

Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2000

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE
EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-8814

PURE CYCLE CORPORATION
(Exact name of small business issuer as specified in its charter)

Delaware 84-0705083
(State of incorporation) (I.R.S. Employer
Identification Number)

5650 York Street, Commerce City, CO 80022
(Address of principal executive offices) (Zip Code)

Registrant's telephone number (303) 292 - 3456

N/A

(Former name, former address and former fiscal year, if changed since last report.)

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ; NO

State the number of shares outstanding of each of the issuer's classes of common equity, as of May 31, 2000:

Common Stock, 1/3 of \$.01 par Value 78,439,763
(Class) (Number of Shares)

Transitional Small business Disclosure Format (Check one): Yes ; No

PURE CYCLE CORPORATION
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"SAFE HARBOR" STATEMENT UNDER THE UNITED STATES PRIVATE
SECURITIES LITIGATION REFORM ACT OF 1995

Statements that are not historical facts contained in this Quarterly Report on Form 10-QSB are forward looking statements that involve risk and uncertainties that could cause actual results to differ from projected results. Factors that could cause actual results to differ materially include, among others: general economic conditions, the market price of water, changes in applicable statutory and regulatory requirements, changes in technology, uncertainties in the estimation of water available under decrees and timing of development, the strength and financial resources of the Company's competitors, the Company's ability to find and retain skilled personnel, climatic conditions, labor relations, availability and cost of material and equipment, delays in the anticipated permit and start-up dates, environmental risks, and the results of financing efforts.

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PURE CYCLE CORPORATION
BALANCE SHEETS

ASSETS	May 31, August 31, 2000 1999 (unaudited)	
Current assets:		
Cash and cash equivalents	\$ 383,266	\$ 981,025
Accounts Receivable	--	6,106
Prepaid expenses and other current assets	11,259	11,259
Total current assets	394,525	998,390
Investment in water projects:		
Rangeview water rights	13,351,179	13,282,485
Paradise water rights	5,484,868	5,482,303
Rangeview Water System	126,611	126,611
Total investment in water projects	18,962,658	18,891,399
Note receivable, including accrued interest	340,569	321,794
Other assets	1,441	22,596
	\$ 19,699,193	\$20,234,179
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 18,936	55,915
Billings in excess of costs and estimated earnings (Note 2)	281,918	895,379
Accrued liabilities	3,692	25,810
Total current liabilities	304,546	977,104
Long-term debt - related parties, including accrued interest	4,203,075	4,021,177
Other non-current liabilities	128,123	128,123
Participating interests in Rangeview water rights	11,090,630	11,090,630
Stockholders' equity:		
Preferred stock, par value \$.001 per share; authorized - 25,000,000 shares:		
Series A1 - 1,600,000 shares issued and outstanding	1,600	1,600
Series B - 432,513 shares issued and outstanding	433	433
Series C - 3,200,000 shares issued and outstanding	3,200	3,200
Series C1 - 500,000 shares issued and outstanding	500	500
Series C2 - 666,667 shares issued and outstanding	667	--

Common stock, par value 1/3 of \$.01 per share; authorized - 135,000,000 shares; 78,439,763 shares issued and outstanding	261,584	261,584
Additional paid-in capital	24,335,577	24,216,244
Accumulated deficit	(20,630,742)	(20,466,416)
Total stockholders' equity	3,972,819	4,017,145
	\$ 19,699,193	\$20,234,179

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	
	May 31, 2000	May 31, 1999
Water usage fees	\$ 12,279	\$ 11,683
	12,279	11,683
Water service operating expense	(1,380)	(1,200)
Gross Margin	10,899	10,483
General, administrative and marketing	(62,498)	(55,836)
Other income (expense)		
Interest income	10,958	8,878
Interest expense		
Related party	(63,237)	(50,046)
Other	--	(1,785)
Net Loss	\$ (103,878)	\$ (88,304)
Basic and diluted net loss per common share	\$ --*	\$ --*
Weighted average common shares outstanding	78,439,763	78,439,763

* less than \$.01 per share

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

	Nine Months Ended	
	May 31, 2000	May 31, 1999
Water usage fees	\$ 29,600	\$ 21,319
Water construction revenue	613,461	--
	643,061	21,319
Construction costs incurred (Note 2)	(475,786)	--
Water service operating expense	(3,980)	(3,600)

Gross Margin	163,295	17,719
General, administrative and marketing	(201,993)	(211,777)
Other income (expense)		
Interest income	40,896	31,710
Interest expense		
Related party	(181,898)	(150,136)
Other	15,374	(5,355)
Net Loss	\$ (164,326)	\$ (317,839)
Basic and diluted net loss per common share	\$ --*	\$ --*
Weighted average common shares outstanding	78,439,763	78,439,763

* less than \$.01 per share

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended	
	May 31, 2000	May 31, 1999
Cash flows from operating activities:		
Net loss	\$ (164,326)	\$ (317,839)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	--	1,143
Increase in accrued interest on note receivable	(18,775)	(28,628)
Increase in accrued interest on long term debt and other non-current liabilities	181,898	155,491
Changes in operating assets and liabilities:		
Accounts receivable	6,106	--
Accounts payable and accrued liabilities	(59,097)	(12,990)
Billings in excess of costs and estimated earnings	(613,461)	104,496
Change in other assets	21,155	--
Net cash used in operating activities	(646,500)	(98,327)
Cash flows from investing activities:		
Investments in water rights	(71,259)	(162,922)
Investment in Rangeview water system	--	(14,993)
Net cash used in investing activities	(71,259)	(177,915)
Net cash provided by financing activities		
proceeds from sale of stock	120,000	90,000
Net decrease in cash and cash equivalents	(597,759)	(186,242)
Cash and cash equivalents beginning of period	981,025	423,027
Cash and cash equivalents end of period	\$ 383,266	\$ 236,785

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The balance sheet as of May 31, 2000, the statements of operations for the three months and nine months ended May 31, 2000 and May 31, 1999 and the statements of cash flows for the nine months ended May 31, 2000 and May 31, 1999, have been prepared by the Company, without an audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows at May 31, 2000 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's 1999 Annual Report on Form 10-KSB. The results of operations for interim periods presented are not necessarily indicative of the operating results for the full year.

NOTE 2 - CONSTRUCTION CONTRACTS

Pursuant to its Service Agreements, the Company is obligated to provide water and wastewater service to a 400 acre development which will include the construction of a 500-bed Academic Model Juvenile Facility ("Model Facility"). The Model Facility purchased the equivalent of 201 residential water taps. Pursuant to its Service Agreements, the Company received \$1,372,014 from the water tap fees during fiscal 1999, and will receive \$624,000 from the sewer tap fees upon the initiation of construction of the wastewater treatment facility scheduled for fourth quarter 2000 for a combined total of \$1,996,014. The Company began construction of the water system in fiscal year 1999 and has incurred costs as of the end of the quarter ended May 31, 2000 of \$835,000. No construction activity occurred during the third quarter, however the Company did complete the design and bid documents for the wastewater facility which will begin construction in the fourth quarter with projected costs of \$600,000. The Company recognizes revenue from construction based on percent-of-completion methodology.

NOTE 3 - STOCKHOLDERS' EQUITY

In September 1999, the Company entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby the Company issued 666,667 shares of Series C2 Convertible Preferred Stock to the Company's President, Mr. Thomas Clark, in exchange for 666,667 shares of common stock owned by Mr. Clark. The Series C2 Convertible Preferred Stock converts into an equivalent number of shares of Common stock at the election of Mr. Clark provided the Company has authorized and unissued shares of Common Stock available. The Company sold 666,667 shares of the Company's Common Stock at \$.18 per share to 3 accredited investors who have previously invested in the Company. Proceeds to the Company were \$120,000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

During the three months ended May 31, 2000, the Company generated water usage revenues from the sale of water to customers within the Company's Service Area of \$12,279 compared to \$11,683 for the three months ended May 31, 1999, and incurred approximately \$1,380 in operating costs compared to \$1,200 for the three months ended May 31, 1999. No construction costs were incurred during the three months ended May 31, 2000 and accordingly, the Company recognized no revenue under the percent-of-completion method.

During nine months ended May 31, 2000, the Company generated water usage revenues from the sale of water to customers within the Company's Service Area of \$29,600 compared \$21,319 for the nine months ended May 31, 1999, and incurred approximately \$3,980 in operating costs compared \$3,600 for the nine months ended May 31, 1999.

During the nine months ended May 31, 2000, the Company generated water service revenues of \$643,061 of which \$613,461 were water construction revenues due primarily to the agreement with the Model Facility. Also during the nine months ended May 31, 2000, Company incurred construction costs of \$475,786. Completion of the water facilities by the Company's contractor was approximately 118 days late. The contracts for construction of the water facilities with the contractor included provision for liquidated damages for late completion total \$1,000 per day. The Company has retained approximately \$100,000 from the contract pending resolution of the liquidated damages by the contractor and the contractor's surety bond company. The Company recognizes revenue from construction based on percentage-of-completion methodology. As of May 31, 2000, construction of the water and wastewater facilities for the Model Facility were estimated to be approximately 54% complete.

During the three months ended May 31, 2000, the Company delivered approximately 6.7 million gallons of water to customers in the Service Area. During the nine months ended May 31, 2000, the Company delivered approximately 16.8 million gallons of water to customers in the service Area.

General, administrative and marketing expenses for the three months ended May 31, 2000 were approximately \$6,700 higher than for the three months ended May 31, 1999. General, administrative and marketing expenses for the nine months ended May 31, 2000 were approximately \$10,000 lower than for the nine months ended May 31, 1999. Interest expense for the three and nine months ended May 31, 2000 were approximately \$13,000 and \$32,000 higher than for the respective periods ended May 31, 1999, primarily due to higher interest rates. Net loss for the three months ended May 31, 2000 was approximately \$15,500 higher than for the three months ended May 31, 1999, primarily due to higher interest costs. Net loss for the nine months ended May 31, 2000 was approximately \$153,500 lower than for the nine months ended May 31, 1999 primarily due to revenue received during fiscal 1999 for the construction of the water and wastewater facilities for the Model Facility.

Liquidity and Capital Resources

At May 31, 2000, current assets exceed current liabilities by \$53,979 and, the Company had cash and cash equivalents of \$383,266. Net cash used in operating activities for the nine months ended May 31, 2000 was \$646,500. The Company received construction contract payments in Fiscal year 1999 to fund the construction costs incurred in Fiscal 2000.

The Company is aggressively pursuing the sale and development of its water rights. The Company cannot provide any assurances that it will be able to sell its water rights. In the event a sale of the Company's water rights is not forthcoming and the Company is not able to generate revenues from the sale or development of its technology, the Company may sell additional portions of the Company's profit interest pursuant to the WCA, incur short or long-term debt obligations or seek to sell additional shares of Common Stock, Preferred Stock or stock purchase warrants as deemed necessary by the Company to generate operating capital.

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Liquidity and Capital Resources (continued)

Development of any of the water rights that the Company has, or is seeking to acquire, will require substantial capital investment by the Company. Any such additional capital for the development of the water rights is anticipated to be financed through the sale of water taps and water delivery charges to a city or municipality. A water tap charge refers to a charge imposed by a municipality to permit a water user to access a water delivery system (i.e. a single-family home's tap into the municipal water system), and a water delivery charge refers to a water user's monthly water bill generally based on a per 1,000 gallons of water consumed.

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

PURE CYCLE CORPORATION

Date:

July 14, 2000 /S/ Thomas P. Clark
Thomas P. Clark,
President

Date:

July 14, 2000 /S/ Mark W. Harding
Mark W. Harding,
Chief Financial Officer

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THIS DOCUMENT CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S 10-QSB DATED July 14, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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