Administrative Expenses General and administrative expenses, exclusive of stock-based compensation costs, totaled $8.7 million in the six months ended June 30, 2024, compared to $8.8 million in the six months ended June 30, 2023. Â Compensation costs for stock and option awards for the six months ended June 30, 2024, were $2.4 million, compared to $0.5 million for the six months ended June 30, 2023. The higher 2024 expense was primarily due to stock-based non-cash awards to employees. Â Depreciation Depreciation expense totaled $0.6 million during each of the six months ended June 30, 2024 and 2023. Â Interest Expense, net Net interest expense totaled $3.9 million during the six months ended June 30, 2024 compared to $2.5 million during the same period in 2023. The following table summarizes the components of net interest expense for the two periods (in thousands): Â Â Â Six Months Ended Â Â Â June 30, Â Â Â 2024 Â Â 2023 Â Â Â Â Â Â Â Â Â Â Interest on outstanding debt Â $ 3,159 Â Â $ 2,581 Â Amortization of debt discount Â Â 611 Â Â Â 261 Â Finance expense Â Â 307 Â Â Â Â Â Interest income Â Â (184) Â Â (378) Other income Â Â (33) Â Â - Â Â Â Â Â Â Â Â Â Â Â Â $ 3,860 Â Â $ 2,464 Â Â Increased interest expense is primarily due to increased borrowing under the Third Amended Credit Agreement. Interest income primarily relates to interest on investments in short-term deposits. Â 27 Â Â CADIZ INC. Â Â Losses on Derivative Liabilities Losses on derivative liabilities totaled $0 during the six months ended June 30, 2024 compared to $220 thousand during the six months ended June 30, 2023. The losses recorded in 2023 were a result of a remeasurement of a conversion option under the Companyâ€™s senior secured debt. Â Loss on Early Extinguishment of Debt Loss on early extinguishment of debt totaled $0 during the six months ended June 30, 2024 compared to $5.3 million in the six months ended June 30, 2023. The 2023 loss on early extinguishment of debt was a result of a conversion instrument, a repayment fee and elimination of debt discount associated with the paydown of $15 million of senior secured debt in February 2023. Â Liquidity and Capital Resources Â Current Financing Arrangements Â As we have not received sufficient revenues or profits from our water, agriculture or water filtration technology activities to date, we have been required to obtain financing to bridge the gap between the time water resource and other development expenses are incurred and the time that revenue will commence. Historically, we have addressed these needs primarily through secured debt financing arrangements and private equity placements. Â Equity Offerings Â In January 2023, we completed the sale and issuance of 10,500,000 shares of our common stock to certain institutional investors in a registered direct offering (â€œJanuary 2023 Direct Offeringâ€). The shares of common stock were sold at a purchase price of $3.84 per share, for aggregate gross proceeds of $40.3 million and aggregate net proceeds of approximately $38.5 million. A portion of the net proceeds were used to repay our debt in the principal amount of $15 million, together with fees and interest required to be paid in connection with such repayment. Â The remaining proceeds from the January 2023 Direct Offering were used for capital expenditures to accelerate development of water supply, storage, conveyance and treatment assets, working capital and development of additional water resources to meet increase demand on an accelerated timetable, and general corporate purposes. Â Debt Offerings Â In July 2021, we entered into a $50 million new credit agreement (â€œCredit Agreementâ€) (see Note 3 to the Condensed Consolidated Financial Statements â€“ â€œLong-Term Debtâ€). The proceeds of the Credit Agreement, together with the proceeds from a depositary share offering, were used to (a) to repay all our outstanding senior secured debt obligations in the amount of approximately $77.6 million, (b) to deposit approximately $10.2 million into a segregated account, representing an amount sufficient to pre-fund eight quarterly dividend payments on the Series A Preferred Stock underlying depositary shares issued in a depositary share offering, and (c) to pay transaction related expenses. The remaining proceeds were used for working capital needs and for general corporate purposes. Â 28 Â Â CADIZ INC. Â Â On February 2, 2023, we entered into a First Amendment to Credit Agreement to amend certain provisions of the Credit Agreement (â€œFirst Amended Credit Agreement), Under the First Amended Credit Agreement, the lenders have a right to convert up to $15 million of outstanding principal, plus any PIK interest and any accrued and unpaid interest (the â€œConvertible Loanâ€) into shares of our common stock at a conversion price of $4.80 per share (the â€œConversion Priceâ€). In addition, prior to the maturity of the Credit Agreement, we have the right to require that the lenders convert the outstanding principal amount, plus any PIK Interest and accrued and unpaid interest, of the Convertible Loan if the following conditions are met: (i) the average VWAP of the Companyâ€™s common stock on The Nasdaq Stock Market, or such other national securities exchange on which the shares of common stock are listed for trading, over 30 consecutive trading dates exceeds 115% of the then Conversion Price and (ii) there is no event of default under certain provisions of the Credit Agreement. Â Under the First Amended Credit Agreement, the maturity date of the Credit Agreement was extended from July 2, 2024 to June 30, 2026. Â On March 6, 2024, we entered into a Third Amendment to Credit Agreement and First Amendment to Security Agreement (â€œThird Amended Credit Agreementâ€) with HHC $ Fund 2012 (â€œHeeremaâ€) (see Note 3 to the Condensed Consolidated Financial Statements â€“ â€œLong-Term Debtâ€). Before entering into the Third Amended Credit Agreement, Heerema purchased the outstanding secured non-convertible term loans under the Credit Agreement (â€œAssignmentâ€). In connection with the Assignment, the existing holders of both the Convertible Loan and non-convertible term loans consented to effectuate the Third Amended Credit Agreement in consideration of a consent fee in the aggregate amount of $479,845 payable in the form of our common stock (valued at $2.89 per share, or 166,036 shares), which was registered pursuant to an effective shelf registration statement on Form S-3 and a prospectus supplement thereunder. The Third Amended Credit Agreement provides, among other things, (a) a new tranche of senior secured convertible terms loans from Heerema in an aggregate principal amount of $20 million, having a maturity date of June 30, 2027 (â€œNew Secured Convertible Debtâ€); (b) the aggregate principal amount of the secured non-convertible term loans acquired by Heerema has been increased from $20 million to $21.2 million and the applicable repayment fee in respect thereof has been eliminated; (c) the Convertible Loan existing prior to the Third Amended Credit Agreement, in an aggregate principal amount of approximately $16 million plus interest accruing thereon, has become unsecured; and (d) extension of the maturity date for the existing Convertible Loan and non-convertible loans to June 30, 2027. Â The annual interest rate remains unchanged at 7.00%. Interest on $21.2 million of the remaining principal amount will be paid in cash. Interest on the aggregate $36 million principal amount of the New Secured Convertible Debt and existing Convertible Loan is paid in kind on a quarterly basis. Â Limitations on our liquidity and ability to raise capital may adversely affect us. Sufficient liquidity is critical to meet our resource development activities. To the extent additional capital is required, we may increase liquidity through a variety of means, including equity or debt placements, through the lease, sale or other disposition of assets or reductions in operating costs. If additional capital is required, no assurances can be given as to the availability and terms of any new financing. Â 29 Â Â CADIZ INC. Â Â As we continue to actively pursue our business strategy, additional financing will continue to be required (see â€œOutlookâ€, below).Â The covenants in the Credit Agreement, as amended, do not prohibit our use of additional equity financing and allow us to retain 100% of the proceeds of any common equity financing. We do not expect the loan covenants to materially limit our ability to finance our water and agricultural development activities. Â Cash Used in Operating Activities. Cash used in operating activities totaled $9.9 million for each of the six months ended June 30, 2024 and 2023. The cash was primarily used to fund general and administrative expenses related to our water development efforts, agricultural development efforts, and our ATEC business including increased working capital needs related to accounts receivable and inventory offset by increased accounts payable. Â Cash Used in Investing Activities. Cash used in investing activities totaled $0.5 million for the six months ended June 30, 2024, and $3.2 million for the six months ended June 30, 2023. The cash used in the 2024 period primarily related to the development cost for the planting of 125 additional acres of alfalfa. The cash used in the 2023 period primarily related to the development of three new wells. Â Cash Provided by Financing Activities. Cash provided by financing activities totaled $16.0 million for the six months ended June 30, 2024, compared with cash provided of $20.0 million for the six months ended June 30, 2023. Proceeds from financing activities for the 2024 period related to the issuance of long-term debt under the Third Amended Credit Agreement. Proceeds from financing activities for the 2023 period primarily related to the issuance of shares under direct offerings, offset by the paydown of $15 million of senior secured debt in February 2023. Â Outlook Â Short-Term Outlook. The net proceeds of approximately $19.0 million from the completion of the Third Amended Credit Agreement in March 2024, together with cash on hand, provide us with sufficient funds to meet our short-term working capital needs. Our ATEC operations are expected to be funded using existing capital and cash profits generated from operations during 2024. Â Long-Term Outlook. In the longer term, we will need to raise additional capital to finance working capital needs and capital expenditures (see â€œCurrent Financing Arrangementsâ€, above). Our future working capital needs will depend upon the specific measures we pursue in the entitlement and development of our water supply, storage, conveyance resources and other developments. Future capital expenditures will depend on the progress of the Water Project, further expansion of our agricultural assets, and ATEC operational needs. Â We are evaluating the amount of cash needed, and the manner in which such cash will be raised, on an ongoing basis. We may meet any future cash requirements through a variety of means, including equity or debt placements, or through the sale or other disposition of assets. Equity placements will be undertaken only to the extent necessary, so as to minimize the dilutive effect of any such placements upon our existing stockholders. No assurances can be given, however, as to the availability or terms of any new financing. Limitations on our liquidity and ability to raise capital may adversely affect us. Sufficient liquidity is critical to meet our resource development activities. Â 30 Â Â CADIZ INC. Â Â Recent Accounting Pronouncements Â See Note 1 to the Condensed Consolidated Financial Statements â€“ â€œBasis of Presentationâ€. Â Â ITEM 3. Quantitative and Qualitative Disclosures about Market Risk Â We are a smaller reporting company as defined by Reg. 240.12b-2 of the Securities and Exchange Act of 1934 and are not required to provide the information under this item. Â Â ITEM 4. Controls and Procedures Â Disclosure Controls and Procedures Â The Company established disclosure controls and procedures to ensure that material information related to the Company, including its consolidated entities, is accumulated and communicated to senior management, including the Chief Executive Officer (the â€œPrincipal Executive Officerâ€) and Chief Financial Officer (the â€œPrincipal Financial Officerâ€) and to its Board of Directors. Based on their evaluation as of June 30, 2024, the Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and such information is accumulated and communicated to management, including the principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosures. Â Changes in Internal Controls Over Financial Reporting Â In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in the Company's internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Â Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Â 31 Â Â CADIZ INC. Â Â PART II - OTHER INFORMATION Â Â ITEM 1. Legal Proceedings Â There have been no material changes to legal proceedings described in our Annual Report on Form 10-K for the year ended December 31, 2023. Â Â ITEM 1A. Risk Factors Â There have been no material changes to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2023. Â Â ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds Â Not applicable. Â Â ITEM 3. Defaults Upon Senior Securities Â Not applicable. Â Â ITEM 4. Mine Safety Disclosures Â Not applicable. Â Â ITEM 5. Other Information Â Â a. Information required under Form 8K. Â None. Â Â b. Modifications to nomination process. Â None. Â Â c. Insider trading arrangements. Â During the six months ended June 30, 2024, no director or officer of the Company adopted or terminated a â€œRule 10b5-1 trading arrangementâ€ or â€œnon-Rule 10b5-1 trading arrangement,â€ as each term is defined in Item 408(a) of Regulation S-K. Â 32 Â Â Â CADIZ INC. Â Â Â ITEM 6. Exhibits Â The following exhibits are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q. Â Â *3.1 Â Certificate of Incorporation, as amended Â Â Â Â Â **10.1 Â Amended and Restated Employment Agreement between Cadiz Inc. and Susan P. Kennedy dated as of April 26, 2024 Â Â Â Â Â **10.2 Â Agreement for the Delivery of Water Made Available by Cadiz, Inc. and Fenner Gap Mutual Water Company to Solomon Hills, dated April 18, 2024, among Cadiz Inc., Cadiz Real Estate LLC, Fenner Gap Mutual Water Company and Solstra Communities California LLC Â Â Â Â Â * 31.1 Â Certification of Susan Kennedy, Chief Executive Officer of Cadiz Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Â Â Â Â Â * 31.2 Â Certification of Stanley E. Speer, Chief Financial Officer and Secretary of Cadiz Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Â Â Â Â Â * 32.1 Â Certification of Susan Kennedy, 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 Â Â Â Â Â * 32.2 Â Certification of Stanley E. Speer, 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 Â Â Â Â Â * 101.INS Â Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) Â Â Â Â Â * 101.SCH Â Inline XBRL Taxonomy Extension Schema Document Â Â Â Â Â * 101.CAL Â Inline XBRL Taxonomy Extension Calculation Linkbase Document Â Â Â Â Â * 101.DEF Â Inline XBRL Extension Definition Linkbase Document Â Â Â Â Â * 101.LAB Â Inline XBRL Taxonomy Extension Label Linkbase Document Â Â Â Â Â * 101.PRE Â Inline XBRL Taxonomy Extension Presentation Linkbase Document Â Â Â Â Â 104 Â Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) Â Â * Filed concurrently herewith. ** Previously filed. Â 33 Â Â CADIZ INC. Â Â SIGNATURE Â Â Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. Â Cadiz Inc. Â Â Â By: /s/Â Susan KennedyÂ Â August 13, 2024 Â Â Susan Kennedy Â Date Â Â Chief Executive Officer Â Â Â Â (Principal Executive Officer) Â Â Â Â Â Â Â Â Â Â Â Â By: /s/Â Stanley E. SpeerÂ Â August 13, 2024 Â Â Stanley E. Speer Â Date Â Â Chief Financial Officer and Secretary Â Â Â Â (Principal Financial Officer) Â Â Â Â Â Â 34 HTML Editor EXHIBIT 32.2Â STATEMENT PURSUANT TO SECTION 906 THE SARBANES-OXLEY ACT OF 2002BY PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICERÂ Â I, Stanley E. Speer, herby certify, to my knowledge, that:Â 1. the accompanying Quarterly Report on Form 10-Q of Cadiz Inc. for the period ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; andÂ 2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cadiz Inc.Â IN WITNESS WHEREOF, the undersigned has executed this Statement as of the date first written above.Â Â Dated:Â August 13, 2024Â /s/ Stanley E. Speer Stanley E. Speer Chief Financial Officer and Secretary Â Â HTML Editor EXHIBIT 32.1Â STATEMENT PURSUANT TO SECTION 906 THE SARBANES-OXLEY ACT OF 2002BY PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICERÂ Â I, Susan Kennedy, herby certify, to my knowledge, that:Â 1. the accompanying Quarterly Report on Form 10-Q of Cadiz Inc. for the period ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; andÂ 2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cadiz Inc.Â IN WITNESS WHEREOF, the undersigned has executed this Statement as of the date first written above.Â Â Dated:Â August 13, 2024Â /s/ Susan Kennedy Susan Kennedy Chief Executive Officer Â Â HTML Editor EXHIBIT 31.1 Â CERTIFICATION PURSUANT TO SECTION 302 OF THESARBANES-OXLEY ACT OF 2002Â Â I, Susan Kennedy,Â certify that:Â 1.Â I have reviewed this quarterly report on Form 10-Q of Cadiz Inc.;Â 2.Â Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;Â 3.Â Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;Â 4.Â The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:Â a)Â Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;Â b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, 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.Â c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; andÂ d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; andÂ 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):Â a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; andÂ b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.Â Â Dated: Â August 13, 2024Â /s/ Susan Kennedy Susan Kennedy Chief Executive Officer Â Â HTML Editor EXHIBIT 31.2 Â CERTIFICATION PURSUANT TO SECTION 302 OF THESARBANES-OXLEY ACT OF 2002Â Â I, Stanley E. Speer,Â certify that:Â 1.Â I have reviewed this quarterly report on Form 10-Q of Cadiz Inc.;Â 2.Â Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;Â 3.Â Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;Â 4.Â The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:Â a)Â Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;Â b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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.Â c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; andÂ d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; andÂ 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):Â a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; andÂ b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.Â Â Dated:Â August 13, 2024Â Â /s/ Stanley Speer Stanley E. Speer Chief Financial Officer and Secretary Â Â HTML Editor Â