AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 19, 2004.

REGISTRATION NO. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PURE CYCLE CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	84-0705083
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4941
(Primary Standard Industrial Classification Code)

8451 DELAWARE ST.
THORNTON, COLORADO 80260
(303) 292-3456
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

MARK W. HARDING
8451 DELAWARE ST.
THORNTON, COLORADO 80260
TELEPHONE: (303) 292-3456
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

WANDA J. ABEL, ESQ.
DAVIS GRAHAM & STUBBS LLP
1550 SEVENTEENTH STREET, SUITE 500
DENVER, COLORADO 80202
TELEPHONE: (303) 892-9400

APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

<TABLE>
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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share (1)	Proposed maximum aggregate offering price	Amount of registration fee

<S>	<C>	<C>	<C>	<C>
Common Stock, $.00333 par value per share	3,586,210(2)	$ 9.05	$ 32,455,200.50	$ 4,112.08

</TABLE>

(1) Estimated solely for the purpose of computing the registration fee. The proposed maximum offering price per share and maximum aggregate offering price for the shares being registered hereby are calculated in accordance with Rule 457(c) under the Securities Act using the average of the high and low sales price per share of our common stock on April 14, 2004, as reported on the OTC Bulletin Board.

(2) Consists of 700,000 shares of common stock being offered by Pure Cycle Corporation, 2,418,443 shares of common stock being offered by certain selling stockholders of Pure Cycle Corporation, and an additional 467,767 shares issuable by Pure Cycle upon the exercise of the underwriter's overallotment option.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities pursuant to this prospectus until the registration statement filed with the Securities and Exchange Commission becomes effective. This prospectus is not an offer to sell these securities and neither Pure Cycle nor the Selling Stockholders are soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated April 19, 2004

PROSPECTUS

3,118,443 SHARES
PURE CYCLE CORPORATION
COMMON STOCK, $.00333 PAR VALUE

_____

The 3,118,443 shares of common stock, $.00333 par value, offered hereby are being offered by Pure Cycle Corporation and by certain Pure Cycle stockholders. Of the total number of shares offered, 700,000 shares are being offered by Pure Cycle and 2,418,443 shares are being offered by the selling stockholders. See "Selling Stockholders."

Pure Cycle's common stock is quoted on the OTC Bulletin Board under the symbol "PCYL." On April 15, 2004, the last reported sales prices of our common stock on the OTC Bulletin Board was $9.30 per share. We have applied for listing of our common stock on the NASDAQ Small Cap Market under the symbol "_____."

FOR A DISCUSSION OF CERTAIN RISKS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" BEGINNING ON PAGE 9 OF THIS PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PER SHARE	TOTAL
Offering price	*	*
Underwriting discount	*	*
Proceeds, before expenses, to Pure Cycle	*	*
Proceeds, before expenses, to selling stockholders	*	*

We have granted an over-allotment option to the underwriters. Under this option, the underwriters may elect to purchase a maximum of 467,767 additional shares from us within 30 days following the date of this prospectus to cover over-allotments. See "Plan of Distribution."

FLAGSTONE SECURITIES

The date of this prospectus is _____, 2004.

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_____

As used in this prospectus, the terms "Pure Cycle," the "Company," "we," "our," or "us" refer to Pure Cycle Corporation, unless the context otherwise indicates.

Unless otherwise stated, all information in this prospectus gives effect to the 1-for-10 reverse stock split of our common stock that will be effective April 26, 2004. The financial statements beginning on Page F-1 do not give effect to the reverse stock split.

Unless otherwise stated in this prospectus, all information contained in this prospectus assumes no exercise of the over-allotment option granted to the underwriters.

The underwriters are offering the shares subject to various conditions and may reject all or part of any order. The common stock should be ready for delivery on or about _____ ___, 2004 against payment in immediately available funds.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully.

THE COMPANY

We own or have rights to use significant water assets which we have begun to utilize to provide water and wastewater services to customers located in the Denver, Colorado metropolitan area near our principal water assets. We will operate water and wastewater systems to deliver and treat the water we provide. Our services will include designing, constructing, operating and maintaining systems to service our customers.

Rangeview Water Assets.
- ----------------------

We have exclusive access to approximately 29,000 acre feet per year of water from, and the exclusive right to provide water and wastewater services to, 24,000 acres of primarily undeveloped land in eastern Colorado known as the Lowry Range (the "Lowry Range service area"). The Lowry Range is located in Arapahoe County approximately 15 miles southeast of Denver and 12 miles south of the Denver International Airport. Of the approximately 29,000 acre feet of water to which we have access, 17,500 acre feet are available to us for use on the Lowry Range. We own the remaining 11,650 acre feet and we can "export" it from the Lowry Range to supply water to nearby communities and developers in need of additional water supplies ("Export Water"). We acquired these rights

and the Export Water in 1996 when we entered into an 85-year agreement with the State of Colorado Board of Land Commissioners ("State Land Board"), which owns the Lowry Range, and the Rangeview Metropolitan District (the "District"), a quasi-municipal political subdivision formed for the sole purpose of providing water and wastewater services to the Lowry Range. We refer to all of these assets as our Rangeview water supply.

We are in the early stages of utilizing our Rangeview water assets. Since June 2001, we have been supplying water and wastewater services in the Lowry Range service area to approximately 200 single family equivalent, or SFE, units through service to the Ridge View Youth Services Center, a 500 bed juvenile facility. In October 2003, we entered into a contract to provide water service to Sky Ranch, a proposed mixed-use development of single and multi-family residences and commercial space. Sky Ranch will be located approximately four miles north of the Lowry Range along Interstate-70 in Arapahoe County. When the development is complete, we expect to supply Sky Ranch with water services for 4,000 SFE units. Our agreement does not call for us to provide wastewater services to Sky Ranch. We expect the initial development of Sky Ranch to begin in the fall of 2004. While we are currently actively marketing our water services to other developers and property owners in areas near the Sky Ranch development, the Ridge View Youth Services Center represents our only current operation.

Operations. We will have two sources of revenue from providing water and water services. We will receive a one time "tap" fee, generally paid by the developer, and annual service and use charges based on the monthly metered water deliveries to the water user. The water tap fee has two components: a system development fee, which gives the customer access to the water system and is used for construction of the water delivery system, and a water resource fee, which defrays the costs of acquiring the water rights. Under the terms of our agreement with the State Land Board, our tap fees and use charges may not exceed the average of the tap fees and use charges of three nearby communities. This average, which is adjusted annually, has risen by approximately 52% since 2000 and is presently $12,420 per SFE. Generally, we receive 95% of these tap fees

after deducting a 12% royalty payable to the State Land Board. In exchange for developing, operating and maintaining the wastewater system, we receive 100% of wastewater tap fees, presently $4,883 per SFE, and 90% of monthly wastewater usage fees. We also receive wastewater service fees. Annual water service fees per SFE are approximately $578 and annual wastewater service fees per SFE are approximately $404.

We expect to utilize the portion of the tap fees designated by the District as the system development portion to construct the infrastructure necessary to deliver water. We expect ongoing water and wastewater usage fees to cover costs of operating the water and wastewater systems. We will design the water and wastewater delivery systems and contract with third parties for construction of the systems. We plan to utilize a dual distribution system that contains two water pipes, one for potable water that will go directly to a residence and a second for non-potable water that will be used to deliver water for outdoor irrigation use. A third pipe will return the wastewater to our treatment facility where it will be processed to Colorado Department of Public Health and Environment ("CDPHE") standards for irrigation water and then, subject to approval by the CDPHE, returned through the second delivery pipe for outdoor non-potable use.

Under the terms of financing agreements we entered into in connection with the acquisition of our Rangeview water assets, we are obligated to pay the first $36,240,000 of proceeds (after royalty payments) from the sale of Export Water to parties to these agreements. Generally, we will make these payments from the water resource portion of the tap fees we receive. These financing agreements will not restrict our use of the system development portion of the tap fees to finance construction of the water and wastewater delivery systems.

Opportunity. The Denver Regional Council of Governments has estimated that between 2000 and 2025 the population in the Denver metropolitan area will increase from 2.4 million to 3.4 million. An independent consultant to the State Land Board and the District has forecast that approximately 50% of new land development in metropolitan Denver will occur in the area south of Interstate-70 and east of Interstate-25, an area of Arapahoe County that includes the Lowry Range, Sky Ranch and surrounding areas. Because of ongoing water shortages, any developer submitting a land use plan to Arapahoe County is required to provide assurance that water will be available to service the development prior to any consideration of a change in land use.

The State Land Board is in the initial stages of developing a plan to solicit requests for proposals (RFPs) to engage a development partner to assist the State Land Board in planning for future development of the Lowry Range. If RFPs are sent as planned later this summer, we expect that the first stage of the long-term development of the Lowry Range could start within three years. We estimate that full development of the Lowry Range will take in excess of 30

years.

We have received confirmation from independent engineering firms that our Rangeview water assets are capable of providing water service to approximately 80,000 SFE units. Our Rangeview water assets have been adjudicated in the Colorado water courts in decrees specifying the amount of water we own or have a right to use and that the water is available for municipal use. We believe, based on these Water Court decrees and the location of our water on or near areas of projected future development, that we have significant opportunities to utilize our water resources.

Paradise Water Supply.
- ----------

We own conditional water rights in western Colorado that entitle us to build a 70,000 acre foot reservoir to store tributary water on the Colorado River. We will seek to develop and market this water either to the greater Denver metropolitan area or in markets in the downstream states of Nevada,

Arizona and California. Our ability to use this asset may be limited, however, because of constraints imposed by the difficulties and costs involved in transporting the water out of the Colorado River watershed to the Denver metropolitan area and because of legal complications in transferring such water to downstream states under the interstate Colorado River Compact.

General.
- -------

We were incorporated in Delaware in 1976. Our corporate offices are located at 8451 Delaware Street, Thornton, Colorado 80260. Our telephone number is (303) 292-3456.

<TABLE>
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THE OFFERING

<S>	<C>
Common stock offered by Pure Cycle	700,000 shares
Common stock offered by selling stockholders	2,418,443 shares
Common stock outstanding before the offering	11,288,030 shares
Common stock to be outstanding after the offering	11,988,030 shares
Use of proceeds of common stock sold by Pure Cycle	To pay outstanding indebtedness, for water system expenditures, and for working capital and other general corporate purposes, including acquisitions and to buy out third party rights to receive proceeds from the sale of Export Water, to the extent such rights are available on acceptable terms.
OTC Bulletin Board and symbol	PCYL
Proposed NASDAQ SmallCap symbol	

</TABLE>

The shares of common stock outstanding before the offering is based on the number of shares of common stock outstanding at February 29, 2004, increased by:

- 645,500 shares of common stock issued upon conversion on April __, 2004 of 6,455,000 shares of Series D preferred stock,

- 200,000 shares of common stock issued upon conversion on April __, 2004 of 2,000,000 shares of Series D-1 preferred stock, and

- 326,667 shares of common stock purchasable on exercise of outstanding stock options at an exercise price of $1.80 per share and 1,970,775 shares of common stock purchasable on exercise of outstanding warrants at an exercise price of $1.80 per share, which shares are being sold in this offering (the "Selling Stockholder Option and Warrant Shares").

and excludes:

- 2,273,333 shares of common stock issuable on the exercise of outstanding options at an exercise price of $1.80 per share,

- an additional 1,600,000 shares of common stock reserved for future issuance under our stock option plan,

- 469,525 shares of common stock issuable on the exercise of outstanding warrants at an exercise price of $1.80 per share, and

- 587,778 shares of common stock issuable upon the conversion of outstanding Series A-1 convertible preferred stock at a conversion ratio of 5.556 shares of common stock for each share of Series A-1 preferred stock.

The common stock offered by selling stockholders in this offering consists of the Selling Stockholder Option and Warrant Shares and 121,000 shares being offered by two of our officers (collectively, the "Selling Stockholder Shares").

At February 29, 2004, the Selling Stockholder Option and Warrant Shares were not outstanding, but these options and warrants will be exercised immediately prior to the sale of the shares in this offering. If all of these options and warrants are exercised, we will receive $4,135,395 of gross proceeds. The $588,000 exercise price for the options will be paid in cash and the exercise price for the warrants will be paid $6,569 in cash and $3,540,826 in the form of 4% promissory notes payable to Pure Cycle, secured by the stock issued upon exercise. We anticipate that the notes will be paid with the proceeds of the sale of the stock in this offering. If the warrant holders' shares are not sold, we expect that we will foreclose on the promissory notes and cancel the shares.

The information in this prospectus, other than the financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, assumes that these options and warrants have been exercised, the Series D and Series D-1 preferred stock have been converted, the common stock issued or issuable on exercise and conversion are outstanding, and the promissory notes payable to Pure Cycle in partial consideration of the exercise price for the warrants have been repaid.

SUMMARY FINANCIAL DATA

The following table shows selected summary financial data for Pure Cycle as of the dates and for the periods indicated. You should read this data in conjunction with the financial statements and notes included in this prospectus beginning on page F-1.

<TABLE>
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	SIX MONTHS ENDED		YEAR ENDED	
	FEB. 29, 2004	FEB. 28, 2003	AUGUST 31, 2003	AUGUST 31, 2002
<S>	<C>	<C>	<C>	<C>
	(UNAUDITED)			
STATEMENT OF OPERATIONS				
Revenues.	$ 85,731	$ 103,812	$ 225,432	$ 204,858
Expenses:				
Operating	11,338	10,732	37,496	27,792
General and administrative.	219,302	124,556	318,182	221,872
Operating loss.	(147,691)	(34,784)	(135,841)	(49,764)
Other expense, net.	91,259	92,572	185,212	195,383
Net loss.	(238,950)	(127,356)	(321,043)	(245,147)
Basic and diluted net loss per common share	$ --(1)	$ --(1)	$ --(1)	$ --(1)
Weighted average number of shares of common stock outstanding - basic and diluted . .	8,056,418	7,843,976	7,843,976	7,843,976

</TABLE>

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	FEBRUARY 29, 2004	
	ACTUAL	AS ADJUSTED(2)
<S>	<C>	<C>
	(UNAUDITED)	

BALANCE SHEET DATA:	
Cash and cash equivalents.	$ 338,559
Investment in water and systems.	19,410,635
Total assets	20,254,298
Working capital.	327,790
Long-term debt-related parties, including accrued interest	4,976,511
Participating interests in Rangeview water supply. . . .	11,090,630
Stockholders' equity	4,142,507

</TABLE>

(1) Less than $.01 per share

(2) The "as adjusted" column reflects (a) the exercise of options to purchase 326,667 shares of common stock at an exercise price of $1.80 per share and the exercise of warrants to purchase 1,970,775 shares of common stock at an exercise price of $1.80 per share, and (b) the sale by Pure Cycle of 700,000 shares of common stock in this offering at an assumed offering price of $_____ per share, after deducting the estimated underwriting discount and offering expenses, and the application of the net proceeds from the sale of these shares as described under "Use of Proceeds."

RISK FACTORS

INVESTMENT IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMMON STOCK.

WE ARE DEPENDENT FOR FUTURE REVENUES ON DEVELOPMENT OF THE LOWRY RANGE AND OF THE OTHER AREAS NEAR OUR RANGEVIEW WATER ASSETS THAT ARE POTENTIAL MARKETS FOR OUR EXPORT WATER.

We expect that our principal source of future revenue will be from two contracts that entitle us to provide water and wastewater service in the Lowry Range service area. The timing and amount of these revenues will depend significantly on the development of this area. The land in the Lowry Range is owned by the State Land Board, which is in the early stages of considering various development alternatives, but no timetable exists for development. We are not able to determine the timing of water sales or the timing of development. There can be no assurance that development will occur, or that water sales will occur on acceptable terms or in the amounts or time required for us to support our costs of operation. Because of the prior use of the Lowry Range as a military reservation, environmental clean-up may be required prior to development, including to remove unexploded ordnance. There is often significant delay in adoption of development plans, as the political process involves many constituencies with differing interests. In the event water sales are not forthcoming or development of the Lowry Range is delayed, we may incur additional short or long-term debt obligations or seek to sell additional equity to generate operating capital. These sales of equity may be at prices that are dilutive to existing investors.

Our operations are significantly affected by the general economic conditions for real estate development and the pace and location of real estate development activities in the greater Denver metropolitan area, most particularly areas such as Sky Ranch which are near to our Rangeview water assets and thus are potential markets for our Export Water. Increases in the number of our water and wastewater connections, our connection fees and our billings and collections will depend on real estate development in this area. We have no ability to control the pace and location of real estate development activities which affect our business.

WE ARE A START-UP BUSINESS AND DO NOT HAVE SIGNIFICANT EXPERIENCE IN THE LARGE-SCALE SALE OF WATER AND OPERATION OF WATER AND WASTEWATER SYSTEMS.

Although we have been in operation since 1976, our expected future operations are significantly different from the businesses in which we have been engaged over most of our past. While we have constructed and are operating one water and wastewater treatment facility on the Lowry Range, that facility serves only one customer and provides revenues of only about $15,000 per month, representing 81% of our total revenues. We do not yet have significant experience in the large-scale sale of water and operation of water and wastewater systems and our revenue growth will depend on our ability to enter into new operating contracts with municipal water districts and developers. Because we have not built a large number of water and wastewater systems, we cannot assure you that the portion of the tap fee revenue that we will utilize for construction of our water delivery system will cover the costs of construction, particularly since a disproportionately greater cost must be paid in the initial stage of construction, and the tap fees are assessed equally at all stages of a development. A significant portion of our marketing and sales effort is spent demonstrating to municipal water districts and developers the benefits of our water assets and our operating capabilities, but our inability to point to a history of successful operations may be a competitive disadvantage in obtaining new contracts. Our business is subject to the risks often

associated with start-up businesses, and you will be unable to evaluate our operations based on our past operating results.

OUR NET LOSSES MAY CONTINUE AND WE MAY NOT HAVE SUFFICIENT LIQUIDITY TO PURSUE OUR BUSINESS OBJECTIVES.

We have experienced significant net losses and could continue to incur net losses. For the year ended August 31, 2003 and the six months ended February 29, 2004, we had net losses of $321,000 and $238,950, respectively, on revenues of $225,000 and $85,731 in the respective periods. Our cash flow from operations has been insufficient to fund our operations in the past, and we have been required to raise debt and equity capital from related parties to remain in operation. Since 1998, we have raised $1,310,000 through the issuance of 776,133 shares of common stock to support our operations. Our ability to fund our operational needs and meet our business objectives will depend on our ability to generate cash from future operations. If our future cash flow from operations and other capital resources are insufficient to fund our operations and the significant capital expenditure requirements to build our water delivery systems, we may be forced to reduce or delay our business activities, grant additional priority rights to revenues from the sale of Export Water, or seek to obtain additional debt or equity capital, which may not be available on acceptable terms, or at all.

OBLIGATIONS UNDER THE COMMERCIALIZATION AGREEMENT AND OTHER AGREEMENTS WILL DELAY OUR ABILITY TO BENEFIT FROM INCREASED REVENUES.

We have entered into financing agreements with investors and in settlement of controversies over our Rangeview water assets that obligate us to pay to others the first $36,240,000 of certain revenues we receive from our sale of Export Water. Under the provisions of one of these financing agreements, called the Commercialization Agreement, we are required to pay to investors in the Rangeview project signatory to such agreement the first $31,807,000 from the water resource component of the tap fees we receive from the sale or other disposition of Export Water. We are obligated to pay the next $4,000,000 of such revenues to another investor, and the next $433,000 in such revenues to the holders of our Series B Preferred Stock. These obligations, along with other indebtedness, pose risks to the holders of our common stock, including the risks that:

- A substantial portion of our cash flow from the sale of Export Water for a significant period of time will be dedicated to the payment of obligations to investors;

- These obligations may impair our ability to obtain external financing in the future, including for capital expenditures required for growth;

- The obligation to pay out these amounts may make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures; and

- Payment of these amounts will limit the amount of cash we will have available to invest in acquisitions and other growth opportunities.

THE RATES WE ARE ALLOWED TO CHARGE CUSTOMERS ARE LIMITED BY THE DISTRICT'S CONTRACT WITH THE STATE LAND BOARD AND OUR CONTRACT WITH THE DISTRICT AND MAY BE INSUFFICIENT TO COVER OUR COSTS OF CONSTRUCTION AND OPERATION.

The price we can charge for our water and wastewater services are subject to pricing regulations set in the District's contract with the State Land Board and our contract with the District. Both the tap fees and our usage rates and charges are based on the average of the rates of three surrounding quasi-governmental water providers. We survey annually the tap fees and rates and charges from the water providers that comprise our rate base group and set our tap fees and rates and charges based on the average of those charged by this group. Our costs associated with the construction of water delivery systems and the production, treatment and delivery of our water are subject to market

conditions and other factors, which may increase at a significantly greater rate than the prices charged by our rate base water providers. Factors beyond our control and which cannot be predicted, such as drought, water contamination and severe weather conditions, like tornadoes and floods, may result in additional labor and material costs that may not necessarily be recoverable under our operations and maintenance contracts, creating additional differences from the costs of our rate base water providers. Increased customer demand can also increase the overall cost of our operations. If the costs for construction and operation of our water services, including the cost of extracting our groundwater, exceed our revenues, we may petition the State Land Board for rate increases. We cannot assure that the State Land Board would grant us approval to increase rates beyond the average of the rate base water providers. Our profitability could be negatively impacted if we experience an imbalance of costs and revenues and are not successful in receiving approval for rate

increases.

OUR CAPITAL RESOURCES MAY RESTRICT OUR ABILITY TO OPERATE AND EXPAND OUR BUSINESS.

As of February 29, 2004, we had cash and cash equivalents of $338,599. We have not been able to secure lines of credit to enable us to expand our operations. We may be unable to establish credit facilities or execute financing alternatives on terms that we find acceptable.

In order to obtain contracts, we must be able to demonstrate the ability to fund the significant investments required to build water delivery and treatment facilities. We may obtain funds for these obligations from the proceeds of this offering or the sale of stock and other equity related securities, our cash flow from operations, contributions by developers and the use of both short and long-term debt. If we are unable to establish lines of credit, or if we are unable to secure additional financing sources, our capital spending would be reduced or delayed, which would limit our growth.

WE ONLY HAVE THREE EMPLOYEES AND MAY NOT BE ABLE TO MANAGE THE INCREASING DEMANDS OF OUR EXPANDING OPERATIONS.

We expect that our activities relating to the Sky Ranch agreement will significantly expand our business, and we are actively pursuing additional development opportunities in areas near Sky Ranch, as well as acquisition opportunities to continue to grow our operations. We currently have only three employees to administer our existing assets, interface with applicable governmental bodies, market our services, and plan for the construction and development of our future assets. We may not be able to maximize the value of our water assets because of our limited manpower. We depend significantly on the services of Mark Harding, our President, and Thomas P. Clark, our Chief Executive Officer. Loss of either of these employees would cause a significant interruption of our operations. The success of our future business development and ability to capitalize on growth opportunities depends on our ability to attract and retain additional experienced and qualified persons to operate and manage our business. State regulations set the training, experience and qualification standards required for our employees to operate specific water and wastewater facilities. Failure to find state-certified and qualified employees to support the operation of our facilities could put us at risk, among other things, for operational errors at the facilities, for improper billing and collection processes, and for loss of contracts and revenues. We cannot assure you that we can successfully manage our assets and our growth.

OUR BUSINESS IS SUBJECT TO GOVERNMENTAL REGULATION AND PERMITTING REQUIREMENTS. WE MAY BE ADVERSELY AFFECTED BY ANY FUTURE DECISION BY THE COLORADO PUBLIC UTILITIES COMMISSION TO REGULATE US AS A PUBLIC UTILITY AND TO IMPOSE REGULATION.

The Colorado Public Utilities Commission (CPUC) regulates investor-owned water companies that hold themselves out to the public as serving, or ready to serve, all of the public in a service area. The CPUC regulates many aspects of public utilities' operations, including the siting and construction of facilities, establishing water rates and fees, initiating inspections, enforcement and compliance activities and assisting consumers with complaints.

Although we act as a service provider under contracts with quasi-municipal metropolitan districts that are exempt by statute from regulation by the CPUC, the CPUC could decide to regulate us as a public utility. If this were to occur, we might incur significant expense challenging the CPUC's assertion of authority, and we may be unsuccessful. In the future, existing regulations may be revised or reinterpreted, and new laws and regulations may be adopted or become applicable to us or our facilities. If we become regulated as a public utility, our ability to generate profits could be limited and we might incur significant costs associated with regulatory compliance.

WATER IS A DEPLETING RESOURCE AND WE MAY NOT BE ABLE TO PROVIDE AN ADEQUATE SUPPLY OF WATER TO OUR CUSTOMERS.

We obtain our water from various sources. The preferred source is pumping tributary groundwater from the alluvial aquifer beneath or connected with the surface streams located under the Lowry Range. Although a relatively small portion of our water supply comes from these renewable surface water supplies, the volume of water available through surface water rights are subject to a priority system which, particularly in times of drought, may diminish the supply of available water. A significant portion of our water supply comes from nontributary groundwater that can only be withdrawn at an average rate of 1% per year so that the resource, which is thought to be non-renewable, will last for 100 years. We will seek to recycle and reuse our existing water assets and to replenish and increase our water rights through acquisition of additional tributary and nontributary water rights, but we cannot assure you that we will continue to have sufficient supplies of water in the future to meet our customers' needs and to support continued growth.

THERE ARE MANY OBSTACLES TO OUR ABILITY TO REALIZE ON OUR PARADISE WATER ASSETS.

We currently earn no revenues from our Paradise water assets, which as of February 29, 2004 are recorded at $5,498,124. Our ability to convert our Paradise water supply into an income generating asset is limited. While there is demand for water in the downstream states of California, Nevada and Arizona, Colorado law prohibits the export of water out of state without obtaining a Water Court decree. To issue a decree the Water Court must find that the export is not in violation of the provisions of interstate compacts and does not prevent Colorado from complying with its interstate compact obligations. In addition, there are significant difficulties and costs involved in transporting the water out of the Colorado River watershed to the Denver metropolitan area. As part of our Water Court decree for the Paradise water, we are permitted to construct a storage facility on the Colorado River. However, due to the strict regulatory requirements for constructing an on-channel reservoir, completing the conditional storage right at its decreed location would also be difficult. As a result, we cannot assure you that we will ever be able to make use of this asset or sell the water profitably.

CONFLICTS OF INTEREST MAY ARISE RELATING TO THE OPERATION OF THE RANGEVIEW METROPOLITAN DISTRICT.

Our officers and employees constitute a majority of the directors of the Rangeview Metropolitan District and Pure Cycle, along with our officers and employees and one unrelated individual, own as tenants in common the 40 acres that form the District. We have made loans to the District to fund its operations. At February 29, 2004, total principal and interest owed to us by the District was approximately $400,000. The District is a party to our agreements with the State Land Board and receives fees of 5% of the revenues from the sale of water on the Lowry Range, and will hold title to the water distribution system at the Sky Ranch development. Proceeds from the fee collections will initially be used to repay the District's obligations to us, but after these loans are repaid, the District is not required to use the funds to benefit Pure Cycle. We have received benefits from our activities undertaken in conjunction with the District, but conflicts may arise between our interests and those of the District, and with our officers who are acting in dual capacities in negotiating contracts to which both we and the District are parties. We expect that the District will expand when more properties are

developed and become part of the District, and our officers acting as directors of the District will have fiduciary obligations to those other constituents. There can be no assurance that all conflicts will be resolved in the best interests of Pure Cycle and its stockholders. In addition, other landowners coming into the District will be eligible to vote and to serve as directors of the District. There can be no assurances that our officers and employees will remain as directors of the District or that the actions of a subsequently elected board would not have an adverse impact on our operations.

WEATHER CONDITIONS CAN IMPACT OUR FINANCIAL RESULTS AND OPERATIONS.

Rainfall and weather conditions may affect our operations, with most water consumption occurring during the summer months when weather tends to be hot and dry. Drought or unusually wet conditions may also adversely impact our results of operations. During a drought, we may experience lower revenues, due to consumer conservation efforts and regulatory mandates. Since a fairly high percentage of our water is used outside our customers' homes, unusually wet conditions could result in decreased customer demand and lower revenues. In addition, heavy rainfall may limit our ability to perform certain work such as pipeline maintenance, manhole rehabilitation and other outdoor services.

WE ARE REQUIRED TO MAINTAIN STRINGENT WATER QUALITY STANDARDS AND ARE SUBJECT TO REGULATORY AND ENVIRONMENTAL RISKS.

We must provide water that meets all federal and state regulatory water quality standards and operate our water and wastewater facilities in accordance with the standards. We face contamination and pollution issues regarding our water supplies. Improved detection technology, increasingly stringent regulatory requirements, and heightened consumer awareness of water quality issues contribute to an environment of increased focus on water quality. In contrast with other providers in Colorado, we are combining the water delivery and wastewater treatment processes, which may introduce technical treatment issues that make compliance with water quality standards more difficult. We plan to return effluent wastewater for irrigation and other nonpotable uses, although the CDPHE is currently evaluating the use of effluent wastewater for residential irrigation. We cannot assure you that we will be able in the future to reduce the amounts of contaminants in our water to acceptable levels. In addition, the standards that we must meet are constantly changing and becoming more stringent. For example, in February 2002, the U.S. Environmental Protection Agency lowered the arsenic standard in drinking water from 50 parts per billion to 10 parts per billion. Future changes in regulations governing the supply of drinking water and treatment of wastewater may have a material adverse impact on our financial results.

We handle certain hazardous materials at our water treatment facilities, primarily sodium hypochlorite. Any failure of our operation of the facilities in the future, including sewage spills, noncompliance with water quality standards, hazardous materials leaks and spills, and similar events could expose us to environmental liabilities, claims and litigation costs. We cannot assure you that we will successfully manage these issues, and failure to do so could have a material adverse effect on our future results of operations by increasing our costs for damages and cleanup.

WE HAVE ENGAGED IN TRANSACTIONS WITH RELATED PARTIES.

We have engaged in transactions, particularly the issuance of debt and equity securities, with related parties, most significantly our chief executive officer, Mr. Thomas P. Clark. Mr. Clark beneficially owns approximately 31% of our common stock. In addition, we have outstanding borrowings at February 29, 2004 totaling $546,163 from Mr. Clark and $402,104 from other stockholders who hold 10% or more of our common stock, and have issued warrants to certain investors in connection with these loans. Those related party lenders have been willing to forgo periodic payments of principal and interest on such debt. Many of the Selling Stockholders are related parties that have engaged in

transactions with Pure Cycle. There can be no assurance that our equity and debt issuances or other related party transactions have been on arms length terms.

OUR CONTRACTS FOR THE CONSTRUCTION OF WATER AND WASTEWATER PROJECTS MAY EXPOSE US TO CERTAIN COMPLETION AND PERFORMANCE RISKS.

We will rely on independent contractors to construct our water and wastewater facilities. These construction activities may involve risks, including shortages of materials and labor, work stoppages, labor relations disputes, weather interference, engineering, environmental, permitting or geological problems and unanticipated cost increases. These issues could give rise to delays, cost overruns or performance deficiencies, or otherwise adversely affect the construction or operation of the water delivery system.

In addition, we may experience quality problems in the construction of our systems and facilities, including equipment failures. We cannot assure you that we will not face claims from customers or others regarding product quality and installation of equipment placed in service by contractors.

Certain of our contracts may be fixed-price contracts, in which we may bear all, or a significant portion of, the risk for cost overruns. Under these fixed-price contracts, contract prices are established in part based on fixed, firm subcontractor quotes on contracts and on cost and scheduling estimates. These estimates may be based on a number of assumptions, including assumptions about prices and availability of labor, equipment and materials, and other issues. If these subcontractor quotations or cost estimates prove inaccurate, or if circumstances change, cost overruns may occur, and our financial results would be negatively impacted. In many cases, the incurrence of these additional costs are not within our control.

We may have contracts in which we guarantee project completion by a scheduled date. At times, we may guarantee that the project, when completed, will achieve certain performance standards. If we fail to complete the project as scheduled, or if we fail to meet guaranteed performance standards, we may be held responsible for cost impacts and/or penalties to the customer resulting from any delay or for the costs to alter the project to achieve the performance standards. To the extent that these events occur, and are not due to circumstances for which the customer accepts responsibility, and cannot be mitigated by performance bonds or the provisions of our agreements with contractors, the total costs of the project would exceed our original estimates and our financial results would be negatively impacted.

Our customers may require us to secure performance and completion bonds for certain contracts and projects. The market environment for surety companies has become more risk averse. We secure performance and completion bonds for our contracts from these surety companies. To the extent we are unable to obtain bonds, we may not be awarded new contracts. We cannot assure you that we can secure performance and completion bonds where required.

We may operate engineering and construction activities for water and wastewater facilities where design, construction or system failures could result in injury to third parties or damage to property. Any losses that exceed claims against our contractors, the performance bonds and our insurance limits at facilities so managed could result in claims against us. In addition, if there is a customer dispute regarding performance of our services, the customer may decide to delay or withhold payment to us.

OUR CONTRACT TO PROVIDE WATER SERVICES TO THE LOWRY RANGE TERMINATES IN 2081.

Our contract with the Rangeview Metropolitan District grants us the exclusive right to use water underlying the Lowry Range and to provide water to

customers on the Lowry Range until 2081, at which time ownership and control of the water delivery system (other than the wastewater system) reverts to the State Land Board and our ability to use such water to serve customers on the

Lowry Range will cease. While we may negotiate a new agreement to operate the water assets, the selection process will be competitive and there can be no assurance that we would continue as operator. In such event, our receipt of the monthly water usage fees will terminate with respect to all customers located on the Lowry Range. We estimate that our income from Lowry Range customers will represent a significant component of our overall revenues at such date, so the loss of such revenues will be material.

WE WILL HAVE BROAD DISCRETION IN ALLOCATION OF NET PROCEEDS TO US IN THIS OFFERING.

Approximately $_____, or ___%, of the estimated net proceeds to us in this offering has been allocated to working capital and general corporate purposes. Accordingly, our management will have broad discretion as to the application of these proceeds. We may use a portion of the proceeds allocated to working capital for acquisitions and to purchase contract rights under the Commercialization Agreement. We currently have no agreement, arrangement or understanding with respect to any acquisition or purchase under the Commercialization Agreement.

THE MARKET PRICE OF OUR COMMON STOCK COULD BE VOLATILE.

A number of factors could cause the market price of our common stock to fluctuate significantly, including:

- Small number of shares of our common stock available for purchase or sale in the public markets;
- Large number of shares of our common stock held by insiders and related parties;
- Our announcement of significant new development agreements, acquisitions, strategic partnerships or capital commitments.
- Changes in general conditions or trends in the water industry;
- Announcements regarding development of the Lowry Range;
- Changes in regulatory guidelines that restrict our operations, including the rates we can charge our customers;
- Adverse or unfavorable publicity regarding us or our services;
- Additional issuances of debt or equity; and
- Natural disasters, terrorist attacks or acts of war.

OUR REVERSE STOCK SPLIT MAY CONTRIBUTE TO UNCERTAINTY REGARDING OUR STOCK PRICE.

On April 26, 2004, we will effect a 1-for-10 reverse split of our common stock with the goal of improving the liquidity of our stock by increasing the stock price and thereby increasing interest of a broader range of investors in our stock. There can be no assurance that the market price per share of our common stock after the reverse stock split will increase in proportion to the reduction in the number of shares of common stock outstanding before the reverse stock split. For example, based on the closing price of our common stock on the OTC Bulletin Board on April 15, 2004 of $0.93 per share, there can be no assurance that the post-split market price of the common stock would be $9.30 per share. Accordingly, the total market capitalization of the common stock (the aggregate value of all our common stock at the then market price) after the proposed reverse stock split may be lower than the total market capitalization

before the reverse stock split. Even if the initial post-split stock price reflects the reverse stock split ratio, if the market price of the common stock declines after the reverse stock split is effected, the percentage decline may be greater than would occur in the absence of a reverse stock split. There can be no assurance that the reverse stock split will result in a per-share price that will attract new investors or that the post-split share price will satisfy the investing guidelines of institutional investors. As a result, the trading liquidity of the common stock may not necessarily improve.

FUTURE SALES OF OUR COMMON STOCK MAY CAUSE OUR STOCK PRICE TO DECLINE.

At the conclusion of this offering, we will have outstanding options and warrants to purchase 2,742,858 shares of common stock with an exercise price of $1.80 per share, 105,800 shares of Series A preferred stock that are convertible into 587,778 shares of common stock and a stock option plan that permits the

issuance of options to purchase an additional 1,600,000 shares of common stock. Sales of substantial amounts of common stock by our stockholders, including shares issued upon the exercise of outstanding options and warrants, or even the potential for such sales, may have a depressive effect on the market price of our common stock and could impair our ability to raise capital through the sale of our equity securities.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business. The words "anticipate," "believe," "estimate," "expect," "plan," "intend" and similar expressions, as they relate to us, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. We cannot assure you that any of our expectations will be realized. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, without limitation, the timing of development of the areas where we are selling our water, the market price of water, changes in applicable statutory and regulatory requirements, uncertainties in the estimation of water available under decrees, costs of delivery of water, uncertainties in the estimation of revenues and costs of construction projects, the strength and financial resources of our competitors, our ability to find and retain skilled personnel, climatic conditions, labor relations, availability and cost of material and equipment, delays in anticipated permit and construction dates, environmental risks, the results of financing efforts and the ability to meet capital requirements, and general economic conditions.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the shares of common stock we are offering will be approximately $_____ million, assuming a stock price of $_____ per share in this offering. If the underwriters fully exercise their over-allotment option, the net proceeds of the shares we sell will be $_____ million. "Net proceeds" is what we expect to receive after paying the underwriting discount and other expenses of the offering.

The following table summarizes the use of the net proceeds from this offering:

Repayment of outstanding debt to related parties	$1,109,061	___%
Water system expenditures	$1,200,000	___%
Working capital and general corporate purposes	$_____	___%
Total		100%

$512,439 of the debt to be repaid bears interest at prime plus 2% (6% at April 7, 2004) and $596,622 bears interest at 10.25%. All debt to be repaid matures in August 2007. Except for the Harrison Augur Money Purchase Plan, the holders of this indebtedness are all selling stockholders: Apex Investment Fund II, L-P., Proactive Partners, L.P., The Environmental Venture Fund, L.P., The Environmental Venture Fund II, L.P., Productivity Fund II, L.P., and Gregory M. Morey. Accordingly, these persons will also receive proceeds from the sale of shares in the offering.

The net proceeds allocated to water system expenditures will be used to drill wells and build the infrastructure needed to provide water services to Sky Ranch.

We anticipate that a portion of the proceeds allocated to working capital and general corporate purposes will be used for acquisition of water rights and acquisition of contractual rights to receive payments under the Commercialization Agreement, in each case if and to the extent agreements can be reached. Amounts to be utilized for these purposes will depend on the opportunities that arise, but we do not expect to spend more than $5,000,000 on acquisition of water rights or more than $3,600,000 on purchase of contract rights under the Commercialization Agreement. We are not currently in discussions regarding any specific acquisition of water rights.

We intend following the completion of this offering to approach certain of the persons who have contractual rights to receive payments under the Commercialization Agreement and offer to buy out a portion of those contractual rights. We have had preliminary discussions regarding such purchases with some of the parties to the Commercialization Agreement, but no firm commitments have been made regarding any such sale. Many of the selling stockholders that are exercising warrants are parties to the Commercialization Agreement. Accordingly, if we purchase their contract rights, they will receive additional proceeds from this offering. No assurance can be given that any of the parties

to the Commercialization Agreement will be willing to sell their contract rights at all or on terms that would be acceptable to us.

While the amounts indicated above reflect what we currently expect to spend on these matters, opportunities may arise that cause us to change the allocation of proceeds among the categories described. Prior to using the net proceeds, we plan to invest the net proceeds in bank deposits or short-term interest-bearing investment grade securities.

Most of the selling stockholders are exercising options or warrants immediately prior to the completion of this offering to obtain the shares to be sold in this offering. In connection with this exercise, we will receive $_____, $_____ of which will be paid in the form of promissory notes secured by the shares we issue. The selling stockholders will pay the promissory notes with the proceeds of this offering. We are paying the expenses, other than underwriting discounts and expenses of separate counsel for the selling stockholders, relating to the sale of the selling stockholder shares.

CAPITALIZATION

The following table sets forth:

- our actual cash and cash equivalents and capitalization as of February 29, 2004, adjusted to reflect the reverse stock split; and
- our cash and cash equivalents and capitalization as of February 29, 2004, as adjusted to reflect (i) the increase in our authorized shares of common stock, (ii) the exercise by the Selling Stockholders of certain options and warrants and the issuance of the 2,297,442 underlying shares of common stock, and our receipt of $4,135,395 of proceeds upon such exercise, (iii) the conversion of the Series D preferred stock and Series D-1 preferred stock into 845,500 shares of common stock, and (iv) completion of the offering of 700,000 shares of our common stock at an assumed public offering price of $_____ per share and the use of net proceeds as described under "Use of Proceeds."

<TABLE>
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	AS OF FEBRUARY 29, 2004	
	ACTUAL	AS ADJUSTED
<S>	<C>	<C>
Cash and cash equivalents	$ 338,599	
Current liabilities	44,650	
Long-term debt - related parties, including accrued interest.	4,976,511	
Participating interests in Rangeview water rights	11,090,630	
Preferred stock, par value $.001 per share; authorized - 25,000,000 shares:		
Series A-1 - 1,058,000 shares issued and outstanding actual and as adjusted.	1,058	
Series B - 432,513 shares issued and outstanding actual and as adjusted.	433	
Series D - 6,455,000 shares issued and outstanding actual, no shares issued and outstanding as adjusted	6,455	
Series D-1 - 2,000,000 shares issued and outstanding actual, no shares issued and outstanding as adjusted	2,000	
Common stock, par value 1/3 of $.01 per share; authorized - 135,000,000 shares actual, 225,000,000 shares as adjusted; 8,145,087 shares issued and outstanding actual, ____ shares issued and outstanding as adjusted	271,621	
Additional paid in capital.	25,267,494	
Accumulated deficit	(21,406,554)	
Total stockholders' equity.	4,142,507	

Total noncurrent liabilities and stockholders' equity.	20,254,298

</TABLE>

MARKET PRICE OF AND DIVIDENDS FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on the OTC Bulletin Board under the symbol "PCYL." We have applied for listing of our common stock on the NASDAQ Small Cap Market under the symbol " ". The following table shows, for the fiscal periods indicated, the high and low sales prices for our common stock as reported by the OTC Bulletin Board.

<TABLE>
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	LOW	HIGH
<S>	<C>	<C>
FISCAL 2004		
First Quarter.	$2.00	$ 5.10
Second Quarter	4.00	13.00
Third Quarter (through April 15, 2004)	8.70	10.60
FISCAL 2003		
First Quarter.	$ .90	$ 1.80
Second Quarter	1.00	2.80
Third Quarter.	1.60	2.70
Fourth Quarter	1.70	3.00
FISCAL 2002		
First Quarter.	$ .80	$ 1.50
Second Quarter	.60	1.20
Third Quarter.	.60	2.10
Fourth Quarter	.90	1.90

</TABLE>

On April 15, 2004, the last reported sale price of our common stock on the OTC Bulletin Board was $9.30 per share. As of March 18, 2004, there were approximately 3,418 holders of record of our common stock.

We have never paid any dividends on our common stock and expect for the foreseeable future to retain all of our earnings from operations for use in expanding and developing our business. Any future decision as to the payment of dividends will be at the discretion of our board of directors and will depend upon our earnings, financial position, capital requirements, plans for expansion and such other factors as our board of directors deems relevant.

SELECTED FINANCIAL DATA

This section presents our selected historical financial data. You should read carefully the financial statements included in this prospectus, including the notes to the financial statements. The selected data in this section is not intended to replace the financial statements.

The following tables as of August 31, 2003 and 2002 and for each of the years in the two year period ended August 31, 2003, and as of February 29, 2004 and February 28, 2003 and for the six month periods ended February 29, 2004 and February 28, 2003, present selected financial information of the Company which has been derived from our financial statements included elsewhere in this prospectus. The financial statements as of August 31, 2003 and 2002 and for the two years ended August 31, 2003 have been audited by KPMG LLP, our independent auditors. The consolidated balance sheet data at February 29, 2004 and February 28, 2003 and the consolidated statement of operations data for the six months ended February 29, 2004 and February 28, 2003 are derived from unaudited financial statements which have been prepared on the same basis as the audited annual financial statements and, in the opinion of management, contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated position at such dates and the operating results for such periods. Operating results for the six months ended February 29, 2004 are not necessarily indicative of the results that may be expected for the year ending August 31, 2004. This selected financial data should be read in conjunction with the consolidated financial statements of Pure Cycle and notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this prospectus.

<TABLE>
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	SIX MONTHS ENDED		YEAR ENDED	
	Feb. 29, 2004	FEB. 28, 2003	AUGUST 31, 2003	AUGUST 31, 2002
<S>	<C>	<C>	<C>	<C>
	(UNAUDITED)			
STATEMENT OF OPERATIONS				
Revenues.	$ 85,731	$ 103,812	$ 225,432	$ 204,858
Expenses:				
Operating	11,338	10,732	37,496	27,792
General and administrative.	219,302	124,556	318,182	221,872
Operating loss.	(147,691)	(34,784)	(135,841)	(49,764)
Other expense, net.	91,259	92,572	185,212	195,383
Net loss.	(238,950)	(127,356)	(321,043)	(245,147)
Basic and diluted net loss per common share	$ --(1)	$ --(1)	$ --(1)	$ --(1)
Weighted average number of shares of common stock outstanding - basic and diluted	8,056,418	7,843,976	7,843,976	7,843,976

</TABLE>

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<CAPTION>

	FEBRUARY 29, 2004	AUGUST 31, 2003	AUGUST 31, 2002
<S>	<C>	<C>	<C>
BALANCE SHEET DATA:			
Cash and cash equivalents	$ 338,559	$ 525,780	$ 287,720
Investment in water and systems, net. . .	19,410,635	19,342,994	19,201,683
Total assets.	20,254,298	20,413,404	20,028,279
Working capital	327,790	541,695	316,760
Long-term debt-related parties, including accrued interest.	4,976,511	4,889,545	4,713,270
Participating interests in Rangeview water supply.	11,090,630	11,090,630	11,090,630
Stockholders' equity.	4,142,507	4,381,457	4,202,500

</TABLE>

_____
(1) Less than $.01 per share

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

You should read this discussion together with the financial statements and other financial information included in this prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those indicated in the forward-looking statements. Please see "Forward-Looking Statements" elsewhere in this prospectus.

GENERAL

We own or have rights to use significant water assets which we have begun to utilize to provide water and wastewater services to customers located in the Denver, Colorado metropolitan area near our principal water assets. We will operate water and wastewater systems to deliver and treat the water we provide. Our services will include designing, constructing, operating and maintaining systems to service our customers.

We have exclusive access to approximately 29,000 acre feet per year of water from, and the exclusive right to provide water and wastewater services to, 24,000 acres of primarily undeveloped land in eastern Colorado known as the Lowry Range. The Lowry Range is located in Arapahoe County approximately 15 miles southeast of Denver and 12 miles south of the Denver International Airport. Of the approximately 29,000 acre feet of water to which we have access, 17,500 acre feet are available to us for use on the Lowry Range. We own the remaining 11,650 acre feet and can "export" it from the Lowry Range to supply water to nearby communities and developers in need of additional water supplies. We acquired these rights and the Export Water in 1996 when we entered into an agreement with the State Land Board, which owns the Lowry Range, and 85-year agreements with the District.

The 17,500 acre feet of water designated for use within the Lowry Range

service area is capable of providing water service to approximately 47,000 SFE units. We will design, construct, operate and maintain the water and wastewater systems on the Lowry Range service area on behalf of the District and the State Land Board. The District will own all water and wastewater facilities constructed to serve customers in the Lowry Range service area during our contract service period. At the end of our contract service period, ownership of the water facilities will revert to the State Land Board.

Our annual entitlements to 11,650 acre feet of surface water and groundwater on and beneath the Lowry Range service area can be developed for "export" off the property to service approximately 32,000 SFE equivalent customers throughout the Denver metropolitan region. We will design, construct, operate and maintain facilities for water and/or wastewater service for customers located off the Lowry Range service area and we will own these facilities.

Water and/or wastewater service, whether to customers located in the Lowry Range service area or off the Lowry Range service area in other parts of the Denver metropolitan area, is subject to individual water and wastewater service agreements. We will negotiate individual service agreements with developers and/or homebuilders to provide water and wastewater service. Our service contracts will outline our obligations to construct certain facilities necessary to develop and treat water and/or wastewater, including the timing of installation of the facilities, capacities of the systems, and where the services will be provided. Developers and/or homebuilders are required to purchase water and/or wastewater taps from us in exchange for our obligation to construct the water and/or wastewater facilities.

Revenues we earn from providing water and/or wastewater service are divided into two components: one-time tap fees, which are generally paid by the developer, and service charges, which are monthly charges based on metered water delivery or wastewater usage. Water tap fees are further divided into two

components: system development fees, which are used to construct facilities necessary to develop and treat water and/or wastewater; and water resource fees, which are used to defray the acquisition costs of the water rights. We are generally required to use the water resource portion of the tap fees received from water exported off the Lowry Range service area to repay investors. Under the Commercialization Agreement that we entered into in conjunction with our agreement to obtain our Rangeview water assets, we are obligated to pay investors that are parties to the Commercialization Agreement the first $31,807,000 from the water resource fees we receive from the sale of the Export Water. In another agreement (the "LCH Agreement"), we agreed to pay the next $4,000,000 of these revenues to another investor. Under the terms of our certificate of designations for the Series B preferred stock, we are obligated to pay the next $433,000 of these revenues to the holders of our Series B preferred stock (collectively, the Commercialization Agreement, the LCH Agreement and the Series B preferred stock are referred to as the "Financing Agreements"). We will retain 100% of the water resource fees we receive in excess of $36,240,000 from tap fees we receive from sale of Export Water.

In agreements marketing our Export Water, developers that own rights to groundwater underlying their property may choose to dedicate the water to us for service to their properties, in exchange for credit against a portion of their water resource fees. Such dedicated water would not be subject to obligations under any Financing Agreements. Similarly, water resource fees received from the sale of taps to customers located in the Lowry Range service area are not subject to obligations under any Financing Agreements.

Due to the continuing growth of the Denver metropolitan region and the limited availability of new water supplies, many metropolitan planning agencies are requiring property developers to first demonstrate adequate water availability prior to any consideration for zoning requests for property development. As a result, we believe we are well positioned to market and sell our water and wastewater services to developers and home builders seeking to develop new communities both within the Lowry Range service area as well as in other areas in the Denver metropolitan region.

We also own conditional water rights in western Colorado enabling us to build a 70,000 acre-foot reservoir to store tributary water on the Colorado River, a right-of-way permit from the U.S. Bureau of Land Management for property at the dam and reservoir site, and four tributary water wells with a theoretical capacity to produce approximately 56,000 acre feet of water annually (collectively known as the Paradise Water Supply). Although we will seek to utilize the Paradise Water Supply to deliver water to customers located in the Denver metropolitan area or to customers in the downstream states of Nevada, Arizona and California, legal issues relating to interstate water transfers and inter-basin water transfers make the short-term realization on these assets unlikely.

The State Land Board is in the initial stages of developing a plan to solicit requests for proposals this summer to engage a development partner to assist in the planning for future development of the Lowry Range. We are not

able to determine the timing of development of property in and around the Lowry Range service area, although residential, commercial and industrial development is under way outside of the Lowry Range service area along its southern, western and northern borders, and we anticipate that initial development of Sky Ranch will begin shortly. Water sales will only occur after development has commenced. We cannot assure you regarding the pace of development or that water sales can be made on terms acceptable to us. In the event development of the property within the Lowry Range service area or of Sky Ranch and surrounding areas is delayed, we may be required to incur additional short or long-term debt obligations or seek to sell equity services to generate operating capital.

CRITICAL ACCOUNTING POLICIES

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

We have identified certain key accounting policies on which our financial condition and results of operations are dependent. These key accounting policies most often involve complex matters or are based on subjective judgments or decisions. In the opinion of management, our most critical accounting policies are those related to revenue recognition, impairment of water assets and other long-lived assets, depletion and depreciation, accounting for participating interests, royalty and other obligations, and income taxes. Management periodically reviews its estimates, including those related to the recoverability and useful lives of assets. Changes in facts and circumstances may result in revised estimates.

Revenue Recognition

For customers located on the Lowry Range service area, the District will sell the taps and contract with us to construct the water delivery infrastructure. We will recognize revenues relating to tap fees on the Lowry Range service area as construction project income using the percentage-of-completion method, measured by the contract costs incurred to date as a percentage of the estimated total contract costs. Since we do not own the facilities constructed for customers located in the Lowry Range service area, we believe the treatment of these revenues as construction project income is the most correct accounting methodology. Contract costs include all direct material, labor and equipment costs and those indirect costs related to contract performance, such as indirect labor and supplies costs. If the construction project revenue is not fixed, we estimate revenues that are most likely to occur. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Billings in excess of costs and estimated earnings represent payments received on construction projects for which the work has not been completed. These amounts, if any, are recognized as construction progresses in accordance with the percentage-of-completion method.

We will recognize revenues from the sale of taps relating to properties located off the Lowry Range service area, and related costs of providing water access, as water service is made available to the property under the tap fee agreement.

We recognize water and wastewater service revenues as services are performed, which are based upon metered water deliveries to customers or a flat fee per SFE. We recognize costs of delivering water and processing wastewater as incurred.

Impairment of Water Assets and Other Long-Lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We measure recoverability of assets to be held and used by a comparison of the carrying amount of an asset to future undiscounted net cash flows we expect to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. We report assets to be disposed of at the lower of the carrying amount or fair value less costs to sell. We believe there were no impairments in the carrying amounts of our investments in water and water systems at February 29, 2004.

Depletion and Depreciation

We deplete our water assets on the basis of units produced divided by the total volume of water adjudicated in the water decrees. Water and wastewater facilities we own are depreciated on a straight line basis over their estimated

useful lives.

Accounting for Participating Interests

The balance sheet liability captioned "participating interests in Rangeview water supply" represents an obligation which arose under the Commercialization Agreement. We recorded a liability of $11.1 million, which represents the cash we received and applied to the purchase of the Rangeview water assets. The remainder of the participating interest of $20.7 million represents a contingent return to the financing investors, Series A-1 preferred stockholders, and the sellers of the Rangeview water assets that are parties to the Commercialization Agreement. These amounts, totaling $31.8 million, will only be payable from the water resource portion of the tap fees we receive from the sale of Export Water. As we recognize revenues from the sale of Export Water to make payments to investors, we will allocate a ratable percentage of the repayment to the principal portion of the participating interest represented by the $11.1 million (i.e., 35%), and the balance to the expense portion, $20.7 million (i.e., 65%), as amounts are payable. The portion allocated to the principal portion will be recorded as a reduction in participating interest in Rangeview water supply.

Royalty and other obligations

Pursuant to our service agreements, royalties we incur relating to gross revenues received will be expensed in the same period that the revenue is recognized.

Income taxes

We use the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which we expect to recover or settle those temporary differences. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets until realization is more likely than not.

RESULTS OF OPERATIONS

Year Ended August 31, 2003 Compared with Year Ended August 31, 2002

During fiscal 2003, we delivered approximately 47.3 million gallons of water generating water usage revenues of $156,217 from the sale of water to customers within the Lowry Range service area, compared to the delivery of 54.5 million gallons of water generating revenues of $156,026 for fiscal 2002. Our water service charges are based on a tiered pricing structure that provides for higher prices as customers use greater amounts of water. The following table outlines our tiered pricing structure:

<TABLE>
<CAPTION>

Consumption (1,000 gallons/month)	Price ($/1,000 gallons)
<S>	<C>
0 to 10	$ 2.40
>10 to 20	$ 3.10
>20	$ 5.40

</TABLE>

This pricing structure is sensitive to the date and volume of water use. Actual water deliveries in fiscal 2003 decreased approximately 13% while revenues remained the same, due primarily to seasonal water deliveries with higher water rates during peak times.

Prior to May 2002, we contracted for the operation of our water and wastewater systems through an agreement with a third party contract operations firm. Beginning in May 2002, we began operating our water and wastewater system using our in-house licensed water and wastewater operator. We incurred approximately $20,580 in water service operating costs in fiscal 2003 compared to $13,896 for fiscal 2002. Water service operating costs increased approximately $7,000 in 2003 compared to fiscal 2002 due primarily to this change from contracting out those services in 2002 to providing these services in-house in 2003.

During fiscal 2003, we had wastewater usage revenues of $56,780 and incurred $10,692 in wastewater service operating costs. This compares to wastewater usage revenues of $48,832 and wastewater operating costs of $13,896, in fiscal 2002. In 2003, we changed from a variable pricing structure to a fixed pricing structure, resulting in higher revenues.

General and administrative expenses for fiscal 2003 were $318,182, or approximately $96,310 higher than for fiscal 2002, due primarily to the hiring of an additional employee beginning in January 2003. Interest income decreased to $16,263 in fiscal 2003, compared to $22,181 for fiscal 2002, due primarily to a decrease in interest rates and a decrease in the average balance in our operating cash accounts. Interest expense decreased $18,376 in fiscal 2003 to $176,275, as compared to $194,651 in fiscal 2002 due primarily to a decrease in the prime lending rate. Net loss for fiscal 2003 of $321,043 was $75,896 greater than the net loss of $245,147 for fiscal year 2002, primarily due to the addition of one employee.

Six Months Ended February 29, 2004 Compared With Six Months Ended February 28, 2003

During the six months ended February 29, 2004, we delivered approximately 22.0 million gallons of water generating water service revenues of $55,314, compared to delivery of approximately 19.3 million gallons of water generating $77,225 for the six months ended February 28, 2003. The higher revenues in the six month period ended February 28, 2003 were the result of an approximately $20,000 reversal of a water service revenue recorded in 2003. We incurred water service operating expenses of $5,190 during the six month period ended February 29, 2004, compared to $5,719 during the six months ended February 28, 2003. During the six months ended February 29, 2004, we generated revenues from wastewater fees of $27,002 from customers in the Lowry Range service area, as compared to revenues from wastewater fees of $26,587 during the six months ended February 28, 2003. We incurred wastewater operating costs of $3,819 during the six month period ending February 29, 2004 as compared to $5,013 for the six-month period ending February 28, 2003.

General and administrative expenses for the six months ended February 29, 2004 were $94,748 higher than for the six months ended February 28, 2003, primarily due to an increase in salary and overhead expenses from the addition of one employee beginning in January 2003 and legal costs incurred in connection with our annual meeting held on April 12, 2004. Net loss for the six months ended February 29, 2004 was $238,950 compared to a net loss of $127,356 for the

six months ended February 28, 2003. The $111,595 increase in net loss is due to additional overhead costs from an additional employee, as well as additional legal fees incurred in connection with our annual meeting.

Liquidity and Capital Resources

At February 29, 2004, our working capital, defined as current assets less current liabilities, was $327,790. We believe that at February 29, 2004, we had sufficient working capital to fund our operations for the next year. However, there can be no assurance that we will be successful in marketing the water from our two primary water projects in the near term. In the event revenues from providing water service are not achieved, we may incur additional short or long-term debt or seek to sell additional equity securities to generate working capital.

Development of any of the water that we have, or are seeking to acquire, will require substantial capital investments. We anticipate that additional capital for the development of the water will be financed by the entity purchasing such water, through the sale of water taps to developers and water delivery charges to users. A water tap charge refers to a charge we impose to permit access to a water delivery system (e.g., a single-family home's tap into our water system), and a water service charge refers to a water customer's monthly water bill, generally charged per 1,000 gallons of water consumed by the customer. Annually, the developer must purchase not less than a minimum number of taps, the proceeds from which are used to expand the capacity of our water system to deliver water to additional customers in the development. We anticipate that the system development portion of tap fees will be sufficient to generate funds with which we can design and construct the necessary water facilities. However, once we receive tap fees from a developer, we are contractually obligated to construct the water delivery system for the taps paid for, even if our costs are not covered by the fees we receive. We can not assure you that our revenues will be sufficient to cover our capital costs.

In October 2003, we entered into a water service agreement with a developer to provide water to approximately 4,000 SFE units that are being built on approximately 800 acres known as "Sky Ranch" located 4 miles north of the Lowry Range along Interstate 70. We expect that the construction of the project will begin in October 2004, with the first homes available in February 2005. Based on housing market demands of similar projects in the area and projections provided by the developer, we expect that the project will be fully built out within 10 years. Under the agreement, the developer must purchase at least 400 water taps before occupancy of the first home. The agreement permits the developer to add additional taps annually, with at least 250 taps to be purchased each year. This schedule is designed to provide us with adequate funds with which to construct the facilities needed to provide water service to the areas being built.

The water service agreement for Sky Ranch incorporates 4,000 SFE connections, which at current rates and charges would generate approximately $50 million in total water tap fee revenues and approximately $2.3 million annually in water service revenues. These represent gross fees and, to the extent that water service is provided using Export Water, we are be required to pay a royalty to the State Land Board equal to 12% of the net revenue after deducting our costs. We expect to dedicate approximately 1,200 acre feet, or approximately 10%, of our Export Water supply (which is about 4.2% of our overall Rangeview water supply) for this project. We estimate we will spend approximately $25 million for infrastructure related to the development and delivery of water to the 4,000 single family equivalent units.

For the initial development at Sky Ranch, we anticipate receiving tap fees of approximately $1.9 million, representing approximately 156 taps, in the current fiscal year ending August 31, 2004, and approximately $3.0 million, representing an additional 244 taps, prior to January 2005. We estimate that it will cost approximately $2.5 million to construct the infrastructure to service the initial 400 taps. We will expand the infrastructure to meet demand as

houses are built at Sky Ranch. We will initially develop the water beneath the Sky Ranch property, which is being dedicated to us by the developer in exchange for credit of a portion of the water resource tap fee. The dedicated water is sufficient to provide water service to approximately 1,400 customers. No payments will be required to be made under the Financing Agreements or for royalty payments to the State Land Board with respect to tap fee revenues from the first 1,400 taps at Sky Ranch. Because the project has not yet commenced, we cannot assure you that these revenue and expense estimates will be the actual revenues and expenses that we will experience.

At February 29, 2004, we had outstanding debt to seven related parties totaling $1,109,061, $512,439 of which bears interest at prime plus 2% (6% at April 7, 2004) and $596,622 of which bears interest at 10.25%. All notes mature in August 2007. Interest is not payable on a current basis, but accrues and is added to principal monthly.

In addition, we are obligated under notes totaling $848,023 at February 29, 2004 which bear interest at rates at 7.18% and 8.04% and notes totaling $2,473,263 at February 29, 2004 which bear interest at prime plus 3% (7% at February 29, 2004). These notes mature in August 2007. The holders of these notes are parties to the Commercialization Agreement and have agreed that if the amount of principal and accrued interest on these notes is paid under the Commercialization Agreement prior to the maturity date of the notes, the notes will be canceled.

Operating Activities

Operating activities include revenues we receive from the sale of water and wastewater service to our customers, costs incurred in the delivery of those services, general and administrative expenses, and depreciation and depletion expenses.

During fiscal 2003, cash used in operating activities was approximately $115,000, compared to cash used of approximately $39,000 in fiscal 2002. Operating costs increased in 2003 due principally to additional overhead costs from the addition of one person to our staff. Accrued interest on notes receivable of $14,000 was offset by accrued interest on notes payable of $176,000, for a change in accrued interest of approximately $162,000.

During the six months ended February 29, 2004, cash used in operating activities was approximately $117,000, compared to approximately $9,000 during the six months ended February 28, 2003. Operating costs increased due to additional costs of operating the domestic water and wastewater systems. We anticipate that a similar level of cash will be used in our operations during the remainder of fiscal 2004. We continue to provide domestic water and wastewater service to customers in the Lowry Range service area and operate and to maintain our water and wastewater systems with our own employees.

Investing Activities

We continue to invest in the acquisition, maintenance and development of both the Rangeview and Paradise water assets. These investments include legal and engineering fees associated with adjudicating additional water through the Water Court system, as well as right-of-way permit fees to the Department of Interior Bureau of Land Management.

Cash used in investing activities for fiscal 2003 was approximately $147,000, of which $144,000 was capitalized to the Rangeview assets and $3,000 was capitalized to the Paradise Water Supply. Cash used in investing activities for fiscal 2002 was approximately $109,000.

Cash used in investing activities for the six month ended February 29, 2004 was approximately $70,000, which costs were capitalized to the Rangeview Water Supply. We capitalize certain legal, engineering and permitting costs relating to the improvement of our water assets.

Financing Activities

In August 2003, we entered into a Plan of Recapitalization and a Stock Purchase Agreement with Mr. Thomas Clark, our Chief Executive Officer. Under this agreement, we issued 200,000 shares of Series D-1 preferred stock in exchange for 200,000 shares of common stock owned by Mr. Clark. We sold 200,000 shares of our common stock at $2.50 per share to 11 accredited investors, four of whom were existing common stockholders, generating proceeds of $500,000. We issued the preferred stock under Section 4(2) of the Securities Act. We sold the common stock pursuant to Regulation D, Rule 506, promulgated under the Securities Act.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). Generally, SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized as incurred, whereas EITF Issue No. 94-3 required such a liability to be recognized at the time that an entity committed to an exit plan. SFAS No. 146, which is effective for exit or disposal activities that are initiated after December 31, 2002, did not have a material impact on us.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. FIN 46 requires an entity to consolidate a variable interest entity if it is designated as the primary beneficiary of that entity even if such entity does not have a majority of voting interests. A variable interest entity is generally defined as an entity whose equity is insufficient to finance its activities or whose owners lack the risk and rewards of ownership. The Company has determined that it is not a party to a variable interest entity.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, Statement 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation, including requiring that this information be included in interim as well as annual financial statements. We have no plans to change to the fair value based method of accounting for stock-based employee compensation based on current literature, and therefore are not affected by the transition provisions of SFAS No. 148. We adopted the disclosure provisions of SFAS No. 148 effective December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. The objective of the initial measurement of the liability is the fair value of the guarantee at its inception. The initial recognition and initial measurement provisions of FIN 45 are effective on a prospective basis to guarantees issued after December 31, 2002. However, the disclosure requirements are effective for

interim and annual financial statement periods ending after December 15, 2002. Our adoption of FIN 45 had no impact on our results of operations or financial position.

In June 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." The statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of a nonpublic entity. The adoption of this statement did not have a material effect on our results of operations.

TOTAL CONTRACTUAL CASH OBLIGATIONS

A summary of our total contractual cash obligations (in millions) as of August 31, 2003 is as follows:

<TABLE>
<CAPTION>

	PAYMENTS DUE BY PERIOD:				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YR.	1-3 YRS.	3-5 YRS.	MORE THAN 5 YRS.
<S>	<C>	<C>	<C>	<C>	<C>
Long-term debt	$ 5.0(1)	--	--	$ 5.0(1)	--
Participating interests in Rangeview water supply	$36.2(2)	--	--	--	--

</TABLE>

(1) As of February 29, 2004, $3,321,287 of this debt, due in August 2007, is subject to reduction through payments to holders of the notes under the Commercialization Agreement. If the amount of principal and accrued interest on the notes is paid under the Commercialization Agreement prior to the maturity of the notes, the notes will be canceled.

(2) These amounts are payable under the Financing Agreements entered into to finance our acquisition of the Rangeview water assets. We are only required to make payments from the water resource portion of tap fees we receive from the sale of Export Water. If we do not receive sufficient proceeds from the sale of Export Water to satisfy these obligations, the obligations will not become payable.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements.

BUSINESS

BACKGROUND

Pure Cycle was founded and continues to be managed based on the belief that water is a precious commodity, one that is often undervalued and therefore used inefficiently.

We own or have rights to use significant water assets which we have begun to utilize to provide water and wastewater services to customers located in the Denver, Colorado metropolitan area near our principal water assets. We will operate water and wastewater systems to deliver and treat the water we provide. Our services will include designing, constructing, operating and maintaining systems to service our customers.

We have exclusive access to approximately 29,000 acre feet per year of water from, and the exclusive right to provide water and wastewater services to, the Lowry Range service area. The Lowry Range is located in Arapahoe County approximately 15 miles southeast of Denver and 12 miles south of the Denver International Airport. Of the 29,000 acre feet of water to which we have access, 17,500 acre feet are available to us for use on the Lowry Range. We own the remaining 11,650 acre feet that we can "export" from the Lowry Range to supply water to nearby communities and developers in need of additional water supplies. We acquired these rights and the Export Water in 1996 when we entered into an agreement with the State Land Board, which owns the Lowry Range, and the District, a quasi-municipal political subdivision formed for the sole purpose of providing water and wastewater services to the Lowry Range.

HISTORY

Pure Cycle was incorporated in 1976 to commercialize a patented single family water recycling technology and became a public company in 1977. During the late 1970's, we manufactured, installed and maintained approximately 50 water recycling systems that captured and treated wastewater flows from homes and recycled that water for potable use. However, these individual recycling systems proved to be too costly for us to operate, monitor and maintain, and we discontinued the business in the early 1980's.

Beginning in 1987, concurrent with a change of management and ownership control, we shifted our business to the acquisition, development and wholesale marketing of water and large scale wastewater utility systems, principally for sale to municipalities in the Denver area. We acquired rights to what we refer to as the Paradise Water Supply, which includes several water wells and rights to divert and store up to 70,000 acre feet of Colorado River water near DeBeque, Colorado. Our ability to provide water service was greatly enhanced in 1996 when we entered into a water privatization agreement with the District and the State Land Board and purchased annual entitlement rights to 11,650 acre feet of water available for service to customers located off the Lowry Range service area and entered into a water service agreement extending through 2081 which grants us the rights to an additional 17,500 acre feet of water per year to serve customers located in the Lowry Range service area.

WATER TO MEET COLORADO DEMANDS

In common with large portions of the desert West, the Denver metropolitan area is semi-arid, receiving an average of only 13 inches of precipitation annually. Eighty percent of the State's water supplies reside west of the Continental Divide, while 80 percent of the population resides east of the Continental Divide. Roughly 80 percent of Colorado's annual surface water supply comes from snow. Due to wide fluctuations in snowfall from year to year and area to area, the amount of surface water that can be captured for use

varies greatly. Further, the State is obligated through compacts and treaties to allow much of the water that originates in the State to pass out of Colorado for use by downstream out-of-state users.

Most of the state's population resides along the "front range," which extends from Pueblo to Fort Collins and lies along the eastern side of the Rocky Mountains. The largest population center is the greater Denver metropolitan area which has been growing at above average rates for decades. By the 1960s, water available during an average precipitation year from Denver's primary source of surface water, the South Platte River, was no longer sufficient to meet the area's needs. To address this imbalance, numerous reservoirs and tunnels have been built to transport an average of 500,000 acre feet per year of Colorado River water located in western Colorado to eastern Colorado users. Even with this diversion, the U.S. Department of the Interior has identified the Denver metropolitan area as one that is 'highly likely' to experience a 'water supply crisis' by 2025.

The Denver Regional Council of Governments, a voluntary association of 50 county and municipal governments in the Denver metropolitan area, estimates that between 2000 and 2025 the population in the Denver metropolitan area will grow from 2.4 million to 3.4 million. To accommodate for this growth, the metropolitan area is expected to grow from about 500 square miles to about 770 square miles during the same 25-year period. We expect that servicing this population expansion will require an additional 300,000 acre feet of water annually.

With our Rangeview water assets, we are positioned to supply water to meet the needs of approximately 80,000 single family homes, or approximately 240,000 people.

PURE CYCLE ASSETS

Rangeview Water Assets. Our primary assets are a combination of nontributary groundwater rights and tributary surface water and storage rights associated with the Lowry Range property, which we collectively call the "Rangeview Water Supply." We own the rights to use 1,650 acre feet of tributary surface water, together with 10,000 acre feet of non-tributary water, that can be exported off the Lowry Range property to serve area users. We have the right to use an additional 1,650 acre feet of surface water together with over 16,000 acre feet of nontributary groundwater to serve customers within our Lowry Range service area. We provide additional information regarding tributary and non-tributary water rights under "Colorado Water Law Principles" below. The Export Water we own, together with water available under our service agreements, total over 29,000 acre feet.

Beginning in 1988, we began to pursue acquisition of a portion of the Lowry Range water. Our initial interest was the water which could be exported off the property to serve customers throughout the Denver area. Through a series of transactions between the initial project principals, the State Land Board and the District, we ultimately acquired the rights we now own. These assets were acquired using a financing instrument, called the Commercialization Agreement, in which we raised approximately $11,100,000 to purchase the Rangeview water supply, and issued in exchange therefore 1,821,907 shares of common stock, warrants to purchase 2,038,000 shares of common stock, 1,600,000 Series A Preferred Stock and an obligation to pay to these investors the first $31,807,000 we receive from the sale or other disposition of the Export Water. Also, as part of the Rangeview water supply acquisition, we raised an additional $950,000 from another investor, and incurred an incremental obligation to pay the next $4,000,000 we receive from the sale or other disposition of Export Water to this investor. The investors that are parties to the Commercialization Agreement comprise the majority of the selling stockholders in this prospectus. The shares being sold by the selling stockholders will be issued to them upon exercise of warrants issued in connection with the Commercialization Agreement transactions.

We are the exclusive water and wastewater service provider for the 24,000-acre Lowry Range property through 2081. Under this agreement we are entitled to manage 17,500 acre feet of water capable of servicing up to 47,000 SFE equivalents (or approximately 140,000 people). We also own the rights to an additional 11,650 acre feet of water annually that we can sell to other areas throughout the Denver metropolitan region. We estimate that this amount of Export Water is sufficient to service up to 32,000 single family homes (or

approximately 96,000 people).

We will design, construct and operate facilities to provide water and wastewater service to customers located on the Lowry Range through our service contract period ending in 2081. The District owns both the water and the wastewater systems during our contract period, and we will operate both systems during this period pursuant to our service contract. After 2081, ownership of the water system will revert to the State Land Board. We will also design, construct and operate the facilities to provide water and wastewater service to customers located off the Lowry Range that will use our Export Water, and will own these assets. We will contract with third parties for construction of these facilities. We will design, engineer, and develop these systems as a single unified system to improve reliability and economies of scale for customers located both on and off the Lowry Range property.

Paradise Water Assets. In 1987, we acquired assets known as the Paradise Water Supply. These assets include a Water Court decree for conditional water rights enabling us to build a 70,000 acre-foot reservoir to store tributary water on the Colorado River, a right-of-way permit for U.S. Bureau of Land Management property at the dam and reservoir site, and four existing tributary water wells with a theoretical capacity to produce approximately 56,000 acre feet of water per year. The reservoir site is located in western Colorado on the Colorado River about 60 miles east of the Utah border. Our ability to use this asset may be limited, however, because of constraints imposed by the difficulties and costs involved in transporting the water out of the Colorado River watershed to the Denver metropolitan area and because of legal complications in transferring such water to down-stream states like California under the interstate Colorado River Compact. See "Governmental Regulation - Water Deliveries." Due to the strict regulatory requirements for constructing an on-channel reservoir, completing this conditional storage right at its decreed location would also be difficult. As a result, we cannot assure you that we will ever be able to make use of this asset or sell the water profitably.

We continue to evaluate prospects for the acquisition of additional water rights in the Denver metropolitan area to expand our water service capabilities.

REVENUE

We will derive revenue from two principal sources: one-time tap fees, which are typically paid by the developer of a property and become part of the cost of the lot or home, and service fees, which are monthly metered water deliveries paid by all customers connected to our water and wastewater systems. Under our privatization agreement with the District and the State Land Board, pricing for water and wastewater services is controlled through a market-driven pricing mechanism in which our rates and charges may not exceed similar rates and charges of three nearby communities.

Table 1 provides a summary of our tap fees over the past several years. We base our tap fees on the average of the tap fees that have been charged by the three communities whose rates determine our allowable charges.

<TABLE>
<CAPTION>
TABLE 1 - WATER SYSTEM TAP FEES

Year	1998	1999	2000	2001	2002	2003	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Tap Fee (per SFE)	$8,165	$8,165	$8,165	$10,500	$10,500	$11,150	$12,420
Percentage increase	---	---	---	29%	---	6.2%	11.4%

</TABLE>

Water system tap fees consist of two components: a system development fee and a water resource charge. System development fees are typically used to defray the cost to develop and deliver the water into the distribution system. Water resource charges are typically used to defray the costs associated with the water rights. Our current water system development fee is $9,020 per single family equivalent (SFE), and our water resource charge is $3,400 per SFE. An SFE is defined as the amount of water required each year by a family of three persons living in a single family house on a standard acre lot. We will also collect an additional wastewater system development fee of $4,883 per SFE to develop, operate and maintain the wastewater system. Currently, for a typical residential customer using approximately 0.4 acre feet of water annually, the water service fee is approximately $578 per year and the wastewater service fees are approximately $404 per year for a typical residential customer. We also collect other relatively small fees and charges from residential customers and other end users to cover miscellaneous administrative and service expenses, such as application fees, review fees and permit fees.

We negotiate the payment terms for tap fees and other water/wastewater

service obligations with each land developer or builder before we commit to providing service and begin construction of the project. In some cases where service is provided off the Lowry Range, we may provide only water service, but will typically retain the right to reuse treated effluent wastewater in our dual-pipe distribution system. We are typically responsible for the construction of wholesale facilities, which are those facilities necessary to develop and treat the water, including water wells, water collection pipelines, water reservoirs, water treatment plants, storage tanks, pump stations and wastewater treatment plants. The costs for these facilities are financed by the system development fee portion of the tap fees paid by developers to gain access to the water and wastewater systems.

Developers are typically responsible for the construction of retail facilities - the water distribution system that transports the water throughout the subdivision or community. Retail facilities are constructed pursuant to our design standards and are inspected by our engineers prior to completion. Once we certify that the retail facilities have been constructed in accordance with our design criteria, the developer is required to dedicate the retail facilities to us at no cost. In the Sky Ranch transaction, the developer will dedicate the retail facilities to the District. We are then responsible for the operation and maintenance of those facilities.

Customer facilities consist of water service pipelines, plumbing, meters and other components that carry potable water and re-use water from the street to the customer's house and collect wastewater from the customer's house to the street. In many cases, a portion of the customer's facilities are also constructed by the developer, again pursuant to our design standards, but are owned and maintained by the customer.

Under our water privatization agreements, the State Land Board is entitled to a royalty and the District is entitled to retain a fee, each based on a percentage of revenues from water sales that utilize water from the Rangeview water assets. Royalties and fees are calculated either on a gross or net revenue basis depending on whether the customer is located within the Lowry Range or elsewhere in the Denver metropolitan area. Payments from customers who are within the Lowry Range generate royalties to the State Land Board and fees to the District based on gross revenues. Payments from customers located outside the Lowry Range generate royalties to the State Land Board based on net revenues, which are defined as gross revenues less costs incurred to develop and

deliver water. The District collects fees from customers, pays the royalties and fees, and remits the remainder to Pure Cycle. Table 2 below sets forth these payments:

<TABLE>
<CAPTION>
TABLE 2 - OBLIGATIONS RELATING TO USE OF RANGEVIEW WATER ASSETS

REVENUE SOURCE	STATE LAND BOARD	RANGEVIEW METROPOLITAN DISTRICT
<S>	<C>	<C>
Water Tap Fees & Service Fees within Lowry Range	12% of gross revenue	5% of gross revenue after State Land Board royalty
Water Tap Fees & Service Fees from Export Water	12% of net revenue (gross revenue less costs incurred to deliver water)	0%
Wastewater Tap Fees	0%	0%
Wastewater Service Charges	0%	10% of gross revenue

</TABLE>

Developers having rights to groundwater underlying their properties can receive a credit against a portion of their tap fees if they dedicate their water to us. The credit is equal to the water resource charge portion of the tap fee - currently $3,400 of the total $12,420 tap fee, based on 0.7 acre feet of water being dedicated to us for each water resource tap credit issued. In the Sky Ranch transaction, we are crediting the developer the water resource charge portion of the tap fee for the first 1,400 taps and combining the water resources underlying the Sky Ranch property with a portion of our Export Water to provide the full amount of water required for the Sky Ranch development.

We are obligated to pay investors in the Commercialization Agreement the water resource fee component from the sale of Export Water taps up to a total of $36,240,000. The obligations under the Commercialization Agreement will not prevent us from utilizing the system development portion of the tap fee to construct the infrastructure we will need to build to provide our water services.

WATER RECLAMATION

With interest heightened by an ongoing drought, most water providers in Colorado are actively pursuing the re-use of treated wastewater for irrigation and other non-potable uses. Our master plan for the Lowry Range and other areas in which we will work with developers to install water service calls for the installation of a dual water distribution system, with one pipe supplying the customer with potable water and the second pipe providing treated effluent wastewater, or "reclaimed" water, for irrigation and other nonpotable uses. A third pipe would retrieve effluent wastewater for treatment and subsequent reuse. About one-half of the water needed to meet Denver-area municipal water demands is used for irrigation of lawns and landscape. We believe that treated wastewater would provide an essentially drought-proof supply of irrigation water for the areas we will serve. The Colorado Department of Public Health and Environment is currently evaluating the use of effluent wastewater for residential irrigation, and, pending the outcome of their review, we may not be able to deliver this water to residential customers. However, even if we cannot use this reclaimed water for residential irrigation , we will be able to use it in other approved commercial irrigation uses, such as for golf course watering. We expect that the implementation of an extensive water reclamation system, in which essentially all wastewater treatment plant effluent will be re-used to meet nonpotable water demands, will greatly expand our capability to provide quality water service and will reinforce our philosophy that emphasizes the importance of water recycling.

THE LOWRY RANGE

The State Land Board acquired the Lowry Range, which was formerly a military reservation, in the 1960s. The Lowry Range encompasses approximately 27,000 acres, of which 24,000 acres are within our exclusive service area.

The Lowry Range is located in unincorporated Arapahoe County 15 miles southeast of downtown Denver and 12 miles directly south of Denver International Airport. The State Land Board has stated that the Lowry Range is the most valuable property in its nearly 2,500,000 acre portfolio. It has explored a number of development models for the property, including continued development similar to that which is ongoing adjacent to the property's western borders, a new planned community, and a compact development model with high density village centers surrounded by large expanses of open space. The State Land Board continues to review and refine the development opportunities for the Lowry Range and anticipates approaching the development community for "requests for qualification" and "requests for proposals" during 2004.

We believe that the Lowry Range is among the single largest contiguous parcel of primarily undeveloped land in the United States that is near a metropolitan area and owned by a single landowner. In October 2003, the State Land Board directed its staff to prepare a request for proposal to send to the development community to seek assistance with the planning and development of this tract of property. The State Land Board has engaged the Urban Land Institute to assist in the preparation of evaluation criteria for a request for qualification and request for proposal. The Urban Land Institute's criteria are expected to be completed in June 2004. The State Land Board has indicated that it will shortly thereafter send a request for qualification followed by a request for proposal to local and national developers to assist in the development of the Lowry Range.

We have designed and constructed, and we currently operate and maintain, water and wastewater facilities that service customers on the Lowry Range. We currently have one facility that during 2003 provided, treated and delivered approximately 47 million gallons of potable water and treated approximately 7 million gallons of wastewater. We intend to plan, construct and operate the facilities serving the Lowry Range and areas outside the Lowry Range in a unified manner to capitalize on economies of scale.

Full build-out of the Lowry Range is likely to take more than 30 years, with initial development occurring as soon as two to three years from now, depending on the decisions of State Land Board and the results of the proposal process.

EXPORT WATER

Colorado municipalities have strong incentives to attract commercial development to their areas, as a large portion of their revenues are derived through sales tax receipts. Cities and municipalities historically have used water availability as a means to attract development in competition with other municipalities. As water has become scarce, cities and municipalities have begun requiring property developers to demonstrate that they have sufficient water supplies for their proposed projects before the cities and municipalities will consider rezoning applications. This is forcing developers to find adequate water supplies in order to develop new property.

Our water marketing activities are centered around targeting our water and wastewater services to developers and homebuilders developing new areas of the Denver metropolitan area. Our water supplies are largely undeveloped and are located in southeast Arapahoe County, one of the fastest growing regions of the

Denver metropolitan area. We work with area developers to investigate water supply constraints, water and wastewater utility issues, market demand,

transportation concerns, employment centers and other issues in order to identify suitable areas for development.

CURRENT OPERATIONS

At this time, we operate and maintain all of our water supply and wastewater treatment facilities with limited assistance from third party maintenance contractors. Water deliveries during 2003 totaled about 47 million gallons, ranging from 2 million gallons per month in the winter to 7 million gallons per month in the summer. Our wastewater treatment plant currently has a permitted capacity of 130,000 gallons per day and receives about 20,000 gallons per day.

Presently, approximately 81% of our water and wastewater treatment revenues are from one customer. In 1998, we entered into a water service agreement with the State of Colorado Department of Human Services to provide water and wastewater services to a juvenile correction facility on the western edge of the Lowry Range known as the Ridge View Youth Services Center. We designed and built this facility to provide water and wastewater services serving the approximately 200 single family equivalents of the Ridge View Youth Services Center. Upon completion in 2001, we commenced service to this facility.

In October 2003, we entered into a water service agreement with a developer to provide water to approximately 4,000 SFE that are being built on approximately 800 acres known as "Sky Ranch" located 4 miles north of the Lowry Range along Interstate 70. We expect that the construction of the project will begin in October 2004, with the first homes available in February 2005. Based on housing market demand in similar projects in the area and projections provided by the developer, we expect that the project will be fully built out within 10 years. Under the agreement, the developer must purchase at least 400 water taps before occupancy of the first home. The agreement permits the developer to add additional taps annually, with at least 250 taps to be purchased each year. This schedule is designed to provide us with adequate funds with which to construct the facilities needed to provide water service to the areas being built.

The water service agreement for Sky Ranch incorporates 4,000 SFE connections, which at current rates and charges would generate approximately $50 million in total water tap fee revenues and approximately $2.3 million annually in water service revenues. These represent gross fees and, to the extent that water service is provided using Export Water, we are be required to pay a royalty to the State Land Board equal to 12% of the net revenue after deducting our costs. We expect to dedicate approximately 1,200 acre feet, or approximately 10%, of our Export Water supply (which is about 4.2% of our overall Rangeview water supply) for this project. We estimate we will spend approximately $25 million for infrastructure related to the development and delivery of water to the 4,000 single family equivalent units.

For the initial development at Sky Ranch, we anticipate receiving tap fees of approximately $1.9 million, representing approximately 156 taps, in the current fiscal year ending August 31, 2004, and approximately $3.0 million, representing an additional 244 taps, prior to January 2005. We estimate that it will cost approximately $2.5 million to construct the infrastructure to service the initial 400 taps. We will expand the infrastructure to meet demand as houses are built at Sky Ranch. We will initially develop the water beneath the Sky Ranch property, which is being dedicated to us by the developer in exchange for credit of a portion of the water resource tap fee. The dedicated water is sufficient to provide water service to approximately 1,400 customers. No payments will be required to be made under the Financing Agreements or for royalty payments to the State Land Board with respect to tap fee revenues from the first 1,400 taps at Sky Ranch. Because this project has not yet commenced, we cannot assure you that these revenue and expense estimates will be the actual revenues and expenses that we will experience.

PROJECTED OPERATIONS

We will develop water and wastewater infrastructure in stages to meet demand. We anticipate that development of the entire 29,000 acre feet of non-tributary water will require between 250 and 300 high capacity water wells ranging in depth from 800 feet to over 2,500 feet. We will drill separate wells into each of the three principal aquifers and each well will deliver water to central water treatment facilities for treatment prior to delivery to customers. We also intend to build structures to divert surface water to four storage reservoirs to be located in the Lowry Range. The surface water will be diverted when available and, prior to distribution to our customers, will be treated by a separate water treatment facility that we will build specifically to treat surface water. We anticipate that full build-out of water facilities on the Lowry Range will cost approximately $340 million and will accommodate up to

water service to 80,000 single family equivalent units incorporating both customers located in and outside the Lowry Range service area.

We intend to design, construct and operate our own wastewater treatment facilities using advanced wastewater treatment technologies currently available in the market. We plan to store our treated effluent water in surface water reservoirs for reuse in our irrigation water system. The combination of deep well water from our non-tributary water supplies, surface water supplies from two surface water streams that flow through the Lowry Range and the reuse of the treated effluent water supplies will provide an advanced water management system that maximizes the use and reuse of our valuable water supplies.

We currently operate one system serving customers on the Lowry Range that has a capacity to treat approximately 130,000 gallons of wastewater per day; current utilization is approximately 20,000 gallons per day. We anticipate that the full build-out of wastewater facilities on the Lowry Range will cost approximately $68.4 million and will accommodate up to approximately 12.3 million gallons of wastewater per day serving an estimated 47,000 single family equivalent units.

We intend to utilize third party contractors to construct our facilities and we will employ licensed water and wastewater operators to operate our water and wastewater systems. At full buildout, we expect to employ approximately 50 professionals to operate our systems, read meters, bill customers, and manage our affairs. We will take advantage of advanced technologies to keep personnel requirements and operating costs low. Currently available technologies enable meter reading and billing to be done automatically, reducing associated handling and labor costs. A vehicle driving past a home can send a signal to the meter, and the meter reading goes directly into a database, which automatically prints billing information for the customer.

RANGEVIEW METROPOLITAN DISTRICT

The Rangeview Metropolitan District is a quasi-municipal corporation and political subdivision of Colorado formed in 1986 for the sole purpose of providing water and wastewater service to the Lowry Range, using water leased to the District by the State Land Board. The District was formed following, and based on, the purchase in 1986 of a 40 acre parcel of vacant land located in unincorporated Arapahoe County near but not on the Lowry Range. This land comprises all of the property currently within the boundaries of the District.

The District is run by an elected board of directors. The only eligible voters and the only persons eligible to serve as directors are the owners of property in the 40 acre boundary of the District. The current directors of the District are Thomas P. Clark, Mark W. Harding, Scott E. Lehman (all employees of Pure Cycle) and Tom Lamm.

We are party to a Right of First Refusal Agreement with the owners of the property comprising the District. Pursuant to a tenancy in common agreement, in the event of death, bankruptcy or incompetence of any tenant, that tenant's estate or representative must offer the property interest of that tenant to the remaining tenants for purchase. If the remaining tenants do not purchase all of such person's interest, the property must be offered to us pursuant to its Right of First Refusal Agreement. In addition, if any tenant wants to sell his interest in the parcel, such tenant must find a bona fide buyer and then offer the property to us. We have the right, at our option, to buy the property by matching the terms of the bona fide third party offer or by paying the appraised value of the property, as determined by independent appraisers. A tenant may also negotiate a sale directly with us if he elects not to locate a bona fide buyer. Each of the directors currently owns an undivided one-fifth interest in the land comprising the District. We also own an undivided one-fifth interest. Under applicable Colorado law, entities are not qualified to serve as directors of municipal districts and may not vote.

We and the directors have attempted to transact business between the District and us on an arms-length basis. The conflicts of interest of the directors in transactions between us and the District are disclosed in filings with the Colorado Secretary of State. The District and we were each represented by separate legal counsel in negotiating the water service agreement and wastewater service agreement between the parties. The agreements were also approved by the two members of the District's board who were not our employees and by the State Land Board.

It is likely that at some point in the future, the board of directors of the District will be comprised entirely of directors independent from Pure Cycle. As the State Land Board develops the Lowry Range, landowners on the Lowry Range may petition to include their land within the District's boundaries. Provided such petition complies with applicable law, the District is required by its lease with the State Land Board to proceed with due diligence to include the area designated in such petition within the District's boundaries. As the District's boundaries expand beyond the initial 40 acre parcel, the base of persons eligible to serve as directors and eligible to vote will also increase. A board of the District that is not controlled by us would not have the power to

take away from us the water rights embedded in our existing agreements.

COMPETITION

Although we have exclusive, long term water and wastewater service contracts for the Lowry Range service area, our business of providing water service using our Export Water is subject to competition. Alternate sources of water are available, principally from other private parties, such as farmers owning senior water rights that are no longer being economically used in agriculture, and municipalities seeking to annex newly developed areas in order to increase their tax base. Our principal competition in areas close to the Lowry Range would be the City of Aurora. The principal factors affecting competition for potential purchasers of Export Water include the availability of water for the particular purpose, the cost of delivering the water to the desired location, and the reliability of the water supply during drought periods. We believe that our assets provide us with a competitive advantage because our legal rights to the assets have been confirmed for municipal use, our water supply is close to Denver area water users and our pricing structure is competitive. Further, the size of the Lowry Range service area and the amount of property that can be served by the Export Water will provide us with economies of scale that should give us advantages over our competitors.

COLORADO WATER LAW PRINCIPLES

Under Colorado water law, a person generally does not own the water itself but only the right to use the water from a certain source. A water right, however, is considered a property right that can be owned and conveyed, separate from land, in the same manner as a real property interest.

Generally, we own two types of water rights: tributary water rights and nontributary groundwater rights. In addition, we own water storage or recharge rights, which consist of both the right to use the water stored or recharged, and the right to construct, maintain and/or use the reservoir or aquifer in which the water is stored.

Colorado water rights are administered jointly by special State Water Courts and the State Engineer's Office. Water Courts adjudicate and confirm the nature and scope of water rights by issuing decrees. The State Engineer is responsible for issuing well permits, implementing interstate compacts and administering tributary water rights.

Tributary water rights are covered by the Colorado Constitution, which provides that all surface and ground water in or tributary to natural streams in Colorado is the property of the public and subject to appropriation. Such tributary water includes all springs, surface drainage and groundwater that is hydrologically connected to surface streams. Tributary water in Colorado is subject to the "prior appropriation" doctrine, which is grounded on the "first-in-time, first-in-right" principle. Under this doctrine, an absolute tributary water right is acquired by the act of diverting and placing the water to some beneficial use, and the right is confirmed and assigned a priority based on the date of initial use through a decree issued by a State Water Court. The Water Court decree legally confirms the appropriation date, the specific type and place of use, and the amount of water permitted to be diverted under the water right. Decreed water that is appropriated earlier in time holds senior priority over later-acquired water rights. In times of shortage, a senior water right must be fully satisfied before any junior right can use any water. This means that the relative priority of a tributary water right is critical to its value. A tributary water right cannot typically be used and reused successively to exhaustion.

Tributary water rights can also be "conditional" as opposed to absolute. A conditional water right permits an owner to take an initial step towards appropriating water, such as planning a storage or diversion structure, and demonstrating to the Water Court every six years that additional steps are diligently being taken to put the water to a beneficial use. The water right can ultimately be perfected and become an absolute water right, with the date of appropriation being the date of the initial action. Our Paradise Water Supply consists in part of conditional rights in tributary water in the Colorado River basin in western Colorado.

Nontributary groundwater is defined by statute as water that is not hydrologically connected to surface water. In Colorado, nontributary water is most commonly found in the Denver Basin, which is a series of four aquifers stretching from the town of Greeley south to Colorado Springs, and from the foothills of the Rocky Mountains to east of the Denver metropolitan area. Nontributary groundwater is not subject to the prior appropriation doctrine and the related priority administration system. Rather, the right to use nontributary water is generally incident to overlying land ownership. By statute, owners of surface land have rights to withdraw the calculated amount of nontributary groundwater that lies beneath their land, and these rights are perfected by drilling a well or obtaining a Water Court decree. An owner can withdraw one percent of the total volume of nontributary groundwater to which it is entitled each year, in order to allow this resource, to the extent

non-renewable, to last 100 years. Nontributary water is permitted to be used and reused successively to exhaustion. As a result, rights to nontributary water are extremely valuable, particularly in times of drought and water shortages.

GOVERNMENT REGULATION

Water Quality

The water we deliver for use by customers must meet water quality standards for public water supply systems that are set under the federal Safe Drinking Water Act (SDWA), 42 U.S.C. Sec. 300f et seq. and related Colorado state law.

These standards are subject to periodic revision and may become more strict in the future. In general, we anticipate that groundwater from wells located on the Lowry Range will conform with these water quality standards without treatment, other than residual disinfection prior to use. Lower quality groundwater, if encountered, may be used directly in the non-potable irrigation system, blended with other potable water supplies to yield an acceptable quality mixture, or receive additional treatment. We will build water filtration plants to treat surface waters prior to use. We believe that we should have no difficulty meeting existing SDWA standards.

Wastewater that we treat that is or will be discharged to any stream, drainage or aquifer, must also comply with various water quality standards and other requirements under the Federal Water Pollution Control Act (FWPCA), 33 U.S.C. Sec. 1251 et seq., as delegated to and administered by the State of Colorado. We currently operate a wastewater treatment plant that discharges treated wastewater effluent to Coal Creek under a State discharge permit. We believe we should also have no difficulty meeting any applicable FWPCA or related State requirements associated with any regulated treated wastewater discharges. As noted above, our master plan calls for a dual distribution system under which treated wastewater can be reclaimed and redistributed to customers for irrigation use, which would limit regulation under the above FWPCA discharge permit program.

Water Deliveries

While we are exploring the potential sale of our Paradise Water Supply to customers in Arizona, Nevada and California, such out-of-state transactions are subject to several significant regulatory hurdles. Colorado is a signatory to interstate compacts with six other western states to apportion fixed amounts of water from the Colorado River. These compacts contain complex provisions that impose obligations on the states to ensure that each state receives and uses only its allotted amount of Colorado River water. Rights created by interstate compacts are superior to state water rights granted by the State of Colorado; Colorado may create and vest in-state water rights as property, but these rights are subject to Colorado's allocated share of Colorado River water and its obligation to deliver water to downstream states under the compacts. Recently, the U.S. Department of Interior began strictly enforcing the provisions of the Colorado River Compact of 1922 to require that California limit the amount of Colorado River water it diverts to 4.4 million acre-feet, the amount it was originally allocated under that compact. Significant demand for water exists in California, Nevada and Arizona as a result of increased populations in these states, giving rise to water needs that exceed the supplies of water originally allocated to these states under the compact. However, as a result of obligations imposed on Colorado by the compacts to send water to the downstream states, Colorado law restricts the export of water out of state without obtaining a Water Court decree, and to issue a decree, the Water Court must find that such export is not in violation of provisions of interstate compacts and does not prevent Colorado from complying with its interstate compact obligations. Obtaining such a decree would likely involve significant litigation cost.

EMPLOYEES

We currently have three employees, none of whom is subject to any collective bargaining agreements. We believe that our relations with our employees are good.

PROPERTIES

OFFICE LEASE

We currently occupy approximately 1,800 square feet of office space at no cost from Thomas P. Clark, our Chief Executive Officer and one of our directors. There is no written lease.

FACILITIES

Generally, we will own and operate the water and wastewater facilities to

be constructed for service to customers located off the Lowry Range that are using our Export Water. While we have an exclusive right to provide water and wastewater services to customers on the Lowry Range until 2081, as well as the obligation to construct and operate the wastewater facilities to provide this water, the facilities (other than the wastewater system) will be owned by the State Land Board, and the District will own the wastewater system. We intend to construct the water supply facilities for both the Lowry Range service area and for our Export Water services as part of a unified plan. Under our service agreement with the State Land Board and the District, we have a perpetual right to construct, operate and maintain water supply facilities on the Lowry Range as needed to produce and supply Export Water.

RANGEVIEW METROPOLITAN DISTRICT

We own an undivided one-fifth interest as a tenant-in-common in a 40-acre parcel of undeveloped land located in unincorporated Arapahoe County comprising the Rangeview Metropolitan District.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names, ages and titles of the persons who are currently our directors and executive officers of the Company, along with other positions they hold with us.

Name	Age	Position
Harrison H. Augur(1)(2)	62	Chairman of the Board
Thomas P. Clark	67	Director, Chief Executive Officer
Mark W. Harding	40	Director, President
George M. Middlemas(1)(2)	57	Director
Margaret S. Hansson	79	Director
Richard L. Guido (1)(2)	59	Director

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

HARRISON H. AUGUR was elected Chairman of the Board in April 2001. For the past 20 years, Mr. Augur has been involved with investment management and venture capital investment groups. Mr. Augur has been a General Partner of CA Partners since 1987, and General Partner of Patience Partners LLC since 1999. Mr. Augur received a Bachelor of Arts degree from Yale University, an LLB degree from Columbia University School of Law, and an LLM degree from New York University School of Law.

THOMAS P. CLARK was appointed Chief Executive Officer in April 2001. Prior to his appointment as our Chief Executive Officer, Mr. Clark served as our President and Treasurer from 1987 to April 2001. Mr. Clark is primarily involved in the management of our business. His other business activities include: President, LC Holdings, Inc. (business development), 1983 to present, and

partner (through a wholly owned corporation) of Resource Technology Associates (development of mineral and energy technologies), 1982 to present. Mr. Clark serves on the board of the Rangeview Metropolitan District. Mr. Clark received his Bachelor of Science degree in Geology and Physics from Brigham Young University.

MARK W. HARDING joined Pure Cycle in April 1990 as Corporate Secretary and Chief Financial Officer. He was appointed President in April 2001, and on February 13, 2004 was appointed to fill a vacancy on the board. He brings a background in public finance and management consulting. From 1988 to 1990, Mr. Harding worked for Price Waterhouse, where he assisted clients in providing public finance and other investment banking related services. Mr. Harding is the President of the Rangeview Metropolitan District. Mr. Harding has a B.S. Degree in Computer Science and a Masters in Business Administration in Finance from the University of Denver.

GEORGE M. MIDDLEMAS has been a Director since April 1993. Mr. Middlemas has been a general partner with Apex Investment Partners, a diversified venture capital management group, since 1991. From 1985 to 1991, Mr. Middlemas was Senior Vice President of Inco Venture Capital Management, primarily involved in venture capital investments for INCO Securities Corporation. From 1979 to 1985, Mr. Middlemas was a Vice President and a member of the Investment Committee of Citicorp Venture Capital Ltd., where he sourced, evaluated and completed investments for Citicorp. Mr. Middlemas is a director of Tut Systems, and Pennsylvania State University - Library Development Board. Mr. Middlemas received a Bachelors degree in History and Political Science from Pennsylvania State University, a Masters degree in Political Science from the University of Pittsburgh and a Master of Business Administration from Harvard Business School.

MARGARET S. HANSSON has been a director since April 1977, Chairman from 1983 to 2001, Vice President from 1992 to 2003, and was our Chief Executive Officer from September 23, 1983 to January 31, 1984. From 1976 to May 1981, she was President of GENAC, Inc., a Boulder, Colorado firm which she founded. From 1960 to 1975, Ms. Hansson was CEO and Chairman of Gerry Baby Products Company (formerly Gerico, Inc.), now a division of Evenflo. She is a Director of Wells Fargo Bank, Boulder, Colorado, Wells Fargo Banks, PC, Colorado Capital Alliance, Realty Quest, Inc. (now RQI, Inc.), and the Boulder Technology Incubator. Ms. Hansson is currently President of two companies, Adrop, LLC and Erth, LLC, companies engaged in development of a centrifuge for water purification systems. Ms. Hansson received her Bachelor of Arts degree from Antioch College.

RICHARD L. GUIDO served as a director from July 1996 through August 31, 2003, and on February 13, 2004 was appointed to fill a vacancy on the board. Mr. Guido was an employee of INCO Securities Corporation, a 5.5% stockholder, from 1980 through August 2003, and previously served on our board pursuant to a voting agreement between INCO and us that is no longer in effect. Mr. Guido was Associate General Counsel of Inco Limited and President, Chief Legal Officer and Secretary of Inco United States, Inc. Mr. Guido is a Director on the American-Indonesia Chamber of Commerce and the Canada-United States Law Institute. Mr. Guido received a Bachelor of Science degree from the United States Air Force Academy, a Master of Arts degree from Georgetown University, and a Juris Doctor degree from the Catholic University of America.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning the compensation received by or awarded to (i) our chief executive officer and (ii) our other executive officers for the fiscal years ended August 31, 2003, 2002 and 2001:

<TABLE>
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		Annual Compensation		
Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)
<S>	<C>	<C>	<C>	<C>
Thomas P. Clark , CEO	2003	60,000	0	0
	2002	60,000	0	0
	2001	60,000	0	0
Mark W. Harding, President and CFO	2003	80,000	0	0
	2002	80,000	0	0
	2001	80,000	0	0

</TABLE>

Each director who is not an employee of Pure Cycle receives a payment of $10,000 for each full year in which he or she serves as a director, with an additional payment of $1,000 for each committee on which he or she serves, and $1,000 for serving as chairman of the board. An additional $500 is paid to each non-employee director for attendance at each board meeting and, if committee meetings are held separate from board meetings, $500 is paid for attendance at such committee meetings. Directors who are employees of Pure Cycle receive no additional compensation for serving as a director.

In addition to cash compensation, as part of the 2004 Equity Incentive Plan, each non-employee director will receive an option to purchase 5,000 shares of common stock upon election to the board, and an option to purchase 2,500 shares for each subsequent full year in which he or she serves as a director.

The functions to be performed by the audit committee include the appointment, retention, compensation and oversight of the Company's independent auditors, including pre-approval of all audit and non-audit services to be performed by such auditors.

Effective February 13, 2004, the Company appointed a compensation committee. The functions to be performed by the compensation committee include establishing in the compensation of officers and directors, and administering management incentive compensation plans.

Option Grants in Last Fiscal Year

There were no grants of stock options made during the fiscal year ended August 31, 2003 to our executive officers.

<TABLE>
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Aggregated Option Exercises and Fiscal Year End Option Values

Named Officer	Acquired on Exercise	Value Received	Number of Unexercised Securities Underlying Options at 08/31/03 Exercisable/ Unexercisable	Value of Unexercised In-The-Money Options at 08/31/03 Exercisable/ Unexercisable
<S>	<C>	<C>	<C>	<C>
Thomas P. Clark	-	-	-	-
Mark W. Harding	-	-	975,000/25,000	$ 39,000/$1,000

</TABLE>

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERSHIP AND MANAGEMENT

The following table sets forth, as of February 29, 2004, the beneficial ownership of our issued and outstanding common stock and Series A-1 Preferred Stock by (i) each person who owns of record (or we know to own beneficially) 5% or more of each such class of stock, (ii) each of our directors, (iii) each of our executive officers and (iv) all directors and executive officers as a group. Except as otherwise indicated, we believe that each of the beneficial owners of the stock listed has sole investment and voting power with respect to such shares, based on information provided by such holders

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner	Common Stock # of Shares	%	Series A-1 Preferred Stock # of Shares	%
<S>	<C>	<C>	<C>	<C>
Thomas P. Clark 8451 Delaware St. Thornton, CO 80260	2,546,485	31.3%		
George M. Middlemas 225 W. Washington, #1500 Chicago, IL 60606	1,842,114(1)(2)	19.8%		
Harrison H. Augur P.O. Box 4389 Aspen, CO 81611	53,166(3)	0.7%		
Margaret S. Hansson 2220 Norwood Avenue Boulder, CO 80304	824,600(4)	9.2%		
Richard L. Guido 121 Antebellum Drive Meridianville, AL 35759	0	0		
Mark W. Harding 8451 Delaware St. Thornton, CO 80260	1,021,000(5)	10.9%		

All Directors and Officers as a group (6 persons)	6,262,365(6)	56.2%		
_____				
INCO Securities Corporation 145 King St. West, #1500 Toronto, Ontario Canada M5H4B7	1,470,000(7)	5.5%		
Apex Investment Fund II L.P. ("Apex") 225 W. Washington #1500 Chicago, IL 60606	1,708,781(2)(8)	18.6%	408,000	38.6%
Environmental Venture Fund Limited Partnership ("EVFund") 233 S. Wacker Drive Suite 9500 Chicago, IL 60606	629,137(2)(9)	7.5%		
Environmental Private Equity Fund II, L.P. ("EPFund") 233 S. Wacker Drive				

Suite 9500 Chicago, IL 60606	712,146(2)(10)	8.47%	600,000	56.7%
The Productivity Fund II, L.P. ("PFund') 233 S. Wacker Drive Suite 9500 Chicago, IL 60606	478,948(2)(11)	5.8%		

(1) Includes 100,000 shares of common stock issuable upon exercise of options and 1,708,781 shares of common stock which Mr. Middlemas may be deemed to own but of which he disclaims beneficial ownership as described in more detail in footnote (2) below.

(2) Each of the Apex, EVFund, PFund, and EPFund (the "Apex Partnerships") is controlled through one or more partnerships. The persons who have or share control of such stockholders are referred to herein as "ultimate general partners." The ultimate general partners of Apex are: First Analysis Corporation, a Delaware corporation ("FAC"), Stellar Investment Co. ("Stellar"), a corporation controlled by James A. Johnson ("Johnson"); George Middlemas ("Middlemas"); and Chartwell Holdings Inc. ("Chartwell"), a corporation controlled by Paul J. Renze ("Renze"). The ultimate general partners of EVFund are: FAC; Felsen, Genack Associates ("FGA"); William D. Ruckelshaus Associates, a Limited Partnership ("WDRA"); and RS Investment Management ("RSIM"). The ultimate general partners of PFund are FAC and Bret R. Maxwell ("Maxwell"). The ultimate general partners of EPFund are FAC, Maxwell, RSIM, Argentum Environmental Corporation ("AEC") and Schneur Z. Genack, Inc. ("SZG").

By reason of its status as ultimate general partner of each of Apex Partnerships, FAC may be deemed to be the indirect beneficial owner of 3,529,013 shares of common stock, or 36.4% of such shares. By reason of his status as the

majority stockholder of FAC, F. Oliver Nicklin may also be deemed to be the indirect beneficial owner of such shares. By reason of their status as ultimate general partners of Apex, Stellar (and through Stellar, Johnson), Middlemas, Chartwell (and through Chartwell, Renze) may be deemed to be the indirect beneficial owners of 1,708,781 shares of common stock, or 18.6% of such shares. When these shares are combined with his personal holdings of 33,333 shares of common stock and his currently exercisable option to purchase 100,000 shares of common stock, Middlemas may be deemed to be the beneficial owner (directly with respect to his shares and the option shares and indirectly as to the balance) of 1,842,114 shares of common stock, or 19.8% of such shares.

By reason of his status as a general partner of an ultimate general partner of PFund and EPFund, Maxwell may be deemed to be the indirect beneficial owner of 1,191,094 shares of common stock, or 14.2% of such shares.

By reason of their status as ultimate general partners of EVFund, FGA, WDRA and RSIM and their respective controlling persons may be deemed to be the indirect beneficial owners of 629,137 shares of common stock, or 7.8% of such shares. By reason of AEC's and SZG's status as ultimate general partners of EPFund, AEC, SZG, and their and their controlling persons may be deemed to be the indirect beneficial owners of 712,146 shares of common stock, or 8.7% of such shares. By reason of Genack's interest in FGA, AEC and SZG, he may be deemed to be the indirect beneficial owner of 1,341,283 shares of common stock, or 15.9% of such shares.

By reason of RSIM's status as ultimate general partner of EPFund and EVFund, RSIM and its controlling persons may be deemed to be the indirect beneficial owners of 1,341,283 shares of common stock, or 15.9% of such shares.

Each of the Apex Partnerships disclaims beneficial ownership of all shares of common stock described herein except those shares that are owned by that entity directly. We understand that each of the other persons named as an officer, director, partner or other affiliate of any Apex Partnership disclaims beneficial ownership of all the shares of common stock described herein, except for Middlemas with respect to the shares and options to purchase 133,333 shares owned by him.

Each of the Apex Partnerships disclaims the existence of a "group" among any or all of them and further disclaims the existence of a "group" among any or all of them and any or all of the other persons named as an officer, director, partner or those affiliate of any of them, in each case within the meaning of Section 13(d) of the 1934 Act.

The information herein was derived from a filing dated April 16, 2001 made by the APEX Partnerships with the SEC.

(3) Includes (i) 30,000 shares of common stock issuable upon exercise of warrants and (ii) 2,500 shares of common stock held by Patience Partners, L.P., a limited partnership in which a foundation controlled by Mr. Augur is a 60%

limited partner and Patience Partners LLC is a 40% general partner. Patience Partners LLC is a limited liability company in which Mr. Augur owns a 50% membership interest.

(4) Includes 800,000 shares of common stock issuable upon exercise of options, 200,000 of the shares underlying these options are being sold in this offering.

(5) Includes 100,000 shares of common stock issuable upon exercise of options.

(6) Includes 1,875,000 shares of common stock issuable upon exercise of options, 880,619 shares of common stock issuable upon exercise of warrants and 237,777 shares of common stock purchasable on conversion of outstanding Series A-1 Convertible Preferred Stock. The directors and officers disclaim beneficial ownership of 1,708,781 such shares.

(7) Consists of 470,000 shares of common stock issuable upon exercise of warrants.

(8) Includes 850,619 shares of common stock issuable upon exercise of warrants and 226,666 shares of common stock purchasable on conversion of 408,000 shares of Series A-1 Convertible Preferred Stock.

(9) Includes 260,981 shares of common stock issuable upon exercise of warrants.

(10) Includes 30,143 shares of common stock issuable upon exercise of warrants and 333,333 shares of common stock purchasable on conversion of 600,000 shares of Series A-1 Convertible Preferred Stock.

(11) Includes 178,380 shares of common stock issuable upon exercise of warrants.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

From time to time since December 6, 1987, Thomas P. Clark, our president and a director, loaned funds to us to cover operating expenses. We have treated these funds as unsecured debt, and the promissory notes, with interest at 8.36% and 9.01% per annum issued to Mr. Clark on various dates are payable October 1, 2007. To date, Mr. Clark has loaned us $310,720, of which $43,350 has been repaid, leaving a balance of $267,370. As of February 29, 2004, accrued interest on the notes totaled $278,792. The board members, other than Mr. Clark, determined that all loans were made at market rates.

In 1996 and 1997, we entered into loan agreements with five related party investors: Apex, EVFund, EPFund and PFund, each a 5% stockholder, and Harrison Augur, a director. The loan balances to such persons totaled $1,109,061 at February 29, 2004. The loans are unsecured and bear interest at the rate of 10.25% and prime plus 2%. The notes mature August 31, 2007. In connection with the loan agreements, we issued warrants to such persons to purchase 402,300 shares of our common stock with an exercise price of $1.80 per share. Such warrants expire August 31, 2007. These loans are being repaid with the proceeds of this offering, and the common stock underlying these warrants is being sold by selling stockholders in this offering.

In 1995, we extended a line of credit to the District, a related party. Three of our officers and employees are directors of the District. The loan provides for borrowings of up to $250,000, is unsecured, bears interest based on the prevailing prime rate plus 2% and matures on December 31, 2004. The balance of the note receivable at February 29, 2004 was $406,782, including accrued interest.

DESCRIPTION OF SECURITIES

The summary of the terms of the shares of our capital stock set forth below does not purport to be complete and is subject to and qualified in its entirety by reference to our Certificate of Incorporation, as amended (the "Certificate"), and our Bylaws, as amended (the "Bylaws"), both of which may be further amended from time to time and both of which are incorporated herein by reference. References to the "DGCL" are to the Delaware General Corporation Law, as amended.

GENERAL

We are authorized to issue 250,000,000 shares of stock, consisting of 225,000,000 shares of common stock, $.00333 par value per share, and 25,000,000 shares of preferred stock, par value $0.001 per share. We have designated 1,600,000 shares of our preferred stock as Series A-1 Convertible Preferred Stock and 432,513 shares of our preferred stock as Series B Preferred Stock. As of February 29, 2004, there were 8,145,087 shares of common stock issued and outstanding, 1,058,000 shares of Series A-1 Preferred Stock issued and outstanding, and 432,513 shares of Series B Preferred Stock issued and outstanding.

COMMON STOCK

All of the outstanding shares of common stock are fully paid and nonassessable. Each share of common stock has an equal and ratable right to receive dividends when declared by our board of directors out of assets legally available for that purpose and subject to the dividend obligations of Pure Cycle to holders of any preferred stock then outstanding.

In the event of a liquidation, dissolution or winding up, the holders of our common stock are entitled to share equally and ratably in the assets available for distribution after payment of all liabilities, and subject to any prior rights of any holders of preferred stock outstanding at that time.

The holders of common stock have no preemptive, subscription, conversion or redemption rights, and are not subject to further calls or assessments. Each share of common stock is entitled to one vote in the election of directors and on all other matters submitted to a vote of stockholders. Cumulative voting in the election of directors is not permitted. Meetings of our stockholders may be called on no fewer than 10 days nor more than 50 days notice. The presence of a majority of the shares outstanding, in person or by proxy, is required to establish a quorum and conduct business at meetings of the stockholders.

On April 12, 2004, our stockholders authorized the board of directors to implement a reverse stock split. On April 12, 2004, our board approved a 1-for-10 reverse stock split. The reverse stock split will be effective on April 26, 2004. All information in this prospectus, other than the financial statements, reflects this reverse stock split.

SERIES A-1 CONVERTIBLE PREFERRED STOCK

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding up of Pure Cycle, the holders of shares of Series A-1 Preferred Stock will be entitled to be paid, before any distribution or payment is made upon any of our other equity securities, $2.00 per share less an amount equal to all dividends paid thereon. This liquidation preference shall only be paid from the Export Water or the proceeds of a disposition of such asset. Holders of Series A-1 Preferred Stock are then entitled to participate with the holders of common stock in any other distribution or payment made to the holders of common stock, whether from the Export Water or otherwise.

Dividends

Holders of the Series A-1 Preferred Stock are entitled to receive dividends, when and as declared by the Company's board of directors, in a total amount of $2.00 per share. The Series A-1 Preferred Stock shall only earn and accrue dividends when gross proceeds, after payment of royalties, are received from the marketing, sale or other disposition of our interest in the Export Water as set forth in the Certificate. Until all accrued dividends on the Series A-1 Preferred Stock have been paid, we may not declare or pay dividends on the common stock or the Series B Preferred Stock. Upon the sale, transfer or other conveyance by us of our interest in the Export Water, the Series A-1 Preferred Stock will cease to accrue dividends.

Conversion

At the option of the holder, each share of Series A-1 Preferred Stock is convertible into 5.5556 shares of common stock, subject to proportional adjustments in the event of combinations or consolidations of common stock, and the merger or reorganization of Pure Cycle.

In the event that (i) the full dividends on the Series A-1 Preferred Stock have been paid, (ii) we have transferred our interest in the Export Water, or (iii) a majority of the Board and the holders of a majority of the Series A-1 Preferred Stock determine that it is no longer economically feasible to develop the Export Water, all shares of Series A-1 Preferred Stock will automatically convert in to shares of common stock on a 1 for 5.5556 basis, subject to proportional adjustments in the event of combinations or consolidations of common stock, and the merger or reorganization of Pure Cycle.

Voting Rights

Holders of Series A-1 Preferred Stock are entitled to vote together with holders of common stock on all matters on which holders of common stock are entitled to vote. Each holder of Series A-1 Preferred Stock shall have the

number of votes equal to the number of shares of common stock that his or her shares are convertible into on the record date. Certain changes to the terms of the Series A-1 Preferred Stock that would be materially adverse to the rights of holders of the Series A-1 Preferred Stock cannot be made without the approval of the holders of a majority of the outstanding Series A-1 Preferred Stock. These consist of the following:

- alter or change terms, preferences or privileges of Series A-1 Preferred Stock;

- increase or decrease number of authorized shares of Series A-1 Preferred Stock;

- authorize a new security ranking prior to or on parity with the Series A-1 Preferred Stock as to dividends from earnings from the Export Water or the distribution of the Export Water or the proceeds therefrom;

- any transaction by us which would have the effect of decreasing the surplus, as defined in the DGCL, of Pure Cycle by more than $500,000 or which would cause its surplus to be equal to less than $1,000,000;

- any expenditure by us in excess of $50,000 in any one month at any time that the surplus is equal to or less than $1,000,000; and

- the merger or consolidation of Pure Cycle with or into one or more corporations or business entities where Pure Cycle is not the surviving entity.

Right of Purchase

We have the right to purchase shares of Series A-1 Preferred Stock in the public market at such prices as may be available in the public market and the right at any time to acquire any Series A-1 Preferred Stock from holders on such terms as may be agreeable to holders.

SERIES B PREFERRED STOCK

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding up of Pure Cycle, the holders of shares of Series B Preferred Stock will be entitled to be paid, before any distribution or payment is made upon any other equity securities of Pure Cycle, $1.00 per share less an amount equal to all dividends paid thereon; provided, however, that with respect to the Rangeview Water
-------- -------
Supply, the Series B Preferred shall be subject to and junior to the rights and preferences of the holders of the Series A-1 Preferred Stock in the Rangeview Water Supply.

Dividends

Holders of the Series B Preferred Stock are entitled to receive dividends, when and as declared by the Company's board of directors, in a total amount of $1.00 per share. The Series B Preferred Stock shall only earn and accrue dividends from the marketing, sale or other disposition of our interest in the Export Water in an amount greater than $35,000,000 as set forth in the Certificate. Until all accrued dividends on the Series B Preferred Stock have been paid, we may not declare or pay dividends on the common stock.

Redemption

The Series B Preferred Stock is redeemable for cash at the option of the Company at a redemption price equal to $1.00 per share less an amount equal to all dividends paid thereon. The Series B Preferred Stock may not be redeemed using the Rangeview assets or any proceeds therefrom unless it would be permissible under the Certificate to use such assets to pay a dividend on the Series B Preferred Stock. Holders of Series B Preferred Stock do not have any right to require Pure Cycle to redeem any or all shares of the Series B Preferred Stock.

Voting Rights

Holders of Series B Preferred Stock generally will have no voting rights except as required by law. Certain changes to the terms of the Series B Preferred Stock that would be materially adverse to the rights of holders of the Series B Preferred Stock cannot be made without the approval of the holders of a at least 66 2/3% of the outstanding Series B Preferred Stock voting separately as a class. These consist of the following:

- alter or change terms, preferences or privileges of Series B Preferred Stock; and

- authorize a new security ranking senior to the Series B Preferred Stock as to dividend or liquidation rights.

In addition, when dividends on the Series B Preferred Stock have accrued but have not been declared by the Board, the holders of the Series B Preferred Stock shall be entitled to vote with the holders of common stock at any meeting

of shareholders held during the period such dividends remain in arrears. Each share of Series B Preferred Stock shall have one vote when voting with the common stock.

WARRANTS

At February 29, 2004, there were warrants outstanding to purchase a total of 2,440,284 shares of common stock. This includes warrants to purchase 1,970,775 shares of common stock that will be exercised by selling stockholders in connection with this offering. There is no public market for our warrants. The following table summarizes information on our outstanding warrants:

<TABLE>
<CAPTION>

DATE OF GRANT	NUMBER OF SHARES UNDERLYING WARRANTS	EXERCISE PRICE	EXPIRATION DATE
<S>	<C>	<C>	<C>
12/11/1990	79,800	$ 1.80	*
02/12/1991	550,200	$ 1.80	*
09/23/1991	108,000	$ 1.80	*
11/20/1991	120,000	$ 1.80	*
12/10/1991	1,059,999	$ 1.80	*
08/12/1992	120,000	$ 1.80	*
08/30/1996	166,984	$ 1.80	08/30/2007
07/18/1997	179,999	$ 1.80	08/30/2007
08/08/1997	55,302	$ 1.80	08/30/2007
	2,440,284		

</TABLE>

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* Expire six months from the earlier of (i) the date all of the Export Water is sold or otherwise disposed of, (ii) the date the Comprehensive Amendment Agreement is terminated with respect to the original holder of this Warrant, or (iii) the date on which the Company makes the final payment pursuant to Section 2.1(r) of the Comprehensive Amendment Agreement.

REGISTRATION RIGHTS

We are party to a Stock Purchase Agreement and Investment Agreement dated December 10, 1991, or the Stock Purchase Agreement, together with certain stockholders of the Company. The stockholders who are party to the Stock Purchase Agreement are entitled to piggyback registration rights covering the shares of common stock issued to them pursuant to the Stock Purchase Agreement and the shares of common stock issuable to them upon exercise of warrants granted to them pursuant to the Stock Purchase Agreement, subject to certain limitations. The registration rights granted under the Stock Purchase Agreement expire on December 10, 2006.

ANTI-TAKEOVER PROVISIONS

We are subject to the provisions of Section 203 of the DGCL, which restrict certain business combinations with interested stockholders even if such a combination would be beneficial to all stockholders. In general, Section 203 would require a two-thirds vote of stockholders for any business combination (such as a merger or sale of all or substantially all of our assets) between us and an "interested stockholder" unless such transaction is approved by a majority of the disinterested directors or meets certain other requirements. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of our voting stock. These provisions could deprive stockholders of an opportunity to receive a premium for their common stock as part of a sale of us or may otherwise discourage a potential acquirer from attempting to obtain control of us.

TRANSFER AGENT

Our transfer agent is Computershare Trust Company, Inc., 350 Indiana Street, Suite 800, Golden, Colorado 80401, telephone (303) 262-0600.

SELLING STOCKHOLDERS

The following table sets forth certain information as of February 29, 2004 regarding the Selling Stockholders in this offering.

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES BENEFICIALLY OWNED PRIOR TO THIS OFFERING	SHARES OFFERED IN THIS OFFERING	NUMBER OF SHARES BENEFICIALLY OWNED AFTER THIS OFFERING(1)	PERCENT OF OUTSTANDING

Inco Securities Corporation	470,000	470,000	-0-	*
Landmark Water Partners, L.P.	160,000	136,600	23,400	*
Alan C. Stormo	36,000	18,000	18,000	*
D. W. Pettyjohn	36,000	36,000	-0-	*
Warwick Partners L.P.	70,000	38,500	31,500	*

Beverly A. Beardslee, Robert Douglas Beardslee Bradley Kent Beardslee	36,000	36,000	-0-	*
Asra Corporation	60,000	60,000	-0-	*
International Properties, Inc.	60,000	25,000	35,000	*
Apex Investment Fund II, L.P.	1,708,781	500,000	1,208,781	9.38%
The Environmental Venture Fund, L.P.	629,137	166,667	462,470	3.80%
Productivity Fund II, L.P.	478,948	166,667	312,281	2.60%
Landmark Water Partners II, L.P.	70,000	38,500	31,500	*
Proactive Partners, L.P.	80,125	80,125	-0-	*
The Environmental Private Equity Fund II, L.P.	712,146	166,667	545,479	4.48%
Gregory M. Morey	16,025	16,025	-0-	*
Don Fogel	16,025	16,025	-0-	*
George Middlemas	133,333	100,000	33,333	*
Margaret S. Hansson	824,600	200,000	624,600	4.89%
Susan Byrom Evans	233,333	26,667	206,666	1.85%
Thomas P. Clark	2,546,485	100,000	2,446,485	17.32%
Mark W. Harding	1,021,000	21,000	1,000,000	7.89%
		2,418,443		

</TABLE>

_____
* Less than 1%.

(1) For purposes of calculating shares beneficially owned after this offering, it is assumed that shares being registered for the benefit of the selling stockholders have been sold pursuant to this offering. The selling stockholders may have sold, transferred or otherwise disposed of their offered shares since the date on which they provided information in transactions exempt from the registration requirements of the Securities Act.

Except as described below, none of the Selling Stockholders has, or has had within the last three years, any position, office, or other material relationship with the issuer.

Margaret S. Hansson, Thomas P. Clark, George Middlemas and Mark Harding are directors of Pure Cycle. Mr. Clark also serves as the chief executive officer and Mr. Harding serves as president and chief financial officer.

Susan Byrom Evans is the daughter of Fletcher Byrom, who served as a director of Pure Cycle from 1988 until his retirement on February 13, 2004.

Apex Investment Fund II, L.P. ("Apex") is controlled by several general partners including George Middlemas, a director.

The EP Fund is a party to a Voting Agreement, as amended and restated August 12, 1992. Pursuant to the voting agreement, Margaret Hansson and Thomas Clark (current directors) and Fletcher Byrom (retired director) have agreed to vote all of their shares of common stock in favor of a director candidate designated by EP Fund. The current EP Fund director candidate is George

Middlemas.

Each of the Selling Stockholders (other than Don Fogel, Susan Byrom and Mark Harding) have at various dates prior to 1996 made an investment in Pure Cycle which resulted in the Selling Stockholder being entitled to a contingent return on such Selling Stockholder's investment from the proceeds of the sale of Export Water pursuant to the Commercialization Agreement.

Apex, EV Fund, EP Fund and Productivity Fund hold promissory notes payable by us with aggregate principal and interest outstanding as of February 29, 2004 in the amount of $512,439. The notes are due in August 2007.

Apex, EV Fund, EP Fund, Productivity Fund, Gregory M. Morey and Proactive Partners, L.P. hold promissory notes payable by us with aggregate principal and interest outstanding as of February 29, 2004 in the amount of $596,622. The notes are due in August 2007.

PLAN OF DISTRIBUTION

Flagstone Securities is acting as representative of the underwriters named below. Subject to the terms and conditions described in an underwriting agreement among us, the selling stockholders and the underwriters, we and the selling stockholders have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us and the selling stockholders, the number of shares listed opposite their names below.

UNDERWRITERS	NUMBER OF SHARES
Flagstone Securities	
Total	

The underwriters have agreed to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to pay the representative an expense allowance of $30,000 on a non-accountable basis. We have also agreed to pay all expenses in connection with qualifying our securities offered hereby for sale under the laws of such states as the underwriters may designate and the filing fees incurred in registering the offering with the National Association of Securities Dealers, Inc., or NASD.

We and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The representative has advised us and the selling stockholders that the underwriters propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the offering, the public offering price, concession and discount may be changed.

The table below shows the public offering price, underwriting discounts and commissions to be paid to the underwriters by us and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

<TABLE>
<CAPTION>

<S>	PER SHARE <C>	WITHOUT OPTION <C>	WITH OPTION <C>
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to Pure Cycle	$	$	$

</TABLE>

The table below shows the public offering price, underwriting discounts and commissions to be paid to the underwriters by the selling stockholders and proceeds before expenses to the selling stockholders.

<TABLE>
<CAPTION>

<S>	PER SHARE <C>
Public offering price	$
Underwriting discount	$
Proceeds, before expenses, to the selling stockholders	$

</TABLE>

OPTION TO PURCHASE ADDITIONAL SHARES

We have granted an option to the underwriters to purchase up to an additional _____ shares if the underwriters sell more shares in this offering than the total number set forth in the table above. The underwriters may exercise that option for 45 days. If any shares of common stock are purchased pursuant to this option, the underwriters will severally purchase shares of common stock in approximately the same proportion as set forth in the table above.

NO SALES OF SIMILAR SECURITIES

We, our executive officers, directors and each of our existing stockholders who holds at least ____ shares (which includes each of the selling stockholders participating in this offering) will agree with the underwriters not to, directly or indirectly, offer, sell, transfer or otherwise dispose of any shares of common stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of common stock, during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representative on behalf of the underwriters.

NASDAQ LISTING

We have applied to have our common stock approved for listing on the Nasdaq SmallCap under the symbol "____."

PRICE STABILIZATION AND SHORT POSITIONS

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the underwriters may engage in transactions that stabilize the price of the common stock. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress. The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the Nasdaq SmallCap, in the over-the-counter market or otherwise.

Certain persons participating in this offering may also engage in passive market making transactions in the common stock on the Nasdaq SmallCap. Passive market making consists of displaying bids on the Nasdaq SmallCap limited by the prices of independent market makers and affecting purchases limited by such prices and in response to order flow. Rule 103 of Regulation M under the Securities Exchange Act of 1934 limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of the common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives or the lead managers will engage in these transactions or that these

transactions, once commenced, will not be discontinued without notice.

LEGAL MATTERS

The validity of the securities offered by this prospectus will be passed upon by Davis Graham & Stubbs LLP, Denver, Colorado. Certain matters in connection with this offering will be passed upon for the underwriters by Davis & Gilbert LLP.

EXPERTS

The audited financial statements for Pure Cycle as of August 31, 2003 and 2002 and for the two years in the period ended August 31, 2003 included in this prospectus have been audited by KPMG, LLP, independent certified public accountants, for the periods set forth in their report with respect thereto, and are included, in reliance on the authority of that firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Pure Cycle files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any of these documents at the Commission's public reference room at 450 Fifth Street N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC's website at http://www.sec.gov.
- ------------------

You may receive a copy of any of these filings, at no cost, by writing or calling Pure Cycle Corporation, 8451 Delaware St., Thornton, Colorado 80260, telephone (303) 292-3456, and directed to the attention of Mark Harding, President.

<TABLE>
<CAPTION>

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</TABLE>

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Pure Cycle Corporation:

We have audited the accompanying balance sheets of Pure Cycle Corporation ("the Company") as of August 31, 2003 and 2002, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based

on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pure Cycle Corporation as of August 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Denver, Colorado
October 10, 2003

<TABLE>
<CAPTION>

PURE CYCLE CORPORATION
BALANCE SHEETS

ASSETS	August 31, 2003	August 31, 2002
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 525,780	$ 287,720
Trade accounts receivable	67,687	50,919
Total current assets	593,467	338,639
Investment in water and systems:		
Rangeview water supply (Note 3)	13,710,773	13,566,777
Paradise water supply	5,494,323	5,491,423
Rangeview water system (Note 3)	148,441	148,441
Investment in water and systems	19,353,537	19,206,641
Accumulated depreciation & depletion	(10,543)	(4,958)
Total water and water systems	19,342,994	19,201,683
Note receivable - related party, including accrued interest (Note 4)	399,902	385,716
Other assets	77,041	102,241
	$ 20,413,404	$ 20,028,279
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,244	$ 2,384
Accrued liabilities (Note 5)	43,528	19,495
Total current liabilities	51,772	21,879
Long-term debt - related parties, including accrued interest (Note 6)	4,889,545	4,713,270
Participating interests in Rangeview water supply (Note 3)	11,090,630	11,090,630
Stockholders' equity (Notes 7):		
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 D - 6,455,000 shares issued and outstanding	6,455	6,455
Series D1- 2,000,000 shares issued and outstanding in 2003	2,000	--
Common stock, par value 1/3 of $.01 per share; 135,000,000 shares authorized; 78,439,763 shares issued and outstanding	261,584	261,584
Additional paid-in capital	25,276,989	24,778,989
Accumulated deficit	(21,167,604)	(20,846,561)

Total stockholders' equity	4,381,457	4,202,500
	$ 20,413,404	$ 20,028,279

</TABLE>

See Accompanying Notes to Financial Statements

<TABLE>
<CAPTION>

PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS

	Years ended August 31,	
	2003	2002
<S>	<C>	<C>
Water service revenues:		
Water usage revenues	156,217	156,026
Wastewater processing revenues	56,780	48,832
Revenue - Other	12,435	--
	225,432	204,858
Water service operating expense	(20,580)	(13,896)
Wastewater service operating expense	(10,692)	(13,896)
Other expense	(6,224)	--
Gross margin	187,936	177,066
General and administrative expense	(318,182)	(221,872)
Depreciation expense	(4,948)	(4,220)
Depletion expense	(637)	(738)
Operating income (loss)	(135,841)	(49,764)
Other income (expense):		
Interest income	16,263	22,181
Interest expense - related parties	(176,275)	(194,651)
Amortization of warrants	(25,200)	(25,200)
Other income	--	2,287
Total other income (expense)	(185,212)	(195,383)
Net loss	$ (321,043)	$ (245,147)
Basic and diluted net loss per common share	$ *	$ *
Weighted average common shares outstanding basic and diluted	78,439,763	78,439,763

</TABLE>

* Less than $.01 per share

See Accompanying Notes to Financial Statements

<TABLE>
<CAPTION>

PURE CYCLE CORPORATION
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended August 31, 2003 and 2002

	PREFERRED STOCK		COMMON STOCK		TREASURY STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Balance at August 31, 2001	8,487,513	$ 8,488	78,439,763	$261,584	0	$ 0
Net loss	--	--	--	--	--	--
Balance at August 31, 2002	8,487,513	$ 8,488	78,439,763	$261,584	0	$ 0
Preferred Stock issued in Exchanges, net (Note 7)	2,000,000	2,000	--	--	(2,000,000)	(500,000)
Common Stock issued from treasury stock (Note 7)	--	--	--	--	2,000,000	500,000
Net loss	--	--	--	--	--	--
Balance at August 31, 2003	10,487,513	$10,488	78,439,763	$261,584	-	--

</TABLE>

<TABLE>
<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>
Balance at August 31, 2001	$24,778,989	$ (20,601,414)	$ 4,447,647
Net loss	--	(245,147)	(245,147)
Balance at August 31, 2002	$24,778,989	$ (20,846,561)	$ 4,202,500
Preferred Stock issued in Exchanges, net (Note 7)	498,000	--	--
Common Stock			
Issued from treasury stock (Note 7)	--	--	500,000
Net loss	--	(321,043)	(321,043)
Balance at August 31, 2003	$25,276,989	($21,167,604)	$ 4,381,457

</TABLE>

See Accompanying Notes to Financial Statements

<TABLE>
<CAPTION>

PURE CYCLE CORPORATION
STATEMENTS OF CASH FLOWS

	Years ended August 31,	
	2003	2002
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$(321,043)	$(245,147)
Adjustments to reconcile		
net loss to net cash used in operating activities:		
Depreciation expense	4,948	4,220
Depletion expense	637	738
Change in accrued interest	162,089	178,741
Changes in operating assets and liabilities:		
Trade accounts receivable	(16,768)	(17,664)
Other assets	25,200	36,459
Accounts payable and accrued liabilities	29,893	3,885
Net cash used in operating activities	(115,044)	(38,768)
Cash used in investing activities-		
Investments in water supply	(146,896)	(87,342)
Investments in water systems	--	(21,830)
Net cash provided by investing activities	(146,896)	(109,172)
Cash flows from financing activities-		
Proceeds from sale of equity instruments	500,000	--

Net increase (decease) in cash and cash equivalents	238,060	(147,940)
Cash and cash equivalents beginning of year	287,720	435,660
Cash and cash equivalents end of year	$ 525,780	$ 287,720

</TABLE>

See Accompanying Notes to Financial Statements

PURE CYCLE CORPORATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2003 and 2002

NOTE 1 - ORGANIZATION AND BUSINESS

Pure Cycle Corporation (Company) owns certain water assets and is providing water and wastewater services to customers located in the Denver metropolitan area (Service Area). The Company operates water and wastewater systems and its operating activities include designing, constructing, operating and maintaining systems serving customers in the Denver metropolitan area. The Company also owns patented water recycling technologies which are capable of processing wastewater into pure potable drinking water. The Company's focus continues to be to provide water and wastewater service to customers within its Service Area and the Company expects to expand its service to other areas throughout the Denver metropolitan area and the southwestern United States.

Although the Company believes it will be successful in marketing the water from one or both of its water projects, there can be no assurance that sales can be made on terms acceptable to the Company. The Company's ability to ultimately realize its investment in its two primary water projects is dependent on its ability to successfully market the water, or in the event it is unsuccessful, to sell the underlying water assets.

The Company believes that at August 31, 2003, it has sufficient working capital and financing sources to fund its operations for the next year or longer. There can be no assurances, however, that the Company will be successful in marketing the water from its two primary water projects in the near term. In the event sales are not achieved, the Company may sell additional participating interests in its water projects, incur additional short or long-term debt or seek to sell additional shares of common or preferred stock or stock purchase warrants, as deemed necessary by the Company, to generate working capital.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
- ---

The Company recognizes construction project income using the percentage-of-completion method, measured by the contract costs incurred to date as a percentage of the estimated total contract costs. Contract costs include all direct material, labor, and equipment costs and those indirect costs related to contract performance such as indirect labor and supplies costs. If the construction project revenue is not fixed, the Company estimates revenues that are most likely to occur. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Billings in excess of costs and estimated earnings represent payments received on construction projects under which the work has not been completed. These amounts, if any, are recognized as construction progresses in accordance with the percentage-of-completion method.

The Company recognizes water usage revenues upon delivering water to customers. The Company recognizes wastewater processing revenues based on flat fees assessed per single family equivalent unit served. Costs of delivering water and providing wastewater service to customers are recognized as incurred. Revenues from the sale of water and wastewater taps is recognized when taps are sold.

Use of estimates
- ---

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and

PURE CYCLE CORPORATION
NOTES TO FINANCIAL STATEMENTS

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents
- ----------------

Cash and cash equivalents include all liquid debt instruments with an original maturity of three months or less.

Cash flows
- -----------

No cash was paid for interest or taxes in 2003 or 2002. See Note 6 for discussion regarding non cash exchange of common stock for preferred stock.

Long lived assets
- -----------------

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company believes there are no impairments in the carrying amounts of its investments in water and water systems at August 31, 2003.

Water and wastewater systems
- ----------------------------

The Company capitalizes certain legal, engineering and permitting costs relating to the adjudication and improvement of its water assets.

Depletion and Depreciation of water assets
- --

The Company depletes its water assets on the basis of units produced divided by the total volume of water adjudicated in the water decrees. Water systems are depreciated on a straight line basis over their estimated useful lives of 30 years.

Stock-Based Compensation
- ------------------------

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principals Board ("APB No. 25"), Accounting for Stock Issued to Employees. The Company has adopted the disclosure requirements of Statement of Financial Accounting Standards ("SFAS No. 123"), "Accounting for Stock-Based Compensation" as specified in SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS No. 123". The pro forma disclosure of net loss and loss per share required by SFAS No. 123 is shown below.

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Net loss, as reported	(321,043)	(245,147)
Add: Stock-based employee compensation Expense included in reported net income	--	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all options and warrants	--	--
Pro forma net loss	(--)	(--)

</TABLE>

Actual and pro forma earnings per share for the year ended August 31, 2003 were less than $.01 per share.

Income taxes
- -------------

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Loss per common share
- ---------------------

Loss per common share is computed by dividing net loss by the weighted average number of shares outstanding during each period. Convertible preferred stock and common stock options and warrants aggregating 67,746,889 common share equivalents outstanding as of August 31, 2003 have been excluded from the calculation of loss per share as their effect is anti-dilutive.

NOTE 3 - RANGEVIEW WATER SUPPLY AND SYSTEM
- --

Beginning in 1987, the Company initiated the purchase of the Rangeview water assets. From 1987 through 2003, the Company made payments to the sellers of the Rangeview water assets and capitalized costs incurred relating to the acquisition of the water assets totaling $12,038,161, and capitalized certain direct costs relating to improvements to the asset which include legal and engineering costs totaling $1,672,612.

In April 1996, the Company completed the purchase of the Rangeview water assets and entered into a water privatization agreement with the State of Colorado and the Rangeview Metropolitan District (the "District"), a related party, which enabled the Company to acquire ownership rights to a total gross volume of 1,165,000 acre feet of groundwater (approximately 11,650 acre feet per year), an option to substitute 1,650 acre feet of surface water in exchange for a total gross volume of 165,000 acre feet of groundwater, and the use of surface reservoir storage capacity (collectively referred to as the "Export Water Supply").

In addition to the Export Water Supply, the Company entered into a water and wastewater service agreement ("The Service Agreements") with the District which grants the Company an eighty-five year exclusive right to design, construct, operate and maintain the District's water and wastewater systems. In exchange for designing, constructing, operating and maintaining the District's water and wastewater system, the Company will receive 95% of the District's water revenues remaining after payment of royalties totaling 12% of gross revenues to the State Land Board, 100% of the District's wastewater system development charges and 90% of the District's wastewater usage charges. The Company delivered approximately 47.3 and 54.5 million gallons of water to customers in the Service Area in fiscal 2003 and 2002, respectively. The Company processed approximately 6.95 and 3.7 million gallons of wastewater from customers within its Service Area during fiscal 2003 and 2002, respectively.

The Company capitalizes certain legal, engineering and other costs relating to the acquisition of the Rangeview Water Supply due to improvements of the water assets through adjudication and engineering services.

Participating interests in the Comprehensive Amendment Agreement (the "CAA"), in the aggregate, have the right to receive the first approximately $31,807,000 from the proceeds of a sale or other disposition of the Export Water Supply. As monies from the sale of the Export Water are received, they are required to be paid to the holders of the CAA participation interests, including holders of Series A-1 Preferred Stock, on a pari passu basis for the first $31,807,000. After payment of the $31,807,000 in participating interest pursuant to the CAA, LCH Inc., a company affiliated with the Company's CEO, has the right to receive the next $4,000,000 in proceeds in exchange for $950,000 in notes payable entered into between LCH and the Company in 1987 and 1988. The next $433,000 in proceeds are payable to the holders of the Company's Series B Preferred Stock. In 1994, the Company issued the Series B Preferred Stock in exchange for certain accounts payable totaling $433,000 to LC Holdings Inc. The total obligation of $36,240,000 is non-interest bearing, and if the Export Water is not sold, the parties to the agreement have no recourse against the Company. If the Company does not sell the Export Water, the holders of the Series A-1, and Series B Preferred Stock are not entitled to payment of any dividend and have no contractual recourse against the Company.

The participating interests liability of $11.1 million represents the obligation recorded by the Company relating to actual cash financings received and costs incurred to acquire the Rangeview water supply. The remainder of the participating interests ($20.7 million) represent a contingent return to financing investors and certain preferred stock holders that will only be payable from the sale of Export Water and will be recognized if and when such sale occurs.

During fiscal 2003 and 2002, the Company had revenues from two significant customers that accounted for 81% and 11%, respectively of the Company's revenues during 2003 and 76% and 14%, respectively of revenues during 2002.

NOTE 4 - NOTE RECEIVABLE

In 1995, the Company extended a line of credit to the District, a related party. The loan provides for borrowings of up to $250,000, is unsecured, bears interest based on the prevailing prime rate plus 2% and matures on December 31, 2003. The balance of the note receivable at August 31, 2003 was $399,902, including accrued interest. The Company intends to extend the due date to December 31, 2004. Accordingly, the note has been classified as non-current.

NOTE 5 - ACCRUED LIABILITIES

During fiscal year ended August 31, 2003, the Company had accrued liabilities of $43,528, of which approximately $26,000 were for audit fees and the remainder was for operating trade accounts payables. During fiscal year ended August 31, 2002, the Company had accrued liabilities of $19,495, of which approximately 18,000 were for audit fees.

NOTE 6 - LONG-TERM DEBT

Long-term debt, including accrued interest, at August 31, 2003 and 2002 is comprised of the following:

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Notes payable, including accrued interest to six related parties, due August 2007, interest at prime plus 2% (6.25% at August 31, 2003), unsecured	$ 503,439	$ 484,876
Notes payable, including accrued interest to five related parties, due August 2007, interest at 10.25%, unsecured, net of unamortized discount of $0 and $9,000, respectively	578,685	542,809
Note payable, to CEO, due October 2007, non-interest bearing, unsecured	26,542	26,542
Notes payable, including accrued interest, to CEO due October 2007, interest at 8.36% to 9.01%, unsecured	508,941	487,581
Notes payable, including accrued interest, to related party, due October, 2007, interest at the prime rate plus 3% (7.25% at August 31, 2003), secured by shares of the Company's common stock owned by the President	2,440,014	2,371,733
Notes payable, including accrued interest, to a related party, due August 2007, interest ranging from 7.18% to 8.04%, unsecured	831,924	799,729
Total long-term debt	$4,889,545	$4,713,270

</TABLE>

Aggregate maturities of long-term debt are as follows:

Year Ending August 31,	Amount
2007	1,914,048
2008 and thereafter	2,975,497
Total	$ 4,889,545

In 1996 and 1997, the Company entered into loan agreements with eleven related party investors. The loan balances total $1,082,124 at August 31, 2003,

the loans are unsecured, and bear interest at the rate of 10.25% and prime plus 2%. In connection with the loan agreements, the Company issued warrants to purchase 2,100,000 shares of the Company's common stock at $.18 per share. A portion of the proceeds received under the agreement ($45,000) was attributed to the estimated fair value of the warrants issued. The resulting discount is being amortized over the term of the loan. In 2001, the term of the warrants and debt was extended to 2007. The fair value of the warrants extension are being amortized over the revised term of the debt. See further discussion of the warrant in Note 7.

As of August 31, 2003, the CEO of the Company has pledged a total of 20,000,000 shares of the Company's common stock from his personal holdings as collateral on certain of the above notes payable.

NOTE 7 - STOCKHOLDERS' EQUITY

Preferred and Common Stock

In August 2003, the Company entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby the Company issued 2,000,000 shares of Series D-1 Preferred Stock to the Company's CEO, Mr. Thomas Clark in exchange for 2,000,000 shares of Common Stock owned by Mr. Clark. The Company sold 2,000,000 shares of the Company's Common Stock at $.25 per share to eleven accredited investors, four of whom had previously invested with the Company. Proceeds to the Company were $500,000. The Series D-1 Preferred Stock does not earn dividends and is convertible into 2,000,000 shares of common stock at such time that the Company has sufficient shares of authorized Common Stock. The shares were issued under Section 4(2) of the Securities Act of 1933.

Stock Options

Pursuant to the Company's Equity Incentive Plan approved by stockholders in June of 1992, the Company granted Mr. Fletcher Byrom, Ms. Margaret Hansson, Mr. George Middlemas, and Mr. Mark Harding options to purchase 7,000,000, 8,000,000, 1,000,000, and 7,000,000 shares of common stock respectively at an exercise price of $.18 per share. In April of 2001, the Board extended the expiration date of options granted to Mr. Fletcher Byrom, Ms. Margaret Hansson, Mr. George Middlemas and Mr. Mark Harding from August 2002 to August 2007. In connection with their extension of the expiration dates and whereas the related options were fully vested in April 2001, and whereas these options were not in the money at the time of their extension, no compensation expense was recognized for the extensions. Also in April 2001, the Board granted Mr. Harding options pursuant to employment arrangements outside the Equity Incentive Plan to purchase an additional 3,000,000 shares of common stock at an exercise price of $.18 per share of which 2,250,000 vested immediately and 250,000 shares vest on each anniversary date of the grant over the following three years. Mr. Harding's new options also expire in August 2007.

No options were granted in fiscal year 2003.

A summary of the status of the Company's Equity Incentive Plan and other compensatory options as of August 31, 2003 and 2002, and changes during the years then ended is presented below:

<TABLE>
<CAPTION>

	2003		2002	
FIXED OPTIONS	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>
Outstanding at beginning of year.	26,000,000	$ .18	26,000,000	$ .18
Granted	--	--	--	--
Outstanding at end of year	26,000,000	$ .18	26,000,000	$ .18
Options exercisable at year end	25,750,000	$ .18	25,500,000	$ .18
Weighted average fair value of options granted during the year		--		--

</TABLE>

The weighted average remaining contractual life of the Options Outstanding and Options Exercisable as of August 31, 2003 is 4 years.

No options were exercised during the years ended August 31, 2003 and 2002.

Warrants

In addition to the warrants discussed in Note 6, the Company issued warrants from 1990 through 1996 to purchase 22,303,000 shares of the Company's stock at $.18 per share in connection with the sale of profits interests in the Rangeview project, which remain outstanding as of August 31, 2003. In 1996, all interests held in the Rangeview water rights were converted into participating interests in the CAA. The warrants expire 6 months after the payment of the participating interests in the Comprehensive Amendment Agreement ("CAA").

Certain related parties, who hold notes payable from the Company which aggregate a total of $1,082,124, as of August 31, 2003, extended the maturity date of the notes from August 2002 to August 2007. In connection with the extension of the maturity of the notes, the expiration date of the warrants was extended to August 2007. The $126,000 recorded in connection with extension of the warrants' expiration date is the fair value of the warrants as of April 9, 2001, calculated using a Black-Scholes option-pricing model with the following assumptions: no dividend yield; annualized expected volatility of 101%; and a weighted average risk-free interest rate of 4.65%. This amount is being amortized straight-line over the period August 2002 to August 2007 as the imputed consideration relating to the extension of the debt terms.

No warrants were exercised during the years ended August 31, 2003 and 2002.

NOTE 8 - SIGNIFICANT CUSTOMERS

The Company had accounts receivable from two significant customers totaling approximately $56,546 and $7,187, respectively, as of August 31, 2003 and $38,700 and $12,200, respectively, as of August 31, 2002. The same customers accounted for approximately 81% and 11%, respectively of the Company's revenue during the year ended August 31, 2003 and approximately 76% and 14%, respectively of the Company's revenue during the year ended August 31, 2002.

NOTE 9 - INCOME TAXES

The tax effects of the temporary differences that give rise to significant portions of the deferred tax assets and liabilities at August 31, 2003 and 2002 are presented below.

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Deferred tax assets:		
Net operating loss carry forwards	$ 2,483,000	$ 2,423,000
Less valuation allowance	(2,483,000)	(2,423,000)
Net deferred tax asset	$ --	$ --

</TABLE>

The valuation allowance for deferred tax assets as of August 31, 2003 was $2,483,000. The net change in the valuation allowance for the year ended August 31, 2003 was a net increase of $60,000, primarily attributable to the net operating loss incurred during the year, expiration of a portion of net

operating loss carry forwards, and difference in amortization. The deferred tax asset at August 31, 2003, for which a valuation allowance has been recorded, will be recognized, if ever, when realization is more likely than not.

The expected statutory tax rate applied to the book loss is equal to the

increase in the net operating tax loss carry forwards less the expiration of any tax loss carry forwards. At August 31, 2003, the Company has estimated net operating loss carry forwards for federal income tax purposes of approximately $6,423,000, which are available to offset future federal taxable income, if any, through fiscal 2023.

NOTE 10 - INFORMATION CONCERNING BUSINESS SEGMENTS

The Company has two lines of business: one is the design and construction of water and wastewater systems pursuant to the Service Agreements to provide water and wastewater service to customers within the Service Area; and the second is the operation and maintenance of the water and wastewater systems which serve customers within the Service Area. The Company did not recognize construction revenues during fiscal years 2003 or 2002.

The accounting policies of the segments are the same as those of the Company, described in note 2. The Company evaluates the performance of its segments based on gross margins of the respective business units.

Segment information for the years ended August 31, 2003 and 2002 is as follows:

<TABLE>
<CAPTION>

	2003		2002	
	Service	Total	Service	Total
<S>	<C>	<C>	<C>	<C>
Revenues	$ 225,432	$ 225,432	$ 204,858	$ 204,858
Gross margin	187,936	187,936	177,066	177,066
Total assets	20,413,404	20,413,404	20,028,279	20,028,279
Capital expenditures	146,896	146,896	109,172	109,172

</TABLE>

NOTE 11 - RELATED PARTY TRANSACTIONS

During the years ended August 31, 2003 and 2002, the Company has occupied office space from a related party at no cost to the Company. Additionally, the Company has certain debt instruments between related parties (see notes 3, 4 and 5).

NOTE 12 - SUBSEQUENT EVENT TRANSACTION

Subsequent to fiscal year end August 31, 2003, subject to final governmental approvals, the Company entered into a long-term Water Service Agreement ("Agreement") whereby the Company will provide domestic water service to a new master planned community located in the Denver metropolitan area in Arapahoe County. The new community will be developed over several years and be composed of up to 4,000 single family residences. The Company will generate one-time revenues from the sale of water taps (currently $11,100 per tap) and annual revenues through the delivery of water. The agreement is expected to generate gross revenues of $44 million in tap fee revenues and approximately $2 million annually from water usage sales. The Company is responsible for developing the associated infrastructure, which is expected to commence in the

summer of 2003 to provide water service to the development and expects the tap fee revenues will provide sufficient capital to the Company to construct facilities necessary to deliver water to the development.

<TABLE>
<CAPTION>

PURE CYCLE CORPORATION
BALANCE SHEETS
February 29, 2004 and August 31, 2003

ASSETS	February 29, 2004	August 31, 2003
<S>	<C>	<C>
	(unaudited)	
Current assets:		

Cash and cash equivalents	$ 338,599	$ 525,780
Trade accounts receivable	33,841	67,687
Total current assets	372,440	593,467
Investment in water and systems:		
Rangeview water supply	13,777,395	13,710,773
Paradise water supply	5,498,124	5,494,323
Rangeview water system	148,441	148,441
Accumulated depreciation & depletion	(13,325)	(10,543)
Total investment in water and systems	19,410,635	19,342,994
Note receivable, including accrued interest	406,782	399,902
Other assets	64,441	77,041
	$ 20,254,298	$ 20,413,404
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 23,550	8,244
Accrued liabilities	21,100	43,528
Total current liabilities	44,650	51,772
Long-term debt - related parties, including accrued interest	4,976,511	4,889,545
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 - 1,058,000 and 1,600,000 shares issued and outstanding, respectively	1,058	1,600
Series B - 432,513 shares issued and outstanding	433	433
Series D - 6,455,000 shares issued and outstanding	6,455	6,455
Series D1- 2,000,000 shares issued and outstanding	2,000	2,000
Common stock, par value 1/3 of $.01 per share; authorized - 135,000,000 shares; 81,450,875 and 78,439,763 shares issued and outstanding, respectively	271,621	261,584
Additional paid-in capital	25,267,494	25,276,989
Accumulated deficit	(21,406,554)	(21,167,604)
Total stockholders' equity	4,142,507	4,381,457
	$ 20,254,298	$ 20,413,404

</TABLE>

See Accompanying Notes to the Financial Statements

<TABLE>
<CAPTION>

PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS
Six Months Ended February 29, 2004 and February 28, 2003

	Six months ended	
	February 29, 2004	February 28, 2003
<S>	<C>	<C>
Water service revenue		
Water usage revenues	$ 55,314	$ 77,225
Wastewater usage fees	27,002	26,587
Revenues - other	3,415	--
	85,731	103,812
Water service operating expense	(5,190)	(5,719)
Wastewater service operating expense	(3,819)	(5,013)
Consulting services expense	(2,329)	--

Gross margin	74,393	93,080
General and administrative expense	(219,302)	(124,556)
Depreciation expense	(2,474)	(2,482)
Depletion expense	(308)	(826)
Other income (expense):		
Interest income	8,307	8,556
Interest expense related parties	(86,966)	(88,528)
Interest expense other	(12,600)	(12,600)
Net loss	$ (238,950)	$ (127,356)
Basic and diluted net loss per common share	$ --*	$ --*
Weighted average common shares outstanding	80,564,182	78,439,763

</TABLE>

* less than $.01 per share

See Accompanying Notes to the Financial Statements

<TABLE>
<CAPTION>

PURE CYCLE CORPORATION
STATEMENTS OF CASH FLOWS
Six Months Ended February 29, 2004 and February 28, 2003

	Six months ended	
	February 29, 2004	February 28, 2003
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$ (238,950)	$ (127,356)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Depreciation on water systems	2,474	2,482
Depletion expense	308	826
Increase (decrease) in accrued interest on note receivable	(6,880)	(7,166)
Increase in accrued interest on long term debt and other non-current liabilities	86,966	88,528
Changes in operating assets and liabilities:		
Trade accounts receivable	33,846	23,284
Other assets	12,600	12,600
Accounts payable and accrued liabilities	(7,122)	(2,455)
Net cash used in operating activities	(116,758)	(9,257)
Cash flows provided by (and in) from investing activities:		
Investments in water supply	(70,423)	(95,716)
Investment in Rangeview water system	--	--
Net cash used in investing activities	(70,423)	(95,716)
Cash flows from financing activities:		
Net decrease in cash and cash equivalents	(187,181)	(104,973)
Cash and cash equivalents beginning of period	525,780	287,720
Cash and cash equivalents end of period	$ 338,599	$ 182,747

</TABLE>

See Accompanying Notes to the Financial Statements

NOTE 1 - ACCOUNTING PRINCIPLES

The balance sheet as of February 29, 2004 and the statements of operations and statements of cash flows for the six month periods ended February 29, 2004 and February 28, 2003 have been prepared by the Company and have not been audited. 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 February 29, 2004 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 financial statements be read in conjunction with the financial statements and notes thereto included in the Company's fiscal year 2003 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.

Certain prior period amounts have been reclassified to conform to the current period presentation.

NOTE 2 - STOCKHOLDERS' EQUITY

In August 2003, the Company entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby the Company issued 2,000,000 shares of Series D-1 Preferred Stock to the Company's CEO, Mr. Thomas Clark, in exchange for 2,000,000 shares of Common Stock owned by Mr. Clark. The Company sold 2,000,000, shares of the Company's Common Stock at $.25 per share to eleven accredited investors, four of whom had previously invested with the Company. Proceeds to the Company were $500,000. The Series D-1 Preferred Stock does not earn dividends and is convertible into 2,000,000 shares of common stock at such time that the Company has sufficient shares of authorized Common Stock. The shares were issued under Section 4(2) of the Securities Act of 1933.

During the six months ended February 29, 2004, the Company issued 3,011,111 shares of Common Stock in exchange for 542,000 shares of Series A-1 Preferred Stock, pursuant to the certificate of designation of the Series A-1 Preferred Stock. The holders of the 542,000 shares of Series A-1 Preferred Stock surrendered the shares to the Company for retirement.

NOTE 3 - WATER CONTRACT

On October 31, 2003, the Company entered into a long-term Water Service Agreement ("Agreement") whereby the Company will provide domestic water service to a new master planned community located in the Denver metropolitan area in Arapahoe County. The new community will be developed over several years and be composed of up to 4,000 single family residences. The Company will generate one-time revenues from the sale of water taps (currently $11,100 per tap) and annual revenues through the delivery of water. The agreement is expected to generate gross revenues of $44 million in tap fee revenues and approximately $2 million annually from water usage sales. The Company is responsible for developing the associated infrastructure, which is expected to commence in the summer of 2004 to provide water service to the development and expects the tap fee revenues will provide sufficient capital to the Company to construct facilities necessary to deliver water to the development.

NOTE 4 - RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. FIN No. 46 requires an entity to consolidate a variable interest entity if it is designated

as the primary beneficiary of that entity even if the entity does not have a majority of voting interests. A variable interest entity is generally defined as an entity where its equity is unable to finance its activities or where the owners of the entity lack the risk and rewards of ownership. The provisions of this statement apply at inception for any entity created after January 31, 2003. For small business entities, the provisions of this Interpretation must be applied at the end of the first reporting period that ends after December 15, 2004. The Company has determined it is not party to a variable interest entity.

In June 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." The statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of a nonpublic entity. The adoption of SFAS No. 150 did not have an impact on the Company's financial statements.

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You should rely only on the information incorporated by reference or provided in this prospectus or any supplement to this prospectus. We have authorized no one to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this prospectus.

PURE CYCLE CORPORATION

COMMON STOCK

_____
PROSPECTUS
_____

_____, 2004

==========

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Pure Cycle is incorporated in the State of Delaware. The Delaware General Corporation Law (the "DGCL") permits corporations to indemnify a present or former director or officer of the corporation (and certain other persons serving at the request of the corporation in related capacities) for liabilities, including legal expenses, arising by reason of service in such capacity if such person shall have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and in any criminal proceeding if such person had no reasonable cause to believe his conduct was unlawful. However, in the case of actions brought by or in the right of the corporation, no indemnification may be made with respect to any matter as to which such director or officer shall have been adjudged liable, except in certain limited circumstances.

Pure Cycle's Certificate of Incorporation, as amended (the "Certificate") and Bylaws, as amended (the "Bylaws") provide that the registrant shall indemnify directors and executive officers to the fullest extent now or hereafter permitted by the DGCL.

The indemnification provided by the DGCL and the registrant's Certificate and Bylaws is not exclusive of any other rights to indemnification to which a director or officer may be entitled. The general effect of the foregoing provisions may be to reduce the number of circumstances in which an officer or director may be required to bear the economic burden of the foregoing liabilities and expenses.

Pure Cycle is in the process of obtaining a liability policy for its

directors and officers as permitted by the DGCL which extends to, among other things, liability arising under the Securities Act of 1933, as amended.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth various expenses in connection with the sale and distribution of the securities being registered, other than the underwriting discounts and commissions. All amounts shown are estimates except the Commission's registration fee and the NASD filing fee.

<TABLE>
<CAPTION>

<S>	<C>
Registration fee--Securities and Exchange Commission. . .	$4,112.08
NASD filing fee	3,745.52
Legal Fees and Expenses	*
Accountants Fees and Expenses	*
Printing Expenses	*
Blue sky filing fees and expenses	
Transfer agent fees and expenses.	
Total . . . . . .$	*

</TABLE>

*Estimated.

The selling stockholders have paid none of the expenses related to this offering.

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES (REPORTED ON A PRE-REVERSE SPLIT BASIS)

In August 2003, we entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby we issued 2,000,000 shares of Series D-1 Convertible Preferred Stock to our CEO, Mr. Thomas Clark in exchange for 2,000,000 shares of common stock owned by Mr. Clark. We sold 2,000,000 shares of our common stock at $.25 per share to eleven accredited investors, four of whom had previously invested with us. Proceeds to us were $500,000. The Preferred Stock was issued under Section 4(2) of the Securities Act of 1933. The common stock was sold pursuant to Regulation D, Rule 506.

In August 2001, we entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby we issued 6,455,000 shares of Series D Preferred Stock to our CEO, Mr. Thomas Clark in exchange for 421,666 shares of common stock, 3,200,000 shares of Series C Preferred Stock, 500,000 shares of Series C-1 Preferred Stock, 666,667 shares of Series C-2 Preferred Stock, and 1,666,667 shares of Series C-3 Preferred Stock, all of which were owned by Mr. Clark. We retired 3,200,000 shares of Series C Preferred Stock, 500,000 shares of Series C-1 Preferred Stock, 666,667 shares of Series C-2 Preferred Stock, and 1,666,667 shares of Series C-3 Preferred Stock. We sold 625,000 shares of our common stock at $.16 per share to two accredited investors. Proceeds to us were $100,000. The shares were issued under Section 4(2) of the Securities Act of 1933.

ITEM 27. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Description of Exhibit
1.1	Underwriting Agreement.*
3.1	Certificate of Incorporation, as amended (incorporated by reference from Exhibit 4-A to Registration Statement No. 2-65226).
3.2	Certificate of Amendment to Certificate of Incorporation dated August 27, 1987 (incorporated by reference from Annual Report on Form 10-K for the fiscal year ended August 31, 1987).
3.3	Certificate of Amendment to Certificate of Incorporation dated May 27, 1988 (incorporated by reference from Proxy Statement filed with the SEC on May 28, 1988).
3.4	Certificate of Amendment to Certificate of Incorporation dated

April 13, 1993 (incorporated by reference from Proxy Statement filed with the SEC on March 18, 1993).

3.5 Certificate of Designations, Powers, Preferences and Rights of Series A Convertible Preferred Stock dated May 25, 1994 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1994).

3.6 Certificate of Designations, Powers, Preferences and Rights of Series B Preferred Stock dated August 31, 1994 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1994).

3.7 Certificate of Designations, Powers, Preferences and Rights of Series A-1 Convertible Preferred Stock dated July 21, 1998 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1998).

3.8 Certificate of Designations, Powers, Preferences and Rights of Series C Convertible Preferred Stock dated September 2, 1998 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1998).

3.9 Certificate of Designations, Powers, Preferences and Rights of Series C-1 Convertible Preferred Stock dated November 5, 1999 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1999).

3.10 Certificate of Designations, Powers, Preferences and Rights of Series C-2 Convertible Preferred Stock dated November 5, 1999 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1999).

3.11 Certificate of Designations, Powers, Preferences and Rights of Series C-3 Convertible Preferred Stock dated August 31, 2000 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 2000).

3.12 Certificate of Designations, Powers, Preferences and Rights of Series D Convertible Preferred Stock dated October 16, 2001 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 2001).

3.13 Certificate of Designations, Powers, Preferences and Rights of Series D-1 Convertible Preferred Stock dated August 13, 2003 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 2003).

3.14 Certificate of Amendment to Certificate of Incorporation dated April 12, 2004.**

3.15 Bylaws (incorporated by reference from Exhibit 4.C to Registration Statement No. 2-62483).

3.16 Amendment to Bylaws effective April 22, 1988 (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1989).

5.1 Opinion of Davis Graham & Stubbs LLP*

10.1 Letter Agreement dated August 31, 1987 between the Company and Paradise Oil, Water & Land Development, Inc. (incorporated by reference from Current Report on Form 8-K filed with the SEC on August 5, 1988).

10.2 Right of First Refusal Agreement dated August 12, 1992 between Inco Securities Corporation and Richard F. Myers, Mark W. Harding, Thomas P. Clark, Thomas Lamm and Rowena Rogers.**

10.3 Stock Purchase Agreement and Investment Agreement dated December 10, 1991 by and among the Company and Apex Investment Fund II, L.P., the Environmental Fund II, L.P. and Productivity Fund II, L.P. (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1992).

10.4 Service Agreement dated April 11, 1996 by and between the Company and the District (incorporated by reference from Quarterly Report on Form 10-QSB for the fiscal quarter ended May 31, 1996).

10.5 Settlement Agreement and Mutual Release dated April 11, 1996 by and among the State Land Board and the District, the Company, INCO Securities Corporation, Apex Investment Fund II, L.P., Landmark Water Partners, L.P., Landmark Water Partners II, L.P.,

Environmental Venture Fund, L.P., Environmental Private Equity Fund II, L.P., The Productivity Fund II, L.P., Proactive Partners, L.P., Warwick Partners, L.P., Auginco, Anders C. Brag, Amy Leeds, and D.W. Pettyjohn, and OAR, Incorporated, Willard G. Owens and H.F. Riebesell, Jr. (incorporated by reference from Quarterly Report on Form 10-QSB for the fiscal quarter ended May 31, 1996).

10.6 Agreement for Sale of Export Water dated April 11, 1996 by and among the Company and the District (incorporated by reference from Quarterly Report on Form 10-QSB for the fiscal quarter ended May 31, 1996).

10.7 Comprehensive Amendment Agreement No. 1 dated April 1, 1996 by and among ISC, the Company, the Bondholders, Gregory M. Morey, Newell Augur, Jr., Bill Peterson, Stuart Sundlun, Alan C. Stormo, Beverlee A. Beardslee, Bradley Kent Beardslee, Robert Douglas Beardslee, Asra Corporation, International Properties, Inc., and the State Land Board (incorporated by reference from Quarterly Report on Form 10-QSB for the fiscal quarter ended May 31, 1996).

10.8 Wastewater Service Agreement dated January 22, 1997 by and between the Company and the District (incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended August 31, 1998).

10.9 Water Service Agreement for the Sky Ranch PUD dated October 31, 2003 by and between Airpark Metropolitan District, Icon Investors I, LLC, the Company and the District.**

10.10 1992 Equity Incentive Plan (incorporated by reference from Proxy Statement filed with the SEC on March 18, 1993).

10.11 2004 Incentive Plan (incorporated by reference from Proxy Statement filed with the SEC on March 25, 2004).

10.12 Non-Statutory Stock Option Agreement dated April 19, 2001 between the Company and Mark W. Harding.**

10.13 Amendment to Water Service Agreement for the Sky Ranch PUD dated January 6, 2004.*

10.14 Amendment to Water Service Agreement for the Sky Ranch PUD dated January 30, 2004.*

10.15 Amendment to Water Service Agreement for the Sky Ranch PUD dated January 30, 2004 pertaining to amendment of the Option Agreement for Export Water.*

10.16 Amendment to Water Service Agreement for the Sky Ranch PUD dated March 5, 2004.*

23.1 Consent of Davis Graham & Stubbs LLP (included in Exhibit 5.1).

23.2 Consent of KPMG, LLP.**

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* To be filed by amendment to this registration statement.

**Filed herewith.

ITEM 28. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the

opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned small business issuer will:

(1) For determining any liability under the Securities Act, treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the small business issuer under Rule 424(b)(1) or (4) or 497(h) under the Securities Act as part of this registration statement as of the time the SEC declared it effective; and

(2) For determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Denver, State of Colorado, on April 16, 2004.

PURE CYCLE CORPORATION

By: /s/ Mark W. Harding

Name: Mark W. Harding
Title: President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Wanda Abel and Mark W. Harding his true and lawful attorney-in-fact and agent with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments filed in accordance with Rule 462 or otherwise) to this registration statement on Form SB-2, and to file the same with all exhibits and schedules thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas P. Clark - --- Thomas P. Clark	Chief Executive Officer and Director (Principal Executive Officer)	April 16, 2004
/s/ Mark W. Harding - --- Mark W. Harding	President and Director (Principal Financial Officer and Principal Accounting Officer)	April 16, 2004
/s/ Harrison H. Augur - --- Harrison H. Augur	Chairman of the Board	April 16, 2004
/s/ Richard L. Guido - --- Richard L. Guido	Director	April 16, 2004
/s/ Margaret S. Hansson - --- Margaret S. Hansson	Director	April 16, 2004
/s/ George M. Middlemas - --- George M. Middlemas	Director	April 16, 2004

EXHIBIT INDEX

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23.2	Consent of KPMG, LLP.**

_____

*To be filed by amendment to this registration statement.

**Filed herewith.

CERTIFICATE OF AMENDMENT

TO THE

CERTIFICATE OF INCORPORATION

OF

PURE CYCLE CORPORATION,
A DELAWARE CORPORATION

* * * * *

Pursuant to the Delaware General Corporation Law

* * * * *

Pure Cycle Corporation, a Delaware corporation (the "Corporation"), DOES HEREBY CERTIFY:

FIRST: This Certificate of Amendment amends the provisions of the Corporation's Certificate of Incorporation (the "Certificate of Incorporation").

SECOND: The terms and provisions of this Certificate of Amendment have been duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware and shall become effective when filed.

THIRD: Article IV of the Certificate of Incorporation is hereby amended by deleting Section 1 thereof in its entirety and substituting the following in lieu thereof:

Section 1. Authorized Shares. The number of shares of capital stock of all classes which the Corporation shall have authority to issue is two hundred fifty million (250,000,000) shares, of which two hundred twenty-five million (225,000,000) shares shall be of a class designated as "common stock," with a par value of one-third of one cent ($.00333) per share, and twenty-five million (25,000,000) shares shall be of a class designated as "Preferred Stock," with a par value of one-tenth of one cent ($.001) per share.

* * * * *

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Certificate of Incorporation to be executed by its duly authorized officer as of this 12th day of April, 2004.

Pure Cycle Corporation,
a Delaware corporation

By: /s/Mark W. Harding

Mark W. Harding
President

RIGHT OF FIRST REFUSAL AGREEMENT

THIS RIGHT OF FIRST REFUSAL AGREEMENT ("Agreement") is made and entered into this 12th day of August, 1992, between INCO SECURITIES CORPORATION ("Corporation") and RICHARD F. MYERS, MARK W. HARDING, THOMAS P. CLARK, THOMAS LAMM and ROWENA ROGERS (collectively the "Tenants").

R E C I T A L S

WHEREAS, the Tenants have each acquired an undivided interest in certain real property located in Arapahoe County as more fully described on Exhibit A attached hereto and made a part hereof ("Property"); and

WHEREAS, the Tenants have entered into that certain Tenancy in Common Agreement dated August 12, 1992 ("Tenancy in Common Agreement") whereby certain rights and responsibilities of the Tenants are set forth; and

WHEREAS, the Corporation has an interest in maintaining the integrity and potential development of the Property; and

WHEREAS, the Corporation and the Tenants, by this Agreement, desire to set forth the method and procedures by which the Corporation may exercise certain rights in connection with the Property.

NOW THEREFORE, in consideration of the premises and of the mutual benefits to accrue to each of the parties hereto, the parties have agreed and do hereby agree as follows:

1. Granting of Right of First Refusal. In consideration of their receipt of $198,000 (the "First Refusal Premium") , the Tenants hereby grant, for a period of 99 years from the date noted above, to the Corporation, in accordance with the terms of this Agreement, the exclusive right of first refusal on the Property, such right of first refusal being limited only as described under Section 4 below.

2. Procedures for Exercise of Right of First Refusal.

a. First Notice. In the event any Tenant shall desire to sell or otherwise transfer its interest in the Property to any third party and it shall have received a bona fide offer therefore, which is acceptable to it, it shall, not less than 60 days prior to the date of the proposed sale or transfer, give written notice of such offer to the Corporation ("First Notice"). The Notice shall state that a bona fide offer has been received by the selling Tenant from such third party and shall contain the following information:

(1) The portion of the selling Tenant's interest in the Property offered for sale;

(2) The price, terms, and conditions of the proposed sale;

(3) The name and address of the third party to whom such Property interest is proposed to be sold. The First notice shall further contain an affirmative offer by the selling Tenant granting the Corporation the option to purchase the selling Tenant's interest in the Property, or the portion thereof offered for sale, upon the terms and conditions outlined in this Agreement.

b. Purchase Price. Following receipt of the First Notice as outlined in a. above, the Corporation shall have the option, for the period of 60 calendar days from the date of such First Notice within which to exercise the option to purchase the selling Tenant's interest in the Property offered for sale. The Corporation may, during such 60 calendar day period, by written notice ("Second Notice") to the selling Tenant, elect to purchase the selling Tenant's Property interest either:

(1) Upon the terms and conditions of the bona fide offer received by the selling tenant as set forth in the First Notice; or

(2) By cash purchase of the selling Tenant's Property interest at its appraised value, as determined by an M.A.I. appraiser mutually chosen by the selling Tenant and the Corporation. If an appraiser cannot be agreed upon within 15 business days of the First Notice, the selling Tenant and the Corporation shall each choose an M.A.I. appraiser and those two M.A.I. appraisers shall choose a third M.A.I. appraiser who shall provide the selling Tenant and the Corporation with the appraised value. If the M.A.I. appraisers

chosen cannot agree on a third M.A.I. appraiser, the selling Tenant and the Corporation shall each obtain an M.A.I. appraisal and the appraised value shall be the average of the two appraisals. If the Corporation requests an appraisal of the Property and a single appraisal is done, the costs of the appraisal shall be borne by the Corporation. If a second appraisal is required as outlined above, the costs of the appraisals shall be borne equally by the selling Tenant and the Corporation.

c. Title Commitment. Selling Tenant shall, within 10 business days after sending the First Notice, furnish to the Corporation, at selling Tenant's expense, a current commitment ("Commitment") for an owner's title insurance policy in an amount equal to the price in the First Notice (the amount to be adjusted to the actual Purchase Price when that is determined) showing merchantable title to be vested in selling Tenant, free and clear of all liens and encumbrances, subject only to a lien for real property taxes for the year of closing, payable in the following year, and building, zoning, and other applicable ordinances and regulations of Arapahoe County. The Commitment shall be accompanied by copies of all instruments listed in the schedule of exceptions thereto and any recorded instruments described in the schedule of requirements thereto.

d. Title Defects. Within 20 business days after the Corporation's receipt of the Commitment (together with copies of the recorded instruments referred to therein), the Corporation shall give selling Tenant notice of all title defects shown thereon or otherwise determined to exist by the Corporation, specifying which defects the Corporation consent to as permitted exceptions and which defects are not permitted exceptions. Failure to give notice of title defects as set forth herein shall be a waiver thereof. In the event the Corporation gives the selling Tenant notice of title defects which are not permitted exceptions, the selling Tenant shall, at its sole cost and expense, cure such defects, which cure may, if acceptable to the Corporation,

include the obligation to obtain title insurance protection for the Corporation and its successors and to pay any additional premium or cost for such protection. If each of said defects is not cured by the date of Closing (as such time may be extended by the Corporation) , the Corporation may at its option (i) terminate its decision to exercise its right of first refusal, or (ii) accept the uncured defect as a permitted exception with a commensurate reduction in the purchase price to cover the cost of curing the defect, or if the defect is incurable, to reflect the reduction in the value of the Property due to the defect. In the event of such termination, all other obligations of the Corporation and the selling Tenant under that particular exercise of the Corporation's right of first refusal shall be terminated.

e. Closing. Following the Second Notice, the closing on the transfer of the Property interest from the selling Tenant to the Corporation ("Closing") shall take place at the offices of the Corporation within 10 business days of the receipt of the Second Notice by the selling Tenant. Such transfer shall occur by special warranty deed. As soon as possible after Closing, selling Tenant shall cause to be delivered to the Corporation, at selling Tenant's cost and expense, an owner's title insurance policy insuring the title of the Corporation in accordance with the Commitment. All taxes, fees, and special assessments shall be prorated to the date of Closing.

f. Credit Against Purchase Price. Any purchase of a Tenant's Property interest by the Corporation, whether under this Agreement or otherwise, shall include a credit against the purchase price equal to the percentage interest in the Property being purchased multiplied by the sum of (1) any subdivision costs expended by the Corporation pursuant to Section 5. below, and (2) 80% of the First Refusal Premium. In no event, however, may such credit exceed the purchase price.

g. Direct Purchase by the Corporation. Except in the case of death, bankruptcy or incompetence, which is subject to the provisions of Section 9.c of the Tenancy in Common Agreement, nothing contained herein shall prohibit any Tenant desiring to sell all or any portion or otherwise transfer its interest in the Property from separately negotiating and selling such Property interest to the Corporation directly, regardless of the existence of a third party offer.

3. Non-Exercise or Default. In the event that the Corporation elects not to exercise the option to purchase the Property interest being offered or defaults in its obligations under this Agreement, selling Tenant shall have the right to sell and convey such interest to the third party strictly in accordance with the terms of the Notice provided to the Corporation pursuant to this Agreement. If no such conveyance is made within the 60 calendar day period following the expiration of the option period, a new notice of sale

shall be required in the manner provided herein. In the event the Corporation fails to close the purchase of the selling Tenant's interest in the Property after properly notifying the selling Tenant of its agreement to so purchase and after full compliance by selling Tenant of its obligations herein, the selling Tenant may either enforce specific performance against the Corporation, or treat such failure to close as a default by the Corporation, and immediately re-institute its rights under this paragraph allowing it to sell the Property interest to the third party, with no further duty to grant the Corporation a right of first refusal on the Property offered for sale.

4. Limitation on Scope of Right of First Refusal. The Corporation's right of first refusal under this Agreement shall be limited to those events involving bona fide offers received by Tenants from third parties. The right of first refusal hereby granted is not effective in the event of a transfer to a Tenant or Tenants as a result of a Tenant's death, incompetence or bankruptcy, such right of first refusal having been previously granted to the Tenants pursuant to the Tenancy in Common Agreement. The right of first refusal hereby granted shall apply, however, if no Tenant exercises the applicable right of first refusal so granted under the Tenancy in Common Agreement.

5. Subdivision Rights. As described in the Tenancy in Common Agreement, the parties hereto acknowledge that it is desirable to pursue subdivision of the Property, but that the funds required for such subdivision may be substantial. In the event that the Corporation guarantees payment of and pays the costs therefore, Tenants agree to cooperate in the subdivision procedures and to provide such approvals as may be necessary to accomplish the Property's subdivision in the manner recommended by the Corporation. If, in the reasonable opinion of the Corporation, any Tenant does not provide such cooperation and those Tenants controlling greater than 50% of the Property agree in writing, the Corporation may notify the non-cooperating Tenant of the Corporation's desire to purchase and may purchase such Tenant's Property interest in the manner described below. The Tenants also agree that upon subdivision of the Property, and payment by the Corporation of all subdivision costs, they will sell to the Corporation their interests in any portion of the Property requested by the Corporation so long as the total area sold to the Corporation its successors or assigns pursuant to this provision, does not constitute more than 80% of the Property's acreage. The price and terms for any purchase of the Property, or portion thereof, under this Section 5 shall be as outlined in 2.b.(2), 2.c., 2.d., 2.e., 2.f. and 2.g. above. For purposes of this Section 5 only, the First Notice referenced in 2.b.(2) shall mean the notice to the non-cooperating or selling Tenant or Tenants as described herein.

6. Covenants Running With the Land. This Agreement and each of the provisions hereof touch and concern the Property and shall be covenants running with the land, shall be binding on the parties hereto and their respective successors as owners or interest in the Property, and shall inure to the benefit of and be enforceable by the parties hereto and their respective successors as owners of the Property and interests therein. Any transfer or encumbrance of the Property shall be subject to the terms and provisions hereof and to the rights and obligations of the parties hereto. Any transfer, lease, or encumbrance of any interest in the Property shall be subject to the terms and conditions of this Agreement and the rights and obligations created hereby.

7. Remedies. In addition to any remedies provided bv this Agreement, the parties hereto may enforce this Agreement by specific performance or any other method allowed by law.

8. Notices. Any notice required or permitted to be given hereunder shall be personally delivered or sent by first class mail, postage pre-paid to the address of the party set forth below and shall be deemed given on the date of delivery or three business days after the date of mailing, whichever is earlier. A party's address for notices may be changed and a new party's address may be added by written notice to all other parties in accordance with this paragraph.

INCO Securities Corporation
c/c George Middlemas
One New York Plaza
New York, NY 10004

Thomas Lamm
7942 Fairview Rd
Boulder
Colorado 80302

Mark W. Harding
1825 S. Downing
Denver, CO 80210

(303) 744-3436

Thomas P. Clark
803 29th Street, #502
Boulder, CO 80303
(303) 443-8170

Richard F. Myers
Western Aggregate, Inc.
11728 Highway 93
Boulder, CO 80303

Rowena Rogers

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9. Governing Law. This Agreement shall be governed by the laws of the State of Colorado.

10. Modification. This Agreement may not be amended or modified, except in writing executed by all of the parties to this Agreement.

11. Severability Provisions. In the event that any portion of this Agreement shall be declared invalid by order, decree, or judgment of a court, this Agreement shall be construed as if such portion had not been inserted herein, except when such construction would operate as an undue hardship on any party hereto or constitute substantial deviation from the general intent and purpose of the parties that are reflected in this Agreement.

12. Assignment. Except as otherwise provided in this Agreement, no assignment may be made of this Agreement to any other party by Tenant without the express written consent of all parties hereto. Any such attempt to assignment shall be determined to be null and void and of no force and affect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date noted above.

ATTEST: INCO SECURITIES CORPORATION

By: /s/ Richard Guido
- ---------- ----------
Vice President

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this 12th day of August, 1992 by Richard Guido as Vice President of INCO Securities Corporation.

WITNESS my hand and official seal.

My commission expires: Jan. 17, 1993

/s/ Linda M. Vumbaco

Notary Public

/s/ Thomas Lamm

Thomas Lamm

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this 12th day of August, 1992 by Thomas Lamm.

WITNESS my hand and official seal.

My commission expires: Jan. 17, 1993

/s/ Linda M. Vumbaco

Notary Public

/s/ Mark W. Harding

Mark W. Harding

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this 12th day of August, 1992 by Mark W. Harding.

WITNESS my hand and official seal.

My commission expires: Jan. 17, 1993

/s/ Linda M. Vumbaco

Notary Public

/s/ Thomas P. Clark

Thomas P. Clark

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this 12th day of August, 1992 by Thomas P. Clark.

WITNESS my hand and official seal.

My commission expires: Jan. 17, 1993

/s/ Linda M. Vumbaco

Notary Public

/s/ Richard F. Meyers

Richard F. Meyers

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this 12th day of August, 1992 by Richard F. Myers.

WITNESS my hand and official seal.

My commission expires: Jan. 17, 1993

/s/ Linda M. Vumbaco

Notary Public

/s/ Rowena Rogers by Richard Myers Attorney In Fact

Rowena Rogers

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this 12th day of

August, 1992 by Rowena Rogers.

WITNESS my hand and official seal.

My commission expires: Jan. 17, 1993

/s/ Linda M. Vumbaco
Notary Public

EXHIBIT "A"

NW 1/4 of SW 1/4 of Section 11,
Township 5 South, Range 64 West
of the 6th P.M.

WATER SERVICE AGREEMENT

for the

SKY RANCH PUD

THIS AGREEMENT is entered into this _____ day of October, 2003 by and between AIRPARK METROPOLITAN DISTRICT, a quasi-municipal corporation and political subdivision of the State of Colorado ("AMD"); ICON INVESTORS I, LLC, a Colorado limited liability company ("DEVELOPER"); PURE CYCLE CORPORATION, a Delaware corporation ("PURECYCLE"); and RANGEVIEW METROPOLITAN DISTRICT, a quasi-municipal corporation and political subdivision of the State of Colorado, acting by and through its Water Activity Enterprise ("RANGEVIEW").

RECITALS

WHEREAS, urban density development in general accordance with the "Preliminary Development Plan" (Arapahoe County Case No. Z01-010) is proposed for the Sky Ranch PUD ("Property"). The Property occupies about 772.3 acres generally located south of Interstate-70 frontage road, north of Alameda Avenue, west of Hayesmont Road, and east of Powhaton Road in unincorporated Arapahoe County Colorado; as more specifically described in Exhibit A attached hereto.

WHEREAS, the Property can be so developed only if adequate and sufficient domestic water service is provided thereto.

WHEREAS, the Property lies within the boundaries of AMD and one of the services of AMD is to provide domestic water service.

WHEREAS, in order to efficiently provide water service to the Property, AMD and DEVELOPER desire to enter into an agreement with RANGEVIEW and PURECYCLE to finance, acquire, design, construct, operate and maintain certain water facilities to serve the Property, under the terms set forth below.

WHEREAS, subject to the terms and conditions of the "Amended and Restated Lease Agreement" ("Lease") dated April 4, 1996 between the State of Colorado Board of Land Commissioners ("Land Board") and RANGEVIEW and the Agreement for Sale of Export Water ("Export Water Agreement") dated April 11, 1996 between PURECYCLE and RANGEVIEW, the Land Board conveyed to RANGEVIEW, which subsequently conveyed to PURECYCLE, certain rights to surface water and groundwater on and beneath the Land Board's property known as the Lowry Range, which water rights are more specifically outlined in Section 6.1 of the Lease.

WHEREAS, PURECYCLE serves as the service provider for RANGEVIEW.

WHEREAS, pursuant to Section 8.3 of the Lease, RANGEVIEW and PURECYCLE have the right to provide a water delivery system for use by customers both on and off the Lowry Range, which system shall be developed pursuant to a unified master plan.

WHEREAS, facilities developed for use by customers off the Lowry Range shall be integrated with facilities developed for use by customers within the Lowry Range.

WHEREAS, subject to the terms and conditions of an Option Agreement for Export Water Service anticipated to be entered into between PURECYCLE and the DEVELOPER attached hereto as Exhibit F, PURECYCLE desires to reserve certain Export Water Rights sufficient to provide water service to the Property at the development densities anticipated for the Property.

WHEREAS, PURECYCLE and RANGEVIEW are capable of providing domestic water service to the Property subject to the terms and conditions of the Lease.

WHEREAS, in order to induce RANGEVIEW and PURECYCLE to cause the Water Facilities to be constructed on a schedule which will accommodate anticipated development of the Property, AMD and DEVELOPER desire to participate with RANGEVIEW and PURECYCLE as provided herein with financing and otherwise promoting the construction of such Water Facilities.

WHEREAS, to make water service available, RANGEVIEW and PURECYCLE are relying in part upon AMD's and DEVELOPER's timely payment of certain fees and charges and also on their timely execution of other obligations, all as identified in this Agreement.

WHEREAS, the Water Facilities will benefit and enhance the value of the Property.

WHEREAS, the execution of this Agreement will serve a public purpose and promote the health, safety, prosperity and general welfare by providing for the planned and orderly provision of domestic water service.

WHEREAS, AMD intends to provide a wastewater treatment plant to serve the development of the Property.

WHEREAS, AMD will provide wastewater treatment services to RANGEVIEW and PURECYCLE as well as allowing RANGEVIEW and PURECYCLE to use the wastewater effluent from the wastewater treatment plant for irrigation purposes.

NOW THEREFORE, in consideration of the above recitals, the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATIONS

1.01 Definitions. As used herein unless the context indicates otherwise, the words defined below and capitalized throughout the text of this Agreement shall have the respective meanings set forth below:

(a) Agreement: This Water Service Agreement and any amendments hereto made in accordance herewith.

(b) AMD: Airpark Metropolitan District, a party to this Agreement, and its employees, agents, officers, directors, successors and assigns.

(c) Corporation Stop: The valve which connects to a water main by its upstream connection and to the Customer's water service pipeline by its downstream connection.

(d) Customer: Customer shall refer to an end user of water from PURECYCLE's Water Facilities whose property and place of use are located within the Property.

(e) Dedicated Groundwater: 443 acre-feet per year of water from the Arapahoe and Laramie-Fox Hills aquifers underlying the Property as decreed in Case No. 85CW157 in the Water Court for Colorado, Water Division No. 1 and which DEVELOPER is obligated to dedicate to PURECYCLE pursuant to Section 2.01(e) herein.

(f) DEVELOPER: ICON INVESTORS I, LLC, a party to this Agreement, and its employees, agents, officers, directors, successors and assigns.

(g) Effective Date: The Effective Date of this Agreement as defined in Section 10.01 herein.

(h) Equivalent Residential Unit (EQR): The measure of demand placed upon the Water Facilities by a typical and average single-family detached residence, as determined under RANGEVIEW's Rules and Regulations and as further described in Section 2.01(d).

(i) Export Water: Water from the Lowry Range that PURECYCLE can use outside of the Lowry Range service area, as more specifically defined in Section 6.1 of the Lease.

(j) Export Water Agreement: The Agreement for Sale of Export Water by and among RANGEVIEW and PURECYCLE executed April 11, 1996.

(k) Export Water Deed: The Bargain and Sale Deed among the Land Board, RANGEVIEW and PURECYCLE executed April 11, 1996, as recorded on July 31, 1996 at Reception No. A6097803 in the Arapahoe County Clerk and Recorder's Office, together with any and all amendments thereto.

(l) Lease: The Amended and Restated Lease Agreement between RANGEVIEW and the State of Colorado, acting by and through the Land Board (Lease No. S-37280), executed April 4, 1996, as recorded on July 31, 1996 at Reception No. A6097802 in the

Arapahoe County Clerk and Recorder's Office, together with any and all amendments thereto.

(m) Option Agreement: The Option Agreement for Export Water Service attached hereto as Exhibit F and referenced in Section 2.01(e)(ii).

(n) Person: Any individual, corporation, joint venture, estate, trust, partnership, association or other legal entity other than PURECYCLE or RANGEVIEW.

(o) PURECYCLE: Pure Cycle Corporation, a party to this Agreement, and its employees, agents, officers, directors, successors, and assigns.

(p) Property: The real property known as the "Sky Ranch PUD" and as specifically described in Exhibit A hereto.

(q) RANGEVIEW: Rangeview Metropolitan District, a party to this Agreement, and its employees, agents, officers, directors, successors, and assigns.

(r) Rules and Regulations: The Rules and Regulations adopted by RANGEVIEW, as they may be amended from time to time.

(s) Water Facilities: Those facilities required for the production, treatment, storage, and delivery of both potable and irrigation water to, on, or for the Property, all as more particularly described hereunder.

(t) Water Tap: The written authorization, in the form of sequentially numbered tap licenses issued by PURECYCLE, to connect to the Water Facilities, as governed by RANGEVIEW's Rules and Regulations. Unless otherwise provided for herein, a Water Tap shall be assumed to be for one EQR.

(u) Water Tap Fee: Collective reference to the Water System Development Charge and the Water Resource Charge, both as defined and established in Article 12 of RANGEVIEW's Rules and Regulations.

1.02 Interpretation. In this Agreement, unless the context otherwise requires:

(a) The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar term, refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; the term "heretofore" means before the date of execution of this Agreement; the term "now" means at the date of execution of this Agreement; and the term "hereafter" means after the date of execution of this Agreement.

(b) All definitions, terms and words shall include both the singular and the plural.

(c) Words of the masculine gender include correlative words of the feminine and neuter genders, and words importing the singular number include the plural number and vice versa.

(d) The captions or headings of this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Agreement.

ARTICLE 2
WATER SERVICE

2.01 Conditions of Service. PURECYCLE and RANGEVIEW agree to provide water service to the Property subject to the terms and conditions of this Agreement. The Water Facilities will include a "dual pipe distribution system" that will provide both potable water and irrigation water service to the Property.

(a) Development of the Property is anticipated to occur in phases over several years. Construction of Water Facilities will also occur in phases, as mutually determined by PURECYCLE, RANGEVIEW, the DEVELOPER and AMD, to reasonably meet the anticipated water demands of the Property and the service for Water Taps as outlined in Exhibit C. Certain water facilities

will be constructed by PURECYCLE, RANGEVIEW and AMD as more specifically described herein.

(b) Water service to the Property hereunder shall be generally governed by and subject to RANGEVIEW's Rules and Regulations (providing inter alia for rates, fees and charges), which are incorporated herein by reference, and to the laws, ordinances and regulations of all federal, state and local governmental entities and agencies having jurisdiction. PURECYCLE acknowledges that the Water Tap Fees, user charges, service charges, and any other rates, fees, tolls, and charges imposed in connection with water service to the Property provided by PURECYCLE in connection therewith, except for the Special Facilities Surcharge described in Section 4.03(b) below, shall be subject to Section 8.2 of the Lease. RANGEVIEW acknowledges that, to the extent DEVELOPER or the Customers pay fees to PURECYCLE in accordance with the fee schedule set forth in the RANGEVIEW Rules and Regulations, that no additional fees shall be imposed or collected by RANGEVIEW.

(c) Water service to the Property hereunder is subject to the Lease and the Export Water Deed. If any provision of this Agreement creates or causes a breach or violation of the Lease or of the Export Water Deed, the parties shall work together to revise such provision so that it no longer causes such breach or violation.

(d) RANGEVIEW's Rules and Regulations establish the use of EQRs for determining the impact of different water customers on the Water Facilities and for assessing rates and charges. To the extent that they apply to water service to the Property, the standards for determination of an EQR shall not be changed during the term of this Agreement without the prior written consent of AMD, except that AMD's consent shall not be required in the event that development of the Property is not substantially consistent with the Sky Ranch Preliminary Development Plan, Arapahoe County Case Number Z01-010 ("PDP").

(e) The DEVELOPER and/or AMD will secure sufficient water rights to serve the proposed development of the Property as follows:

(i) DEVELOPER shall acquire, transfer and convey, or otherwise effect the transfer and conveyance, to PURECYCLE of good and merchantable title without encumbrances for the Dedicated Groundwater underlying the Property by a conveyance in the form of the "Water Rights Special Warranty Deed" attached as Exhibit D. DEVELOPER shall convey the Dedicated Groundwater to PURECYCLE upon DEVELOPER's request for construction water as provided for in Exhibit C.

(ii) In order to assure sufficient and adequate amounts of Export Water to serve reasonable demands as identified in Exhibit C for the Property, PURECYCLE shall grant the DEVELOPER an option for obtaining water service utilizing Export Water pursuant to the Option Agreement attached hereto as Exhibit F. In the event that the DEVELOPER exercises the Option for export water service ("Option") pursuant to the Option Agreement, the DEVELOPER shall purchase Water Taps and receive such service in accordance with the terms and conditions of this Agreement. The terms and conditions of this Agreement shall be deemed incorporated by reference into the Option Agreement except to the extent they are contrary to or inapplicable to the terms and conditions of the Option Agreement. In the event that the DEVELOPER does not exercise the Option, this Agreement shall be deemed effective for water service only up to 1,500 EQRs.

(iii) DEVELOPER shall be entitled to receive a credit for the Dedicated Ground Water in accordance with Section 4.03(a).

(f) PURECYCLE shall cause the Water Facilities to be designed to comply with applicable requirements of the federal Safe Drinking Water Act or such other similar or successor laws (the "Safe Drinking Water Act") in effect at the time the Water Facilities are constructed. In addition, PURECYCLE shall operate and maintain the Water Facilities, and to the extent necessary, modify or upgrade the Water Facilities, such that the water provided through the Water Facilities complies with the Safe Drinking Water Act.

(g) The responsibilities for the construction, operation, and maintenance and the ownership and/or transfer of ownership, for the Water Facilities generally are set out in Article 3 below.

ARTICLE 3
WATER FACILITIES

3.01 Classification of Water Facilities. For the purposes of this Agreement, Water Facilities are segregated into four categories: Wholesale, Retail, Customer, and Special.

(a) Wholesale Facilities. Wholesale Facilities consist of water wells, well water collection pipelines, water treatment plants, water storage tanks, water storage reservoirs, major water pumping stations, water transmission pipelines, and related appurtenances, all except as may otherwise be identified as Retail Facilities, Special Facilities, or Customer Facilities below. PURECYCLE shall own the Wholesale Facilities. PURECYCLE shall have direct responsibility for the design, construction, operation and maintenance of the Wholesale Facilities in accordance with all state and local governmental requirements. DEVELOPER shall convey or otherwise have transferred to PURECYCLE fee title to or easements acceptable to PURECYCLE for property required for the Wholesale Water Facilities to be located on the Property, including but not limited to the following:

(i) The pump station/water tank site identified as the 3.4-acre, planning area A19, public facility tract on Sheet 5 of 23 of the PDP.

(ii) A northern and a southern wellfield allowing for completing, operating, maintaining, and replacing the wells described in Case No. 85CW157 in the Water Court for Colorado, Water Division No. 1 The northern well field is situated in planning area A8 as shown on the PDP. The southern well field is situated in planning area D10 as shown on the PDP. The dedicated area for each wellfield will be about one acre. PURECYCLE shall work cooperatively with DEVELOPER to establish acceptable legal boundaries for each wellfield, with approval by the DEVELOPER not being unreasonably withheld.

Should DEVELOPER not have or choose not to provide suitable property for the Water Facilities, DEVELOPER shall reimburse PURECYCLE for its costs for acquiring suitable property as an additional designated Special Facility, as is anticipated for the effluent reservoir site in Section 3.01(d)(ii).

(b) Retail Facilities. Retail Facilities shall be the water distribution system to transport potable and irrigation water from connection points with the Wholesale Facilities to all areas of use on the Property. Retail Facilities include, and are limited to, water distribution pipelines ("Water Mains"), valves, fire hydrants, and other appurtenances related to such distribution system. All Water Mains located on or adjacent to the Property shall be considered Retail Facilities. AMD shall be responsible for the design and construction of the Retail Facilities in accordance with the minimum design standards and other provisions contained in RANGEVIEW's Rules and Regulations. Any changes to RANGEVIEW's Rules and Regulations shall be applied consistently to all of RANGEVIEW's customers and to the Property and such changes will not be applied retroactively. AMD shall be solely responsible for all costs for the design and construction of the Retail Facilities independent from any fees, rates and charges assessed by RANGEVIEW. Upon completion of construction, and prior to being placed into operation, AMD shall dedicate and transfer title to all Retail Facilities to RANGEVIEW in accordance with Article 5 of RANGEVIEW's Rules and Regulations. RANGEVIEW's obligations for operation and maintenance of the Retail Facilities shall commence upon its "conditional acceptance" of the Retail Facilities. RANGEVIEW's

obligations for repair or replacement of defective work of the Retail Facilities shall commence upon its "final acceptance" of the Retail Facilities. The terms "conditional acceptance" and "final acceptance" shall have the meanings provided for in Article 5 of RANGEVIEW's Rules and Regulations.

(c) Customer Facilities. Customer Facilities consist of water service pipelines, piping, meters, plumbing, and related appurtenances used to convey water from a Water Main to an individual Customer, including the physical connection of a service line to a Water Main. The dividing point between the Water Main and the Customer Facilities is the downstream end of the Corporation Stop. Customer Facilities shall be constructed in accordance with the requirements contained in RANGEVIEW's Rules and Regulations and with applicable building codes.

(d) Special Facilities. Special Facilities are specified facilities required to provide water service to the Property but which are not

considered Wholesale Facilities, Retail Facilities, or Customer Facilities. Responsibility for funding, planning, design, construction, operation and maintenance of the Special Facilities are set out below. Special Facilities anticipated to serve the Property consist of, and are limited to, the following:

(i) Special Facility "A" includes extraordinary facilities required to allow for the interim use of the irrigation Water Facilities for potable water service to accommodate the Property's development schedule and to allow for the deferred construction of an Offsite Water Transmission Pipeline and certain other facilities. Funding for Special Facility "A" shall be pursuant to Section 4.03 below. PURECYCLE shall own and shall assume responsibilities for the planning, design, construction, operation and maintenance of Special Facility "A".

(ii) Special Facility "B" is an approximately 18-acre site for the proposed effluent storage reservoir. Although the reservoir itself is considered a Wholesale Facility, the property on which the reservoir is to be located is considered a Special Facility since AMD and DEVELOPER represent they do not currently have a suitable site on the Property to dedicate to RANGEVIEW. Funding for Special Facility "B" shall be pursuant to Section 4.04 below. RANGEVIEW shall assume responsibilities for the planning, site selection, and acquisition of Special Facility "B". RANGEVIEW shall own and hold the Property interests for Special Facility "B". RANGEVIEW shall request AMD's and DEVELOPER's approval prior to entering into a purchase contract for the reservoir site, with said approval not being unreasonably withheld.

(iii) Special Facility "C" is the Offsite Water Transmission Pipeline that will transport Export Water to the Property. Said pipeline is to consist of an 18" (or larger) water transmission pipeline and appurtenances located outside of and not directly abutting the Property. Special Facility "C" shall be scheduled to be complete and operational by the time that Water Taps for 1,500 EQRs are purchased for the Property. Funding for Special Facility "C" shall be pursuant to Section 4.03 below. PURECYCLE shall own and shall assume responsibilities

for the planning, design, construction, operation and maintenance of Special Facility "C". AMD shall cooperate with RANGEVIEW in obtaining rights-of-way outside of its boundaries as may be necessary for construction of the Offsite Water Transmission Pipeline, which may include exercising the power of eminent domain.

(iv) Special Facility "D" includes extraordinary facilities required by PURECYCLE to provide effluent water to the Property for irrigation purposes. Special Facility "D" shall be scheduled to be complete and operational by the applicable date shown in the "Special Facilities Schedule" in Exhibit C. Funding for Special Facility "D" shall be pursuant to Section 4.03 below. PURECYCLE shall own and shall assume responsibilities for the planning, design, construction, operation and maintenance of Special Facility "D".

3.02 Construction of Wholesale and Special Facilities. RANGEVIEW and PURECYCLE shall use all reasonable efforts to cause the Wholesale Facilities and Special Facilities, having sufficient capacity to meet the demands described in Exhibit C, to be permitted, designed, acquired, constructed, installed and made ready to be placed into service according with the schedule also shown in Exhibit C. RANGEVIEW's and PURECYCLE's obligations shall be contingent on the timely payment of fees, rates and charges and on the timely execution of other obligations by AMD and DEVELOPER as identified in this Agreement.

3.03 Regulatory Approval Contingencies. All parties to this Agreement acknowledge that the design, construction and operation of the Water Facilities, the Special Facilities, and the wastewater facilities require permits and approvals from regulatory entities including the State of Colorado, Arapahoe County, Tri-County Health Department, Bennett Fire Protection District, and others. The granting of such regulatory permits and approvals is beyond the direct control of the parties to this Agreement. In the event one of the parties receives notice from any regulatory agency of a potential delay in the issuance of a permit or necessary approval, such party shall provide immediate written notice to the other parties of such potential delay. The parties shall mutually cooperate to determine a potential solution to lessen the impact of such delay(s).

3.04 Force Majeure. Without limiting the foregoing, should any party be unable

to perform any obligation required of them under this Agreement because of any cause beyond its control, including but not limited to war, insurrection, riot, civil commotion, strikes, lockout, fire, earthquake, windstorm, flood, acts of governmental authorities, moratoriums, material shortages, or any other force majeure, each party's performance of the obligation affected shall, subject to the provisions of Section 9.01 below, be suspended for so long as such cause prevents it from performing such obligation.

3.05 Unified Operation and Use of Water Facilities. The Water Facilities to be constructed to serve the Property are components of a larger water system planned and to be operated by RANGEVIEW and PURECYCLE. The Water Facilities shall be available for use by all of PURECYCLE's customers in accordance with RANGEVIEW's Rules and Regulations and with sound domestic water system engineering, management and operational practices. If PURECYCLE defaults in its obligations under this Agreement and AMD assumes operation of the Water Facilities in accordance with Section 9.02, AMD shall have the right to serve its existing Customers first and then to provide water service to the remaining Export Water

customers. The parties agree that every effort shall be taken to provide continuous, uninterrupted water service to existing Customers.

3.06 Deeds of Trust and Security Interests. In order to secure the obligations of PURECYCLE under this Agreement, PURECYCLE shall provide, to the extent held by PURECYCLE, AMD and DEVELOPER with a first-priority deed of trust and/or Uniform Commercial Code security interest ("UCC Security Interest"), as appropriate, in PURECYCLE's rights to the following collateral: (i) the Dedicated Groundwater, immediately upon any conveyances by DEVELOPER to PURECYCLE pursuant to Section 2.01(e)(i); (ii) the Wholesale Facilities, together with any real property associated therewith upon commencement of construction of such facilities; (iii) Special Facilities A, C and D, together with any real property associated therewith upon commencement of construction of such facilities; and (iv) any other real property or easements (together with any existing or future improvements thereon) conveyed or granted by AMD or the DEVELOPER to PURECYCLE, simultaneously with such conveyance. In order to secure the obligations of RANGEVIEW under this Agreement, RANGEVIEW shall provide AMD a first-priority deed of trust and/or UCC Security Interest in Special Facility B and the Retail Facilities, together with any real property conveyed or granted to RANGEVIEW associated with the Special Facilities and the Retail Facilities. PURECYCLE previously granted a first-priority deed of trust and/or UCC Security Interest to the Land Board in the Export Water. PURECYCLE shall grant AMD and DEVELOPER with a second-priority deed of trust and/or UCC Security Interest in the Dedicated Export Water, as defined in the Option Agreement, at the time the Option is exercised by the DEVELOPER. Upon the payment of Water Tap Fees by the DEVELOPER, PURECYCLE shall obtain, with respect to the Dedicated Export Water applicable to such Water Tap Fees, the release of any first-priority deed of trust and/or UCC Security Interests in the Export Water, such that AMD and the DEVELOPER Deed of Trust and/or UCC Security Interest shall remain as the only first-priority Deed of Trust and/or UCC Security Interest in the Export Water. PURECYCLE covenants that it shall not place any additional encumbrances on the Dedicated Export Water without AMD's and/or DEVELOPER's prior written consent. All of the deeds of trusts and/or UCC Security Interests referenced in this Section 3.06 shall remain in place until DEVELOPER has purchased all of the Water Taps pursuant to Exhibit C.

3.07 Parties Obligated. RANGEVIEW is liable and responsible only for the specific undertakings provided for in Sections 3.01(b) and 3.01(d)(ii) above and shall have no liability or responsibility whatever for performance of any obligations imposed upon PURECYCLE under this Agreement. Services to be provided by RANGEVIEW pursuant to Section 3.01(b) above shall be provided by PURECYCLE, but RANGEVIEW shall nevertheless be primarily obligated and responsible to the other parties to this Agreement for the performance of those services. Notwithstanding the foregoing, RANGEVIEW shall still be obligated to enforce the provisions of any agreements it has with PURECYCLE that affect the rights and obligations of AMD and/or the DEVELOPER under this Agreement.

3.08 Delegation of Authority. AMD represents that it has power and authority to provide water service to users on the Property and to design and construct the Retail Water Facilities in aid thereof. AMD and RANGEVIEW each recognizes in the other the right to make and enforce rules and regulations and to perform the terms of this Agreement, but AMD shall not interfere with RANGEVIEW and PURECYCLE in the enforcement of RANGEVIEW's Rules and

Regulations or the performance of its obligations under this Agreement to provide water service to the Property. AMD hereby delegates and grants to

RANGEVIEW and PURECYCLE all such authority deemed necessary by RANGEVIEW and PURECYCLE to perform their respective obligations under this Agreement, including without limitation all of the power and authority needed to impose and collect RANGEVIEW's rates, fees, and charges for all service provided hereunder and for normal incidental purposes reasonably related thereto. AMD shall require the Customers on the Property to pay RANGEVIEW's rates, fees, and charges, and RANGEVIEW and PURECYCLE shall have power to enforce collection of all such rates, fees, and charges in the manner provided for in RANGEVIEW's Rules and Regulations.

ARTICLE 4
FEES, RATES, CHARGES, CREDITS AND REIMBURSEMENTS

4.01 General. RANGEVIEW shall establish and from time to time may amend rates, fees and charges for water service, which are incorporated herein by reference. Except as otherwise provided for in this Agreement, such rates, fees and charges shall apply to all Customers on the Property obtaining domestic water service from PURECYCLE. For information purposes, the Water Tap Fees and water service charges in effect as of the Effective Date of this Agreement are shown in Exhibit E.

4.02 Water Tap Fees. DEVELOPER shall purchase Water Taps from PURECYCLE for use on the Property in accordance with the "Water Tap Takedown Schedule" in Exhibit C.

4.03 Special Facilities"A","C" and"D". DEVELOPER shall participate in funding the construction of Special Facilities "A", "C" and "D", as identified in Section 3.01(d), using a combination of groundwater dedication credits and special facilities surcharges:

(a) Groundwater Dedication Credits: In lieu of DEVELOPER receiving credits towards the Water Resource Charge portion of Water Tap Fees for DEVELOPER's dedication of approved Dedicated Groundwater per Section 2.01(e)(i), these credits shall be used to fund a portion of the Fund, as hereafter defined. The credit shall be calculated using the Water Resource Charge portion of the Water Tap Fee and shall be granted in accordance with RANGEVIEW's Rules and Regulations, with only one credit being applied to each Water Tap purchased by DEVELOPER. The amount of the credit, using the current Water Resource Charge, is approximately $2,152,000 (which is $3,400 per EQR times 443 acre feet/year divided by 0.7 acre feet/year per EQR). This amount shall be allocated to the Fund.

(b) Special Facilities Surcharge: DEVELOPER shall pay a special facilities surcharge for the first 1,500 Water Taps purchased. The initial surcharge shall be $442 per EQR; however, if additional facilities are required with respect to Special Facility "D", PURECYCLE and the DEVELOPER will renegotiate the amount of the surcharge.

DEVELOPER's sole obligations for participating in Special Facilities "A", "C", and "D" shall be the Groundwater Dedication Credits per Section 4.03(a) above, payment of the special facilities surcharges as described in Sections 4.03(b) above, and the provision of acceptable

easements for the Special Facilities in accordance with Section 6.02(c). The parties shall establish a Special Facilities Fund (the "Fund"), which shall be held by the Bank of Cherry Creek, a Branch of Western National Bank (the "BANK"). The Escrow Agreement between the DEVELOPER, PURECYCLE and the BANK substantially in the form of Exhibit G is attached hereto. DEVELOPER shall deposit amounts equal to the Groundwater Dedication Credits and the Special Facilities Surcharges into the Fund in accordance with the provisions of the Tap Fee Schedule set forth in Exhibit C. Interest shall accrue to the benefit of the Fund. Funds shall be used by PURECYCLE only for direct and indirect costs for the planning, right-of-way acquisition, design, construction, inspection, and other necessary activities for Special Facilities "A", "C", and "D", with these activities being performed in a timely manner such that each special facility is ready to be placed into service as needed and in general accordance with Table C-2, the Special Facilities Schedule, in Exhibit C. The BANK shall maintain a ledger of the Fund and shall provide DEVELOPER and PURECYCLE with a copy of the ledger within seven days of notice by DEVELOPER and PURECYCLE requesting same. If any funds remain in the Fund following completion of the construction of Special Facilities "A", "C", and "D", said funds shall be disbursed to PURECYCLE. In the event that the Fund is insufficient to complete the construction of Special Facilities "A", "C", and "D", PURECYCLE shall be responsible for providing additional funds. In the event that the DEVELOPER does not exercise the Option, any unused funds remaining in the Fund after construction of Special Facilities "A","C" and "D" shall be disbursed to the DEVELOPER.

4.04 Special Facility"B". AMD shall reimburse RANGEVIEW for the actual costs and expenses for Special Facility "B" in an amount not to exceed $270,000.00 (the "Maximum SFB Budget"). If the costs for Special Facility "B" exceed the Maximum SFB Budget, RANGEVIEW shall provide AMD with documentation supporting such increased cost. AMD will have fifteen days to review such information. If AMD is satisfied with the documentation regarding the increased cost AMD will agree to pay such increased costs. If AMD is not satisfied with the documentation regarding such increased costs, RANGEVIEW and AMD will work together to mutually resolve the issue, including further negotiation with the property owner to reduce the cost or parties may determine to pursue condemnation of such property. If the parties are unable to reach resolve about the increased costs of Special Facility "B", RANGEVIEW will pay 60% and AMD will pay 40% of those costs exceeding the Maximum SFB Budget. The selection and purchase of the reservoir site is anticipated to be completed on or about the date set forth in the "Special Facilities Schedule" in Exhibit C. Payment by AMD to RANGEVIEW shall be due upon closing for the site purchase, with RANGEVIEW providing AMD at least thirty days advanced notice of the closing date. Should AMD subsequently obtain a reservoir site, suitable in time and place to RANGEVIEW, and convey this site to RANGEVIEW, then AMD shall only reimburse RANGEVIEW for the costs and expenditures incurred by RANGEVIEW for obtaining title for the reservoir site. Title for the reservoir site shall be held by RANGEVIEW.

4.05 DEVELOPER Reimbursement. Reimbursement opportunities, as provided for in Article 5 of RANGEVIEW's Rules and Regulations, shall be available to the DEVELOPER only for the Offsite Water Transmission Pipeline, Special Facility "C".

ARTICLE 5
DOMESTIC WASTEWATER TREATMENT FACILITIES

5.01 Service to PURECYCLE. AMD shall arrange for the collection and treatment of domestic wastewater from the Property and shall arrange for the treated wastewater to be available to PURECYCLE for use in PURECYCLE's reclaimed water system, all as provided for in Exhibit B.

5.02 Wastewater Service Charges. AMD will establish the rates, fees, tolls, and charges for connection to and use of the wastewater system in accordance with rules and regulations to be adopted by AMD and that are to be uniformly applied to all wastewater customers on the Property, including PURECYCLE, subject to the provisions of Exhibit B. PURECYCLE shall be subject to applicable conditions and provisions of AMD's rules and regulations with regards solely to PURECYCLE's obtaining wastewater service from AMD.

5.03 IrrigationSystem. AMD and DEVELOPER shall cooperate with PURECYCLE in the planning, design, construction, operation, maintenance, and management of the irrigation Water Facilities such that almost all irrigation demands throughout the Property are met using reclaimed water or raw water. If PURECYCLE is unable to use reclaimed water, the acre-foot per EQR calculation will be adjusted accordingly.

ARTICLE 6
REPRESENTATIONS, WARRANTIES AND COVENANTS

6.01 AMD Representations and Covenants. In addition to the other representations, warranties and covenants made by AMD herein, AMD makes the following representations, warranties and covenants:

(a) AMD is duly authorized to execute this Agreement and perform its obligations hereunder, and all action on its part for the execution and delivery of this Agreement has been or will be duly and effectively taken.

(b) AMD shall at its sole cost develop, design, acquire, construct, and install all Retail Facilities in accordance with Section 3.01(b) herein. Upon completion of construction, all Retail Facilities shall be conveyed to RANGEVIEW pursuant to Article 5 of RANGEVIEW's Rules and Regulations.

(c) AMD shall participate in all Special Facilities as provided for in Sections 3.01(d) and 4.04 and elsewhere in this Agreement.

(d) AMD anticipates performing over lot grading, installing streets, sanitary sewers, and storm sewers, and other development activities on the Property. AMD acknowledges that construction of the Water Facilities can only proceed concurrently with these other development activities. AMD

shall endeavor to schedule and cause these other development activities to occur in a manner and on a schedule that allow for the efficient, cost effective, and timely construction of all water facilities.

(e) AMD shall abide by all applicable conditions and provisions of RANGEVIEW's Rules and Regulations with regard solely to water service for the Property.

(f) AMD shall keep and perform all of their covenants and agreements contained herein in a timely manner that will not impede RANGEVIEW, PURECYCLE or DEVELOPER from meeting their respective obligations.

(g) Neither the execution of this Agreement, the consummation of the transactions contemplated hereunder, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by AMD will conflict with or result in a breach of any terms, conditions or provisions of, or constitute a default under, or result in the imposition of any prohibited lien, charge or encumbrance of any nature under any agreement, instrument, indenture or any judgment, order or decree to which AMD is a party or by which AMD is bound.

6.02 DEVELOPER Representations and Covenants. In addition to the other representations, warranties and covenants made by DEVELOPER herein, DEVELOPER makes the following representations, warranties and covenants:

(a) DEVELOPER is duly authorized to execute this Agreement and perform its obligations hereunder, and all action on its part for the execution and delivery of this Agreement has been or will be duly and effectively taken.

(b) DEVELOPER shall at no cost to PURECYCLE provide or otherwise transfer to PURECYCLE acceptable easements for pipelines, utilities and access to the wholesale water facilities described in Section 3.01(a) above and to Special Facilities to be located on the Property.

(c) DEVELOPER shall provide or otherwise transfer to AMD, or directly to RANGEVIEW upon AMD's direction, easements in accordance with RANGEVIEW's Rules and Regulations for all Retail Facilities to be located on the Property.

(d) DEVELOPER anticipates installation of the electric power distribution system, and other development activities on the Property. DEVELOPER acknowledges that construction of the Water Facilities can only proceed concurrently with these other development activities. DEVELOPER shall endeavor to schedule and cause these other development activities to occur in a manner and on a schedule that allow for the efficient, cost effective, and timely construction of the water facilities.

(e) DEVELOPER anticipates installing a portion of the Customer Facilities. In any event, RANGEVIEW and PURECYCLE shall not incur or be responsible for any cost or expense related to any Customer Facilities except as may be specifically provided for in RANGEVIEW's Rules and Regulations.

(f) DEVELOPER shall abide by all applicable conditions and provisions of RANGEVIEW's Rules and Regulations with regard solely to water service for the Property.

(g) DEVELOPER shall keep and perform all of their covenants and agreements contained herein in a timely manner that will not impede RANGEVIEW, PURECYCLE and AMD from meeting their obligations.

(h) Neither the execution of this Agreement, the consummation of the transactions contemplated hereunder, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by DEVELOPER will conflict with or result in a breach of any terms, conditions or provisions of, or constitute a default under, or result in the imposition of any prohibited lien, charge or encumbrance of any nature under any agreement, instrument, indenture or any judgment, order or decree to which DEVELOPER is a party or by which DEVELOPER or the Property are bound.

6.03 PURECYCLE Representations and Covenants. In addition to the other representations, warranties and covenants made by PURECYCLE herein, PURECYCLE makes the following representations, warranties and covenants:

(a) PURECYCLE is duly authorized to execute this Agreement and perform its obligations hereunder, and all action on its part for the execution and delivery of this Agreement has been or will be duly and effectively taken.

(b) PURECYCLE shall keep and perform all of its covenants and agreements contained herein in a timely manner that will not impede AMD, DEVELOPER or

RANGEVIEW from meeting their respective obligations.

(c) PURECYCLE shall reserve Export Water sufficient to provide water service to the Property in substantial conformance with the development approved in the PDP and pursuant to the provisions of the Option Agreement.

(d) Neither the execution of this Agreement, the consummation of the transactions contemplated hereunder, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by PURECYCLE will conflict with or result in a breach of any terms, conditions or provisions of, or constitute a default under, the Export Water Agreement, the Export Water Deed, or any other agreement, mortgage, indenture, or instrument to which PURECYCLE is a party, or result in the imposition of any prohibited lien, charge or encumbrance of any nature under any agreement, instrument, indenture or any judgment, order or decree of any court to which PURECYCLE is a party or by which PURECYCLE is bound.

(e) Water Rights. PURECYCLE shall provide to AMD and DEVELOPER an opinion letter of water counsel in the form of Exhibit H within sixty (60) days of the mutual execution of this Agreement prepared by Petrock and Fendel, P.C., for the benefit of AMD and the DEVELOPER. Petrock and Fendel, P.C. will provide to AMD and DEVELOPER evidence of its liability insurance coverage, including the amount of coverage provided.

(f) PURECYCLE shall abide by all applicable conditions and provisions of AMD's Rules and Regulations with regard solely to Wastewater Service.

(g) Estoppels. RANGEVIEW and PURECYCLE shall request from the Land Board assurances concerning the current status and validity of the Lease. The Land Board's assurances shall be in the general form of the Estoppel Certificate provided in Exhibit I. RANGEVIEW shall also provide an estoppel concerning the current status and validity of the Lease in the general form of the Estoppel Certificate provided in Exhibit J within 60 days of mutual execution of this Agreement

6.04 RANGEVIEW Representations. RANGEVIEW makes the following representations, warranties and covenants:

(a) RANGEVIEW is duly authorized to execute this Agreement and perform its obligations hereunder, and all action on its part for the execution and delivery of this Agreement has been or will be duly and effectively taken.

(b) RANGEVIEW shall keep and perform all of their covenants and agreements contained herein in a timely manner that will not impede PURECYCLE, DEVELOPER and AMD from meeting their respective obligations.

(c) Neither the execution of this Agreement, the consummation of the transactions contemplated hereunder, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by RANGEVIEW will conflict with or result in a breach of any terms, conditions or provisions of, or constitute a default under, the Lease, the Export Water Agreement, the Export Water Deed, or any other agreement, mortgage, indenture, or instrument to which RANGEVIEW is a party or by which RANGEVIEW is bound, or result in the imposition of any prohibited lien, charge or encumbrance of any nature under any agreement, instrument, indenture or any judgment, order or decree of any court to which RANGEVIEW is a party or by which RANGEVIEW is bound.

6.05 Instruments of Further Assurance. AMD, DEVELOPER, PURECYCLE and RANGEVIEW covenant that they will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such acts, instruments and transfers as may reasonably be required for the performance of their obligations hereunder.

ARTICLE 7
DEFAULT BY AMD; REMEDIES AND ENFORCEMENT

7.01 Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default by AMD under this Agreement:

(a) Failure by AMD to make payment of any fees or charges identified herein when the same shall become due and payable as provided herein.

(b) Failure by AMD to design and construct the Retail Facilities in a timely manner.

(c) Failure by AMD to provide wastewater service to PURECYCLE or to provide adequately treated wastewater effluent to PURECYCLE in accordance with Section 5.02 above.

(d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of AMD in this Agreement.

7.02 Remedies on Occurrence of Event of Default. Upon the occurrence of an Event of Default by AMD, and after all cure periods have expired, RANGEVIEW, acting on its own or on PURECYCLE's behalf, shall have the following rights and remedies, any or all of which may be pursued in the sole discretion of RANGEVIEW:

(a) To protect and enforce its rights under this Agreement and any provision of law by such suit, action or special proceedings as RANGEVIEW may deem appropriate, including without limitation for the enforcement of any appropriate legal or equitable remedy, or for the recovery of damages caused by breach of this Agreement, including attorneys' fees and all other costs and expenses incurred in enforcing this Agreement.

(b) To exercise any and all other remedies provided by RANGEVIEW's Rules and Regulations and this Agreement, until the default is fully cured. Any delay in a payment due pursuant to Article 4 shall extend the time of performance of PURECYCLE's and RANGEVIEW's obligations under Section 3.02 above.

(c) To take or cause to be taken such other actions as it deems necessary to enforce its rights hereunder.

7.03 Cure of Default. In the Event of Default by AMD, the default may be cured as described following:

(a) For default caused due to a failure by AMD to make payments, or by DEVELOPER on behalf of AMD, making payment to PURECYCLE within sixty days of RANGEVIEW's notice of the default of all amounts due through the date of payment plus all costs incurred by PURECYCLE as a result of the default.

(b) For other defaults, by AMD's performance, or by DEVELOPER's performance on behalf of AMD, within sixty days of RANGEVIEW's notice of the Default, or if more than sixty days is reasonably required to cure such default, by commencing to correct the default within said sixty-day period and thereafter prosecuting the same to completion with reasonable diligence.

7.04 Delay or Omission of Waiver. No delay or omission of RANGEVIEW, PURECYCLE or DEVELOPER to exercise any right or power accruing upon any Event of Default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein.

7.05 No Waiver of One Default to Affect Another; All Remedies Cumulative. No waiver of any Event of Default hereunder by RANGEVIEW, PURECYCLE or DEVELOPER shall extend to or affect any subsequent or any other then existing Event of Default or shall impair any rights

or remedies consequent thereon. All rights and remedies of RANGEVIEW, PURECYCLE and DEVELOPER provided herein may be exercised with or without notice, shall be cumulative, may be exercised separately, concurrently or repeatedly, and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

ARTICLE 8

DEFAULT BY DEVELOPER; REMEDIES AND ENFORCEMENT

8.01 Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default by DEVELOPER under this Agreement:

(a) Failure by DEVELOPER to make payment of any Water Tap Fees or other fees or charges identified herein when the same shall become due and payable as provided herein.

(b) Failure by DEVELOPER to convey, or otherwise effect the conveyance of, the Dedicated Groundwater to PURECYCLE as provided herein.

(c) Failure by DEVELOPER to provide fee title to or easements for any property required by PURECYCLE for the Wholesale Water Facilities to be located on the Property.

(d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of DEVELOPER in this Agreement.

8.02 Remedies on Occurrence of Event of Default. Upon the occurrence of an Event of Default by DEVELOPER, and after all cure periods have expired, PURECYCLE, acting on its own or on RANGEVIEW's behalf, shall have the following rights and remedies, any or all of which may be pursued in the sole discretion of PURECYCLE:

(a) To protect and enforce its rights under this Agreement and any provision of law by such suit, action or special proceedings as PURECYCLE may deem appropriate, including without limitation for the enforcement of any appropriate legal or equitable remedy, or for the recovery of damages caused by breach of this Agreement, including attorneys' fees and all other costs and expenses incurred in enforcing this Agreement in the event PURECYCLE prevails in its exercise of such remedies, and DEVELOPER agrees that PURECYCLE shall have the right to proceed against DEVELOPER for specific performance of any covenant or agreement contained herein.

(b) To exercise any and all other remedies provided by RANGEVIEW Rules and Regulations and this Agreement, until the default is fully cured. Any delay in a payment due pursuant to Article 4 shall extend the time of performance of PURECYCLE's and RANGEVIEW's obligations under Section 3.02 above.

(c) To take or cause to be taken such other actions as it deems necessary to enforce its rights hereunder.

(d) In the event PURECYCLE prevails in its exercise of such remedies, any expenses incurred by PURECYCLE in connection with the remedies set forth herein shall become due and payable by DEVELOPER immediately without notice and shall bear interest at a percentage rate of ten percent (10%) per annum.

8.03 Cure of Default. In the Event of Default by DEVELOPER, the default may be cured as described following:

(a) For default caused due to a failure by DEVELOPER to make payments as set forth in Section 8.01(a) above, by DEVELOPER, or by AMD on behalf of DEVELOPER, making payment to RANGEVIEW and/or PURECYCLE within sixty days of PURECYCLE's notice of the default of all amounts due through the date of payment plus all costs incurred by PURECYCLE as a result of the default.

(b) For other defaults, by DEVELOPER's performance, or by AMD's performance on behalf of DEVELOPER, within sixty days after the Event of Default, or if more than sixty days is reasonably required to cure such default, by commencing to correct the default within said sixty-day period and thereafter prosecuting the same to completion with reasonable diligence.

8.04 Delay or Omission of Waiver. No delay or omission of RANGEVIEW, PURECYCLE or AMD to exercise any right or power accruing upon any Event of Default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein.

8.05 No Waiver of One Default to Affect Another; All Remedies Cumulative. No waiver of any Event of Default hereunder by RANGEVIEW, PURECYCLE or AMD shall extend to or affect any subsequent or any other then existing Event of Default or shall impair any rights or remedies consequent thereon. All rights and remedies of RANGEVIEW, PURECYCLE and AMD provided herein may be exercised with or without notice, shall be cumulative, may be exercised separately, concurrently or repeatedly, and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

ARTICLE 9
DEFAULT BY RANGEVIEW OR PURECYCLE; REMEDIES AND ENFORCEMENT

9.01 Termination for Frustration of Essential Purpose.

(a) If a failure to obtain necessary regulatory approval, any force

majeure, or any default by RANGEVIEW or PURECYCLE in the performance of their obligations hereunder causes a delay in the construction of any essential element of the Water Facilities, and it is impossible for any reconfiguration of the Water Facilities, or for any assumption of control pursuant to Section 9.02 below (if applicable under the circumstances), to achieve water service to the Property, AMD or DEVELOPER shall have the right to terminate this Agreement upon written notice to RANGEVIEW and PURECYCLE. Notwithstanding the foregoing, the parties will mutually cooperate to the

extent possible with respect to delays pursuant to this Section. However, if AMD or the DEVELOPER determine that such delays pursuant to this Section will not be resolved in a timely manner, AMD or the DEVELOPER shall have the right to terminate the Agreement upon sixty (60) days' written notice to PURECYCLE and RANGEVIEW.

(b) Upon receipt of a notice issued pursuant to subsection (a) above, RANGEVIEW and PURECYCLE shall immediately cease all work on the Water Facilities, except such work as may be required for the protection of public safety, to secure and protect the site of any construction work, and to preserve the utility of any non-construction work for possible future use.

(c) In the event of a termination under this Section 9.01, AMD and DEVELOPER shall pay RANGEVIEW and PURECYCLE for all work performed and materials purchased through and including the date on which RANGEVIEW and PURECYCLE receive such notice and for reasonable termination expenses it incurred unless RANGEVIEW or PURECYCLE has committed a material breach of this Agreement which is the proximate cause of the impossible circumstance. In that event, AMD and DEVELOPER shall not be required to pay RANGEVIEW or PURECYCLE for any work performed and materials purchased. In addition, if a material breach of this Agreement by RANGEVIEW or PURECYCLE is the proximate cause of the impossible circumstance, this subsection (c) shall not be construed to bar AMD or DEVELOPER from claiming whatever damages it may be entitled to as a result of such breach.

(d) For the purposes of this Section 9.01, the term "impossible" shall mean a circumstance in which RANGEVIEW or PURECYCLE is truly prevented from performing, and not that continued performance is merely impracticable or unreasonably expensive. Such a circumstance must be beyond the control of and not created by AMD or DEVELOPER.

9.02 AMD's Right to Assume Control of Water Facilities.

(a) In the event of a material default by PURECYCLE or RANGEVIEW in the performance of their obligations hereunder, AMD shall be entitled to assume the rights and obligations of RANGEVIEW and PURECYCLE with respect to operation of those Water Facilities which directly provide service to the Property, including the right to use the Dedicated Export Water reserved by PURECYCLE to service the Property provided AMD has exercised the Option, along with the concomitant groundwater supply and water transmission facilities for said Dedicated Export Water. To the extent that any of the Dedicated Export Water facilities also serve other customers, AMD shall have the right to provide water service to its Customers first and then to provide service to other customers receiving service from the Export Water.

(b) The assumption rights granted to AMD herein are subject to any and all applicable terms and conditions of the Lease, the Export Water Deed, and any obligations recorded in the Arapahoe County Clerk and Recorder's Office with respect to the Lease or the Export Water.

(c) If the DEVELOPER has exercised the Option provided for in Section 2.01(e)(ii), and to the extent that more than 1,500 Water Taps have been purchased for the Property, PURECYCLE shall, upon AMD's request and following a material default by PURECYCLE or RANGEVIEW, convey title to AMD of the number of acre feet of Export Water allocable on an EQR basis necessary to service Water Taps purchased by AMD and/or the DEVELOPER prior to the date of transfer. PURECYCLE shall convey such Export Water pursuant to the terms of a deed in the same form and with the same rights and obligations as the Export Water Deed. Such transfer will be free and clear of any security interests and other liens provided AMD pays the Water Resource Charge allocable to such taps to the trust account of Davis Graham & Stubbs LLP to enable that firm to release outstanding security interests.

(d) If AMD places additional Water Taps in service after assuming control of the Water Facilities pursuant to this Section 9.02, PURECYCLE will convey title to AMD of the additional Dedicated Export Water allocable to such taps, provided AMD pays the Water Resource Charge allocable to such taps to the trust account of Davis Graham & Stubbs LLP to enable that firm to release outstanding security interests.

(e) If AMD assumes control of the Water Facilities pursuant to this Section 9.02, AMD will not be responsible for paying any fees, rates or charges to PURECYCLE except as provided in Section 9.02(d) above.

(f) For the purposes of this Section 9.02, a material default shall be defined as a failure to perform a material term, covenant or condition in this Agreement which continues uncured for a period of sixty (60) days after written notice specifically setting forth the nature of the default has been given by AMD or DEVELOPER to RANGEVIEW and PURECYCLE, or if more than sixty (60) days is reasonably required to cure such matter complained of, if RANGEVIEW and PURECYCLE shall fail to commence to correct the same within said sixty (60) day period or shall thereafter fail to prosecute the same to completion with reasonable diligence. Unless otherwise agreed upon by AMD and DEVELOPER, any material defaults shall be cured within ninety (90) days of such notice.

(g) Insolvencyand OtherProceedings. In the event of any bankruptcy or insolvency proceedings, any other debtor-creditor actions or proceedings, or any other litigation, actions, or proceedings whatsoever involving PURECYCLE and/or RANGEVIEW, whether voluntary or involuntary, both PURECYCLE and RANGEVIEW each hereby agree that each of them will use reasonable efforts to prevent water service, or rights to water service for any existing water users within AMD from being terminated, interrupted, reduced, modified, or threatened.

9.03 Foreclosure. In addition to all of the foregoing rights and remedies, in the event of a material default by PURECYCLE or RANGEVIEW in the performance of their obligations under this Agreement or the Option Agreement, AMD and/or the DEVELOPER may exercise any rights provided pursuant to the deeds of trust and security interests granted under Section 3.06, including the right to foreclose on any Deeds of Trust or Security Interests, and to exercise, enforce, or assert any and all other rights and remedies that are available in law or in equity.

ARTICLE 10
MISCELLANEOUS PROVISIONS

10.01 Effective Date; Contingency. This Agreement shall be in full force and effect and be legally binding on the date it is fully executed and delivered by the Parties hereto and upon the meeting of the contingency described immediately below. This entire Agreement is expressly contingent upon approval from Arapahoe County of the PDP. If said approval of the PDP is not obtained in a timely manner, but in no event later than June 1, 2004, any Party may terminate the Agreement on or before September 1, 2004, upon thirty days written notice to all Parties and this Agreement shall be terminated and of no force or effect, except that, in the event of termination pursuant to this Section, DEVELOPER shall reimburse RANGEVIEW and PURECYCLE for all administrative, engineering and attorney fees and expenses incurred by RANGEVIEW and PURECYCLE in pursuing and planning for water service to the Property prior to such date of termination.

10.02 Termination Contingency.

(a) Development Approvals. Development of the Property is contingent upon DEVELOPER obtaining approval from Arapahoe County of a Final Development Plan ("FDP") for a portion of the Property targeted for initial development, as identified as "Phase 1 (Neighborhood A-1)" in the PDP. If said approval of the FDP is not obtained in a timely manner, but in no event later than twenty four (24) months after the Effective Date of this Agreement, any Party may terminate the Agreement on or before July 1, 2006 upon thirty days written notice to all Parties.

(b) Water Service Marketability. DEVELOPER has raised concerns about the marketability of the Property based on the Export Water supply. If the DEVELOPER is unable to consummate a sale or sales of at least 700 lots to a nationally recognized homebuilder or homebuilders within 24 months of the date of approval of the FDP for the Property, due principally to the homebuilders' or the homebuilder's concern over the Export Water, which concern must be supported and documented, then the DEVELOPER and AMD shall be entitled to terminate the Agreement by giving written notice thereof to RANGEVIEW and PURECYCLE. Termination shall be contingent upon the right of RANGEVIEW and PURECYCLE to address such documented homebuilder concerns with engineering evaluations and other documentation as they choose. If PURECYCLE is unable to persuade the homebuilder or homebuilders to meet with PURECYCLE and RANGEVIEW to address the documented homebuilder's or homebuilders' concerns, or to consummate the acquisition of the property as evidenced by a deed for all or a portion of the property within 60 days of

notice of termination, then this Agreement shall be deemed effectively terminated on said 60th day.

(c) Water Rights. If AMD or the DEVELOPER are unsatisfied with the opinion of water counsel provided pursuant to Section 6.03(e), AMD or the DEVELOPER shall have the right to terminate this Agreement by giving written notice to RANGEVIEW and PURECYCLE. In no event shall AMD or the DEVELOPER have the right to terminate

this Agreement pursuant to this Section after the Board of County Commissioners of Arapahoe County has approved the PDP.

(d) In the event of termination pursuant to this Section 10.02, PURECYCLE shall retain ownership of any and all Wholesale Facilities completed, substantially completed, or as may be under construction at the date of termination, including any property, rights-of-way and easements required for their access, operation and maintenance. DEVELOPER shall fully reimburse PURECYCLE and RANGEVIEW for all direct and indirect costs and expenses incurred by them in pursuance of their respective obligations hereunder prior to the date of termination up to a maximum of $100,000.00. PURECYCLE and RANGEVIEW shall provide DEVELOPER with invoices and canceled checks evidencing such obligations. The DEVELOPER will reimburse PURECYCLE and RANGEVIEW within 60 days of receipt of the same.

10.03 Time is of the Essence. Time is of the essence hereof; provided, however, that if the last day permitted or the date otherwise determined for the performance of any act required or permitted under this Agreement falls on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding business day, unless otherwise expressly stated.

10.04 Term. This Agreement shall extend in perpetuity unless otherwise terminated as provided for herein.

10.05 Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any Person other than AMD, DEVELOPER, PURECYCLE and RANGEVIEW, any right, remedy or claim under or by reason of this Agreement or any covenants, terms, conditions or provisions thereof. All the covenants, terms, conditions and provisions in this Agreement by and on behalf of AMD, DEVELOPER, PURECYCLE and RANGEVIEW shall be for the sole and exclusive benefit of the Parties hereto.

10.06 Covenants Run With the Land. The covenants, terms, conditions and provisions set forth in this Agreement shall inure to and be binding upon the representatives, successors and assigns of the Parties hereto and shall run with the Property. This Agreement or a Memorandum of Agreement shall be executed by the Parties and recorded against the Property.

10.07 Notices. Except as otherwise provided herein, all notices or payments required to be given under this Agreement shall be in writing and shall be hand-delivered or sent by certified mail, return receipt requested, to the following addresses:

To AMD: Airpark Metropolitan District
141 Union Boulevard, Suite 150
Lakewood, Colorado 80228-1556
Tel (303)987-0835
Fax (303)987-2032

To DEVELOPER: Icon Investors I, LLC
5299 DTC Boulevard, Suite 815

Greenwood Village, CO 80111
Tel (303)984-9800
Fax (303)984-9874

To PURECYCLE: Pure Cycle Corporation
8451 Delaware Street
Thornton, Colorado 80260
Tel (303)292-3456
Fax (303)292-3475

To RANGEVIEW: Rangeview Metropolitan District
141 Union Boulevard, Suite 150
Lakewood, Colorado 80228-1556
Tel (303)987-0835

All notices will be deemed effective one (1) day after hand-delivery or three (3) days after mailing by registered or certified mail, postage prepaid with return receipt. Any Party by written notice so provided may change the address to which future notices shall be sent.

10.08 Severability. If any covenant, term, condition or provision under this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such covenant, term, condition or provision shall not affect any other provision contained herein, the intention being that such provisions are severable.

10.09 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, but all of which shall constitute one and the same document.

10.10 Amendment. This Agreement may be amended from time to time by agreement between the Parties hereto; provided, however, that no amendment, modification or alteration of the terms or provision hereof shall be binding upon either party unless the same is in writing and duly executed by all Parties hereto.

10.11 Integration. This Agreement constitutes the entire agreement between the Parties hereto concerning the subject matter hereof, and all prior negotiations, representations, contracts, understandings or agreements pertaining to such matters are merged into and superseded by this Agreement.

10.12 Governing Law. This Agreement arises out of the transaction of business in the State of Colorado by the Parties hereto. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado. The performance by the Parties hereto of their respective obligations provided for in this Agreement shall be in strict compliance with all applicable laws and the rules and regulations of all governmental agencies, municipal, county, state and federal, having jurisdiction in the premises.

10.13 Assignment. Except for the assignment by AMD to another Title 32 metropolitan district, this Agreement shall not be assignable by any of the parties hereto, without the prior written consent of all of the other parties, which consent shall not be unreasonably withheld or

delayed. Any attempted assignment not in accordance with this Section shall be void and of no force or effect. AMD will provide each of the other parties with written notice of such permitted assignment.

ARTICLE 11

Insurance, Bonds, and Liens

11.01 Insurance. PURECYCLE shall at all times carry insurance in amounts and with carriers acceptable to AMD for workers' compensation coverage fully covering all persons engaged in the performance of this Agreement in accordance with Colorado law, and for public liability insurance covering death and bodily injury with limits of not less than $1,500,000 for one person and $5,000,000 for any one accident or disaster, and property damage coverage with limits of not less than $500,000, which insurance shall name AMD and the DEVELOPER as additional insureds.

11.02 Insurance and Bonds of Contractors. PURECYCLE shall cause its contractors and subcontractors to maintain adequate insurance and to obtain performance bonds and labor and materials payments bonds in accordance with all statutory requirements. Insurance provided by contractors for construction activities to PURECYCLE must list AMD and the DEVELOPER as additional insureds.

11.03 Liens. With respect to any work to be performed by PURECYCLE and/or RANGEVIEW on the Property, the party performing the actual work shall protect the Property from mechanic's liens, and shall indemnify the DEVELOPER and any other property owner from and against and with respect to any such liens which attach to such Property or easements rights and shall cause any such lien to be removed as a lien within thirty (30) days of recording thereof.

11.04 Indemnification. Any party entering upon any other party's property pursuant to the rights granted under this Agreement or otherwise in connection

herewith including, without limitation, for purposes of constructing any of the Water Facilities, including any of the Special Facilities, to the extent permitted by law, hereby indemnifies and saves the other party harmless from and against any and all loss, liability, damage, claim, fee, penalty, cost or expense (including court costs and reasonable attorneys' fees) arising out of or related to any entry by said party, its agents, employees, officers, contractors, tenants, licensees or invitees (collectively, the "Indemnifying Parties") onto said other party's property including, without limitation, any and all construction, installation, utility connection or other work or activity performed thereon, the exercise of its rights pursuant to this Agreement, or arising out of the negligent acts or omissions of said Indemnifying Parties incurred by or asserted against said other party, its officers, employees, agents, representatives, lessees, contractors, licensees or invitees.

[SIGNATURE PAGE AND EXHIBITS FOLLOW]

Airpark Metropolitan District

By: _____
Andrew R. Klein, President

ATTEST:

By: _____
Otis C. Moore, III, Director

(SEAL)

Icon Investors I, LLC, a Colorado Limited Liability Company

By: Airway Park Manager, LLC, a Colorado limited liability company

By: _____
Andrew R. Klein, its Manager

Pure Cycle Corporation, a Delaware Corporation

By: _____
Mark Harding, President

ATTEST:

By: _____
Scott Lehman, Secretary

(SEAL)

Rangeview Metropolitan District

By: _____
Thomas P. Clark, Director

ATTEST:

By: _____
Tom Lamm, Assistant Secretary

(SEAL)

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of November, 2003, by Andrew R. Klein, as President, and by Otis C. Moore, III, as Director, of Airpark Metropolitan District.

Witness my hand and official seal.

My commission expires: _____

Notary Public

(S E A L)

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of November, 2003, by Andrew R. Klein, as Manager of Airway Park Manager, LLC, a Colorado limited liability company, as Manger of ICON INVESTORS I, LLC

Witness my hand and official seal.

My commission expires: _____

Notary Public

(S E A L)

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of November, 2003, by Mark Harding, as President, and Scott Lehman, as Secretary, of Pure Cycle Corporation, a Delaware corporation.

Witness my hand and official seal.

My commission expires: _____

Notary Public

(S E A L)

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of November, 2003, by Thomas P. Clark, as Director, and Tom Lamm, as Assistant Secretary, of Rangeview Metropolitan District, acting by and through its water activity enterprise.

Witness my hand and official seal.

My commission expires: _____

Notary Public

(S E A L)

EXHIBIT A

DESCRIPTION OF PROPERTY

A Replat of Lots 1 thru 16, Lots 17 thru 28, and Lots 30 thru 32 of Montclair Gardens Second Filing and unplatted parcels of land located in the West Half of Section 3, the Southeast Quarter of Section 4, and the East Half of Section 10, all in Township 4 South, Range 65 West of the 6th Principal Meridian, Arapahoe County, Colorado, and all as more particularly described on Sheet 1 of the Preliminary Plat for Sky Ranch, prepared by Vision Land Consultants, Inc., and

dated 8/23/2003.

The Property occupies 772.3 acres, more or less, which includes about 6.7 acres of property to be vacated as rights-of-way to Arapahoe County.

EXHIBIT B

WASTEWATER TERMS SHEET

A. DESCRIPTION: Airpark Metropolitan District (AMD) shall arrange for the collection and treatment of wastewater from the Property and shall arrange for the treated wastewater to be available to PURECYCLE for use in PURECYCLE's reclaimed water system ("Reclaimed Water System").

B. GENERAL: All wastewater treatment and collection obligations established herein, except the Reclaimed Water System, shall be assumed and executed by AMD at no cost to PURECYCLE unless specifically provided for otherwise herein.

C. WASTEWATER PERMITTING: AMD shall be responsible for obtaining regulatory approval for the construction of the wastewater treatment plant ("WWTP") or connection to a wastewater treatment facility not on the Property.

D. DOMINION OVER WATER: PURECYCLE will maintain ownership and dominion over all treated wastewater (after consumptive use treatment losses), except for the treated wastewater from the Foxridge Farms mobile home park or other sites or projects which are not part of the Property ("PURECYCLE Treated Wastewater"). PURECYCLE intends to use and reuse the PURECYCLE Treated Wastewater for irrigation, augmentation, storage, exchange and other purposes until extinction. Wastewater treatment plant inflows from the Property will be metered, recorded and totalized and consumptive losses shall be determined to quantify the PURECYCLE Treated Wastewater and PURECYCLE shall be provided with a monthly accounting of the wastewater inflows from the Property. The flow metering equipment for inflows from the Property shall be maintained in good and operating condition. PURECYCLE will be allowed access to inspect the metering equipment and may request, no more frequently than annually, a calibration of the metering equipment by AMD which costs shall be paid by PURECYCLE.

E. POINT OF DELIVERY: The PURECYCLE Treated Wastewater shall be delivered to a mutually acceptable point at Planning Tract B7 identified on the PDP (the "Point of Delivery") for use in the Reclaimed Water System. Unless other mutually satisfactory arrangements are made, any of the PURECYCLE Treated Wastewater not delivered to PURECYCLE for the Reclaimed Water System, shall be discharged to First Creek to the benefit of PURECYCLE.

F. WASTEWATER TREATMENT AND TREATED WASTEWATER QUALITY: Wastewater from the Property shall be treated with secondary treatment, filtration and disinfection processes, which shall meet the following criteria at the outlet of the WWTP:

<TABLE>
<CAPTION>

		30-day average	7-day average
<S>	<C>	<C>	<C>
a.	Biochemical Oxygen Demand (5-day)	30 mg/l	45 mg/l
b.	Fecal Coliform	200 per 100 ml	400 per 100 ml
c.	Total Ammonia	8 mg/l	16 mg/l

</TABLE>

AMD or the wastewater treatment operator shall notify PURECYCLE in the event of a process upset, equipment malfunction, or other problem that results or reasonably could result in the delivery of inadequately treated wastewater, and PURECYCLE shall advise AMD whether the treated wastewater should be delivered to the RWPS or discharged.

G. RECLAIMED WATER SYSTEM: PURECYCLE shall be responsible for obtaining all regulatory approvals and permits necessary for the use of PURECYCLE Treated Wastewater in the Reclaimed Water System. AMD or the wastewater treatment operators shall provide wastewater treatment information, monitoring reports, and other information in the possession of AMD or the operators as may reasonably be requested by PURECYCLE for PURECYCLE's administration, operation, monitoring and reporting obligations for the Reclaimed Water System. However, nothing herein shall require AMD or the operators to conduct additional monitoring, collect data or prepare reports that are not otherwise required for the WWTP's regular reporting nor on a schedule other than would be required for WWTP reporting for it's discharge permit.

H. RECLAIMED WATER PUMP STATION: AMD shall provide rights-of-way and easements at mutually acceptable locations for PURECYCLE to construct,

modify, access, operate and maintain a Reclaimed Water Pump Station ("RWPS") at the Point of Delivery and for the associated pipelines. Notwithstanding other provisions herein, including but not limited to the objectives below, nothing in this Agreement shall be construed to require AMD to provide PURECYCLE Treated Wastewater flows that exceeds the quantities, volumes, hydraulic head, quality reasonably achievable with the volume, quantity and quality of inflow treated wastewater and the WWTP and facilities then existing::

a. PURECYCLE's Treated Wastewater shall be delivered with a hydraulic head of not less than three feet below the proposed finished grade at and around the Point of Delivery.

b. PURECYCLE's Treated Wastewater shall be delivered at a flow equalized rate not exceeding 150% of the design day wastewater flow rate assigned to serve customers on the Property.

c. PURECYCLE's Treated Wastewater shall be delivered more or less contemporaneously with the wastewater flows from the Property.

d. Truck access to the RWPS shall be reasonably provided by the overall layout of any other facilities which AMD intends to locate on Planning Tract B7.

AMD shall allow PURECYCLE unrestricted access to the RWPS and associated pipelines. PURECYCLE will provide a copy of the construction plans for the reclaimed water pump

station to AMD for review and approval, which approval shall not be unreasonably withheld.

I. WASTEWATER SERVICE TO PURECYCLE. AMD shall provide PURECYCLE with treatment of the residuals from it's reclaimed water treatment plant,(1) provided the quantity of such flows shall not exceed 5% of the WWTP capacity and shall not cause AMD to exceed permitted hydraulic capacity for the WWTP, and (2) the quality of such flows shall not cause upsets, bypassed or other interference with the normal operations of the WWTP.

AMD may charge PURECYCLE its regular rates, as established from time to time, for wastewater treatment. Usage charges shall be based on the metered flow of wastewater from each of PURECYCLE's water treatment plants. PURECYCLE shall not be assessed any sewer system development fees or other charges for connecting the water treatment plants to the wastewater system, unless treatment of PURECYCLE's wastewater requires special operations, systems or additional processes, in which cases PURECYCLE shall be responsible for all such costs. Notwithstanding the foregoing, PURECYCLE agrees to fully comply with all provisions of AMD's pretreatment program and shall be fully responsible for all fees, penalties and liabilities arising from PURECYCLE's failure to comply with pretreatment requirements.

EXHIBIT C
WATER SERVICE SCHEDULE, WATER TAP TAKEDOWN SCHEDULE, SPECIAL FACILITIES SCHEDULE, AND WATER SYSTEM DEMAND ESTIMATES

WATER SERVICE SCHEDULE

In accordance with Section 3.02 of the Agreement, PURECYCLE shall endeavor to cause the below-described Wholesale Facilities to be constructed in accordance with the schedule shown below:

1. Phase Zero - Completion of Wholesale Water Facilities sufficient to furnish non-potable construction water near the well and at a flow rate not exceeding the production capacity from the initial Denver Basin well to be drilled at the northern Dedicated Groundwater wellfield ("Construction Water") not later than six months after the date of DEVELOPER's request for construction water, or within thirty days after the date that electric power is extended to or otherwise made available to the well-site, whichever shall last occur.

2. Phase One - Completion of Wholesale Water Facilities sufficient to provide potable water service including municipal-level fire protection flows ("Municipal Water Service"); not later than nine months after the DEVELOPER's request for Municipal Water Service. The DEVELOPER may not request Municipal Water Service without the prior or concurrent request for Construction Water.

3. Completion of subsequent phases and construction of additional Wholesale Water Facilities as required to provide water service to the developing Property in general conformance with the Water Tap Takedown Schedule described herein.

WATER TAP TAKEDOWN SCHEDULE

In accordance with Section 4.02 of the Agreement, DEVELOPER agrees to purchase the minimum number of Water Taps described or shown below on or before the schedule or development milestone described and shown below. DEVELOPER may purchase additional Water Taps (up to a maximum number of 4,000 EQR) or may purchase Water Taps at an accelerated schedule provided that, in the judgment of PURECYCLE, water facilities are available or can be made available in a commercially reasonable manner by PURECYCLE to accommodate the demands of the additional Customers.

(i) Twenty (20) Water Taps to be purchased 60 days after the date that the Preliminary Development Plan is recorded by Arapahoe County.

(ii) An additional eighty (80) Water Taps to be purchased upon the DEVELOPER's request to PURECYCLE for Construction Water, resulting in a total of 100 Water Taps purchased.

(iii) An additional fifty six (56) Water Taps to be purchased upon the DEVELOPER's request to PURECYCLE for Municipal Water Service, resulting in a total of 156 Water Taps purchased.

(iv) An additional two hundred forty four (244) Water Taps to be purchased within 90 days following the DEVELOPER's request for Municipal Water Service, resulting in a total of 400 Water Taps purchased. The date that Municipal Water Service is made available by PURECYCLE, as evidenced by a certification letter from PURECYCLE to DEVELOPER, shall be the anniversary date ("Anniversary") for subsequent minimum tap purchases and certain other actions described herein.

(v) An additional two hundred and fifty (250) Water Taps to be purchased on the first Anniversary and each subsequent Anniversary through the twelfth (12th) Anniversary, or until a total of 4,000 Water Taps are purchased, whichever is earlier. If the DEVELOPER has not purchased 4,000 Water Taps on the twelfth Anniversary, PURECYCLE shall not be obligated to sell additional Water Taps to the Property or to reserve Export Water to serve these additional Water Taps.

Table C-1 summarizes required minimum Water Tap purchases by DEVELOPER, along with the schedule or development milestone for each takedown.

<TABLE>
<CAPTION>

TABLE C-1 WATER TAP TAKEDOWN SCHEDULE

	Scheduled Tap Takedown		Minimum Tap Takedown	
Development Milestone or Schedule	EQR Per Takedown	Cumulative EQR	EQR Per Takedown	Cumulative EQR
<S>	<C>	<C>	<C>	<C>
60 days after PDP Approval by Arapahoe County	20	20	20	20
DEVELOPER's Request for Construction Water	80	100	80	100
DEVELOPER's Request for Municipal Water Service	56	156	56	156
90 days after DEVELOPER's Request for Municipal Water Service	244	400	244	400
1st Anniversary of Municipal Water Service	400	800	250	650
2nd Anniversary of Municipal Water Service	400	1,200	250	900
3rd Anniversary of Municipal Water Service	400	1,600	250	1,150
4th Anniversary of Municipal Water Service	400	2,000	250	1,400
5th Anniversary of Municipal Water Service	400	2,400	250	1,650
6th Anniversary of Municipal Water Service	400	2,800	250	1,900
7th Anniversary of Municipal Water Service	400	3,200	250	2,150
8th Anniversary of Municipal Water Service	400	3,600	250	2,400
9th Anniversary of Municipal Water Service	400	4,000	250	2,650
10th Anniversary of Municipal Water Service			250	2,900

11th Anniversary of Municipal Water Service	250	3,150
12th Anniversary of Municipal Water Service	250	3,400

SPECIAL FACILITIES SCHEDULE

DEVELOPER and AMD shall participate with the construction of Special Facilities in accordance with Section 4.03 of the Agreement. Table C-2 shows the schedule for the Special Facilities anticipated for the Property and PURECYCLE shall endeavor to have each Special Facility fully operational in accordance with the schedule.

TABLE C-2 SPECIAL FACILITIES SCHEDULE

Special Facility	Development Milestone or Schedule
"A" - Interim use of irrigation facilities for potable service	Municipal Water Service
"B" - Effluent reservoir site	Second Anniversary of Municipal Water Service
"C" - Offsite Water Transmission Pipeline	DEVELOPER's Purchase of 1,500 Water Taps
"D" - Separate Wastewater Service Provider	Use of Reclaimed Water for Irrigation

WATER SYSTEM DEMAND ESTIMATES

Development of the Water Facilities is to be phased. PURECYCLE has undertaken the planning and design of the Water Facilities to provide domestic water service for the Property's anticipated Customers based, in part, on the development schedule and other information provided by DEVELOPER and AMD. PURECYCLE shall use commercially reasonable efforts to provide sufficient and adequate water service to accommodate water demands in excess of those necessary to serve the Water Taps provided for in Table C-1. In the event that there is inadequate capacity to satisfy excess demands, PURECYCLE reserves the right to restrict issuance of Water Taps to those provided for in Table C-1.

EXHIBIT D
WATER RIGHTS SPECIAL WARRANTY DEED

This Water Rights Special Warranty Deed is made and given effective _____, 200_, by and from _____, a _____, whose address is _____ ("Grantor"), to PURECYCLE CORPORATION, a Delaware Corporation, whose address is 8451 Delaware Street, Thornton CO 80260 ("Grantee").

Grantor hereby sells, conveys, and assigns to Grantee all of Grantor's water rights, title and related rights and interests of every kind in and to 443 acre-feet per year of nontributary groundwater from the Upper Arapahoe, Lower Arapahoe and Laramie-Fox Hills aquifers underlying the lands described on Exhibit A attached hereto (the "Property"), in the following proportions: (1) 158 acre-feet per year from the Upper Arapahoe aquifer, (2) 105 acre-feet per year from the Lower Arapahoe aquifer, and (3) 180 acre-feet per year from the Laramie-Fox Hills aquifer (collectively the "Dedicated Groundwater"). The Dedicated Groundwater conveyed herein was decreed in Case No. 85CW157 in the Water Court for Water Division No. 1, State to Colorado.

Grantor hereby expressly reserves all of its rights, title and interests in and to all non-tributary waters in the Denver aquifer underlying or appurtenant to the Property and related interests not conveyed herein to Grantee.

Grantor further warrants the title and agrees to defend quiet and peaceable possession of the Dedicated Groundwater against all and every person or persons claiming title by, through or under Grantor.

Date this _____ day of _____, 200_.

_____

Attest:

By: _____ By: _____

Its: _____ Title:_____

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2003, by _____, as _____, and by _____, as _____, of _____, a _____.

Witness my hand and official seal.

My commission expires: _____

Notary Public

(S E A L)

EXHIBIT E

FEES, RATES AND CHARGES

RANGEVIEW's Water Tap Fee and water service charges as of the Effective Date of this Agreement are listed following for information purposes.

Water Tap Fee: 3,400 per EQR Water Resource Charge
7,750 per EQR Water System Development Charge

11,150 per EQR combined Water Tap Fee

Potable Water Service Charges: $11.11 per month per EQR base fee
(plus) $2.26 per 1,000 gallons used for up to 10,000 gallons per billing cycle month (1)
(plus) $2.90 per 1,000 gallons from 10,000 gallons up to 20,000 gallons used per billing cycle month
(plus) $6.31 per 1,000 gallons over 20,000 gallons used per billing cycle month

Irrigation Tap Fee: No separate tap fee for typical residential Customers
Same as Water Tap Fee for other Customers

Irrigation Water Service Charges: No separate base fee for typical residential Customers
Base fee same as that for potable water service for other Customers
(plus) $1.92 per 1,000 gallons used for up to 10,000 gallons per billing cycle month
(plus) $2.46 per 1,000 gallons from 10,000 gallons up to 20,000 gallons used per billing cycle month
(plus) $5.36 per 1,000 gallons over 20,000 gallons used per billing cycle month

_____
(1) Gallons per billing cycle month are for combined potable and irrigation use where customers are provided service from both systems.

EXHIBIT F

OPTION AGREEMENT FOR EXPORT WATER SERVICE
for the

SKY RANCH PUD

THIS OPTION AGREEMENT FOR EXPORT WATER SERVICE ("Agreement") is entered into this _____ day of October, 2003 by and between ICON INVESTORS I, LLC, a Colorado limited liability company ("DEVELOPER"); and PURE CYCLE CORPORATION, a Delaware corporation ("PURECYCLE").

RECITALS

WHEREAS, urban density development in general accordance with the "Preliminary Development Plan" (Arapahoe County Case No. Z01-010) is proposed for the Sky Ranch PUD ("Property"). The Property occupies about 772.3 acres generally located south of Interstate-70 frontage road, north of Alameda Avenue,

west of Hayesmont Road, and east of Powhaton Road in unincorporated Arapahoe County Colorado.

WHEREAS, the Property can be so developed only if adequate and sufficient domestic water service is provided thereto.

WHEREAS, the Property is owned by the DEVELOPER and one of the obligations of the DEVELOPER is to provide domestic water service.

WHEREAS, in order to facilitate future development of the Property, the DEVELOPER desires to enter into an agreement with PURECYCLE to secure an option to acquire water service to the Property, under the terms set forth below.

WHEREAS, subject to the terms and conditions of the Amended and Restated Lease Agreement ("Lease") dated April 4, 1996 between the State of Colorado Board of Land Commissioners ("Land Board") and RANGEVIEW METROPOLITAN DISTRICT, a quasi-municipal corporation and political subdivision of the State of Colorado, acting by and through its Water Activity Enterprise ("RANGEVIEW"), and the Agreement for Sale of Export Water ("Export Water Agreement") dated April 11, 1996 between PURECYCLE and RANGEVIEW, the Land Board conveyed to RANGEVIEW, which subsequently conveyed to PURECYCLE, certain rights to surface water and groundwater on and beneath the Land Board's property known as the Lowry Range, which water rights are more specifically outlined in Section 6.1 of the Lease.

WHEREAS, simultaneously herewith, the DEVELOPER, PURECYCLE, RANGEVIEW, and AIRPARK METROPOLITAN DISTRICT, a quasi-municipal corporation and political subdivision of the State of Colorado ("AMD") are entering into a Water Service Agreement ("Service Agreement") which provides for RANGEVIEW and PURECYCLE to provide water service to the Property.

WHEREAS, PURECYCLE is capable of providing domestic water service to the Property subject to the terms and conditions of the Lease.

WHEREAS, the execution of this Agreement will serve a public purpose and promote the health, safety, prosperity and general welfare by providing for the planned and orderly provision of domestic water service.

NOW THEREFORE, in consideration of the above recitals, the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, DEVELOPER and PURECYCLE hereby agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATIONS

1.01 Definitions. All terms which are not defined herein shall have the meaning assigned to them in the Service Agreement. As used herein unless the context indicates otherwise, the words defined below and capitalized throughout the text of this Agreement shall have the respective meanings set forth below:

(a) Anniversary: The annual recurrence of the date falling sixty (60) days after the date that the Preliminary Development Plan for the Property is recorded by Arapahoe County and which is the basis for the making of payments and for certain other actions under this Agreement.

(b) Dedicated Export Water: The Dedicated Export Water is the Export Water subject to this Agreement as defined in Section 2.01 herein.

(c) Effective Date: The Effective Date of this Agreement as defined in Section 4.01 herein.

(d) Equivalent Residential Unit (EQR): The measure of demand placed upon the water facilities servicing the Property by a typical and average single-family detached residence, as determined under RANGEVIEW's Rules and Regulations.

(e) Export Water: Water from the Lowry Range that PURECYCLE can use outside of the Lowry Range service area, as more specifically defined in Section 6.1 of the Lease.

(f) Export Water Deed: The Bargain and Sale Deed for the Export Water among the Land Board, RANGEVIEW and PURECYCLE executed April 11, 1996, as recorded on July 31, 1996 at Reception No. A6097803 in the Arapahoe County Clerk and Recorder's Office, together with any and all amendments subsequently entered into by the said parties.

(g) Lease: The Amended and Restated Lease Agreement between RANGEVIEW and the State of Colorado, acting by and through the Land Board (Lease No. S-37280), executed April 4, 1996, as recorded on July 31, 1996 at Reception No. A6097802 in the

Arapahoe County Clerk and Recorder's Office, together with any and all amendments subsequently entered into by the said parties.

(h) Rules and Regulations: The Rules and Regulations adopted by RANGEVIEW, as they may be adopted or amended from time to time.

(i) Water Tap: The written authorization, in the form of sequentially numbered tap licenses issued by PURECYCLE, to connect to PURECYCLE's water facilities, as governed by RANGEVIEW's Rules and Regulations.

(j) Water Tap Fee: Collective reference to the Water System Development Charge and the Water Resource Charge, both as defined and established in Article 12 of RANGEVIEW's Rules and Regulations.

1.02 Interpretation. In this Agreement, unless the context otherwise requires:

(a) The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar term, refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; the term "heretofore" means before the date of execution of this Agreement; the term "now" means at the date of execution of this Agreement; and the term "hereafter" means after the date of execution of this Agreement.

(b) All definitions, terms and words shall include both the singular and the plural.

(c) Words of the masculine gender include correlative words of the feminine and neuter genders, and words importing the singular number include the plural number and vice versa.

(d) The captions or headings of this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Agreement.

ARTICLE 2
OPTION TERMS

2.01 Option. In consideration for the payment of the option fee pursuant to the schedule set forth in 2.02 (the "Option Fee") by the DEVELOPER to PURECYCLE, PURECYCLE shall grant and convey to DEVELOPER an option (the "Option") to purchase Water Taps for customers on the Property beyond 1,500 EQR and up to a total of 4,000 EQR. One Thousand Two Hundred (1,200) acre-feet per year of the Export Water (the "Dedicated Export Water") shall be so reserved by PURECYCLE. The valuation for the Dedicated Export Water shall be set forth in accordance with Section 2.05. The DEVELOPER shall be authorized to exercise the Option beginning upon the Effective Date and expiring on the earliest date described following:

(a) date on which the DEVELOPER has purchased Water Taps for 1,500 Equivalent Residential Units ("EQR") on the Property; or

(b) at 5:00 p.m. on the fifth (5th), sixth (6th), or seventh (7th) Anniversary, unless in each case the DEVELOPER extends the option in accordance with Section 2.03;

(c) at 5:00 p.m. on the eighth (8th) Anniversary.

PURECYCLE's obligations to convey and deliver Export Water to the DEVELOPER shall be expressly subject to the terms and conditions of the Export Water Deed.

2.02 Payment Terms. The Option Fee shall be payable by the DEVELOPER to PURECYCLE in cash, by wire transfer or by certified check with payments being made directly to the trust account of Davis Graham & Stubbs LLP as follows:

(a) Fifty Thousand Dollars ($50,000) payable 60 days after the date that the Preliminary Development Plan is recorded by Arapahoe County;

(b) Fifty Thousand Dollars ($50,000) payable on each of the first, second,

third and fourth Anniversary unless the Option is exercised prior to such anniversary date, in which case no further Option Fee shall be due.

2.03 Extension of Option. In the event that the DEVELOPER has not exercised the Option in accordance with Section 2.01, the DEVELOPER may extend the Option for up to an additional three one-year terms by making payments to PURECYCLE of One Hundred Thousand Dollars ($100,000) (the Option Extension Fee) for each additional one-year extension term. Payments shall be due on the fifth Anniversary for a one year extension, on the fifth and sixth Anniversaries for a two year extension, and on the fifth, sixth and seventh Anniversaries for a three year extension.

2.04 Exercise Terms. The Option shall be exercised by the DEVELOPER delivering to PURECYCLE written notice of its intent to proceed with development beyond 1,500 EQR, provided such notice is delivered during the term of the Option and the DEVELOPER is then in compliance with any other contracts between the DEVELOPER and PURECYCLE and/or RANGEVIEW. Upon the DEVELOPER's exercise of the Option, PURECYCLE shall reserve the Dedicated Export Water for use on the Property and shall diligently complete construction of the facilities necessary to deliver the Dedicated Export Water to the Property, and PURECYCLE will provide domestic water service to the Property in accordance with the Service Agreement.

2.05 Dedicated Export Water Valuation. The value of the Dedicated Export Water shall be calculated based on RANGEVIEW's Rules and Regulations in effect at the time of exercise. The Rules and Regulations establish an allocation of 0.7 acre-feet per year per EQR. The 1,200 acre-feet per year of Dedicated Export Water is allocated to 1,714 EQR's which, when multiplied by the current Water Resource Charge of $3,400 per EQR, results in a total valuation of $5,827,600. Upon receipt of the payment of the Water Resource Charge for each tap, PURECYCLE will provide evidence to DEVELOPER that the Export Water associated with such tap has been released from any encumbrances.

2.06 Termination of Option. PURECYCLE shall have the right to terminate this Agreement if the DEVELOPER fails to pay any portion of the Option Fee or any Option Extension Fee when due, unless such failure is cured within thirty (30) days by the DEVELOPER making

payment of all amounts due, plus interest at the rate of (10%) per annum from the date of default to the date of payment, and payment of all costs incurred by PURECYCLE as a result of the default, including but not limited to attorneys' fees.

ARTICLE 3
REPRESENTATIONS, WARRANTIES AND COVENANTS

3.01 DEVELOPER Representations and Covenants. In addition to the other representations, warranties and covenants made by the DEVELOPER herein, the DEVELOPER makes the following representations, warranties and covenants to PURECYCLE:

(a) The DEVELOPER is duly authorized to execute this Agreement and perform its obligations hereunder, and all action on its part for the execution and delivery of this Agreement has been or will be duly and effectively taken.

(b) Neither the execution of this Agreement, the consummation of the transactions contemplated hereunder, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by the DEVELOPER will conflict with or result in a breach of any terms, conditions or provisions of, or constitute a default under, or result in the imposition of any prohibited lien, charge or encumbrance of any nature under any agreement, instrument, indenture or any judgment, order or decree to which the DEVELOPER is a party or by which the DEVELOPER or the Property are bound.

3.02 PURECYCLE Representations and Covenants. In addition to the other representations, warranties and covenants made by PURECYCLE herein, PURECYCLE makes the following representations, warranties and covenants to AMD:

(a) PURECYCLE is duly authorized to execute this Agreement and perform its obligations hereunder, and all action on its part for the execution and delivery of this Agreement has been or will be duly and effectively taken.

(b) Neither the execution of this Agreement, the consummation of the transactions contemplated hereunder, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by PURECYCLE

will conflict with or result in a breach of any terms, conditions or provisions of, or constitute a default under, the Export Water Agreement, the Export Water Deed, or any other mortgage, indenture or other instrument to which PURECYCLE is a party or by which it is bound, or result in the imposition of any prohibited lien, charge or encumbrance of any nature under any agreement, instrument, indenture or any judgment, order or decree of any court to which PURECYCLE is a party or by which PURECYCLE is bound.

3.03 Instruments of Further Assurance. The DEVELOPER and PURECYCLE covenant that they will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such acts, instruments and transfers as may reasonably be required for the performance of their obligations hereunder.

ARTICLE 4
MISCELLANEOUS PROVISIONS

4.01 Effective Date; Contingency. This Agreement shall be in full force and effect and be legally binding on the date it is fully executed and delivered by the Parties hereto and upon the meeting of the contingency described immediately below. This entire Agreement is expressly contingent upon approval from Arapahoe County of the Preliminary Development Plan ("PDP"), County Case Number Z01-010. If said approval of the PDP is not obtained in a timely manner, but in no event later than June 1, 2004, either party may terminate the Agreement on or before September 1, 2004, upon thirty days written notice to the other party and this Agreement shall be terminated and of no force or effect, except that, in the event of termination pursuant to this Section, DEVELOPER shall reimburse PURECYCLE for all administrative, engineering and attorney fees and expenses incurred by PURECYCLE in pursuing and planning for water service to the Property prior to such date of termination.

4.02 Savings Clause. If any provision of this Agreement causes a breach or violation of the Lease or the Export Water Deed, the parties shall work together to revise such provision so that it no longer causes such breach or violation.

4.03 Time is of the Essence. Time is of the essence hereof; provided, however, that if the last day permitted or the date otherwise determined for the performance of any act required or permitted under this Agreement falls on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding business day, unless otherwise expressly stated.

4.04 Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person other than PURECYCLE and the DEVELOPER, any right, remedy or claim under or by reason of this Agreement or any covenants, terms, conditions or provisions hereof. All the covenants, terms, conditions and provisions in this Agreement by and on behalf of PURECYCLE and the DEVELOPER shall be for the sole and exclusive benefit of the parties hereto.

4.05 Covenants Run With the Land. The covenants, terms, conditions and provisions set forth in this Agreement shall inure to and be binding upon the representatives, successors and assigns of the parties hereto and shall run with the Property. This Agreement or a Memorandum of Agreement may be executed by the parties and recorded against the Property.

4.06 Notices. Except as otherwise provided herein, all notices or payments required to be given under this Agreement shall be in writing and shall be hand-delivered or sent by certified mail, return receipt requested, to the following addresses:

To PURECYCLE: Pure Cycle Corporation
8451 Delaware Street
Thornton, Colorado 80260
Tel (303)292-3456
Fax (303)292-3475

To DEVELOPER: Icon Investors I, LLC
5299 DTC Boulevard, Suite 815
Greenwood Village, CO 80111
Tel (303)984-9800
Fax (303)984-9874

All notices will be deemed effective one (1) day after hand-delivery or three (3) days after mailing by registered or certified mail, postage prepaid with

return receipt. Any party by written notice to provided may change the address to which future notices shall be sent.

4.07 Severability. If any covenant, term, condition or provision under this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such covenant, term, condition or provision shall not affect any other provision contained herein, the intention being that such provisions are severable.

4.08 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, but all of which shall constitute one and the same document.

4.09 Amendment. This Agreement may be amended from time to time by agreement between the Parties hereto; provided, however, that no amendment, modification or alteration of the terms or provision hereof shall be binding upon either party unless the same is in writing and duly executed by all parties hereto.

4.10 Governing Law. This Agreement arises out of the transaction of business in the State of Colorado by the parties hereto. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado. The performance by the parties hereto of their respective obligations provided for in this Agreement shall be in strict compliance with all applicable laws and the rules and regulations of all governmental agencies, municipal, county, state and federal, having jurisdiction in the premises.

4.11 Assignment. DEVELOPER may assign their rights and obligations under this Option Agreement for Export Water Service to another entity with the prior written consent of PURECYCLE, which consent shall not be unreasonably withheld or delayed.

4.12 Enforcement. The parties agree that this Agreement may be enforced in law or equity, for specific performance, mandamus, injunctive or other appropriate relief, including damages, as may be available according to the laws and statutes of the State of Colorado.

4.13 Service Agreement. The parties agree that all of the terms and provisions of the Service Agreement are incorporated herein by this reference. To the extent there is any conflict between the provisions of this Agreement and the Service Agreement, the Service Agreement shall control.

4.14 Attorneys' Fees. In the event either party finds it necessary to employ legal counsel or to bring an action at law or other proceeding against the other party to enforce any of the terms, covenants, or conditions of this Agreement, the party prevailing in any such action or other proceeding shall be paid all reasonable attorneys' fees by the other party, and in the event any

judgment is secured by such prevailing party, all such attorneys' fees, as determined by a court and not by jury, shall be included in any such judgment.

Pure Cycle Corporation, a Delaware Corporation

By: _____
Mark Harding, President

Icon Investors I, LLC, a Colorado Limited Liability Company

By: Airway Park Manager, LLC, a Colorado limited liability company

By: _____
Andrew R. Klein, its Manager

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of November, 2003, by Mark Harding, as President of Pure Cycle Corporation, a Delaware corporation.

Witness my hand and official seal.

My commission expires: _____

Notary Public

(S E A L)

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of November, 2003, by Andrew R. Klein, as Manager of Airway Park Manager, LLC, a Colorado limited liability company, as Manger of ICON INVESTORS I, LLC

Witness my hand and official seal.

My commission expires: _____

Notary Public

(S E A L)

EXHIBIT G

ESCROW AGREEMENT

The undersigned principals wish to establish an escrow account with The Bank of Cherry Creek, N. A., hereinafter referred to as Escrow Agent, for the purposes established herein.

FIRST: Detail of the assets and other items to be deposited into escrow are listed on the attached Schedule A which is attached hereto and is hereby incorporated into this agreement.

SECOND: Specific instructions to the Escrow Agent are detailed in the attached Schedule B which is attached hereto and is hereby incorporated into this agreement.

THIRD: The provisions of this agreement may only be supplemented, altered, amended, modified or revoked in writing signed by all of the parties hereto and after payment of all fees, costs and expenses of the Escrow Agent.

FOURTH: No assignment, transfer, conveyance or hypothecation of any right, title or interest in and to the subject matter of this escrow shall be binding upon the Escrow Agent unless written notice thereof shall be served upon the Escrow Agent and all fees, costs and expenses incident thereto shall have been paid and then only upon the Escrow Agent's assent thereto in writing.

FIFTH: Any notice required or desired to be given by the Escrow Agent to any party to this Escrow may be given by mailing the same addressed to such party at the address given below or the most recent address of such party shown on the records of the Escrow Agent, and notice so mailed shall for all purposes hereof be as effectual as though served upon such party in person at the time of depositing such notice in the mail.

SIXTH: The Escrow Agent may receive any payment called for hereunder after the due date thereof unless subsequent to the due date of such payment and prior to the receipt thereof the Escrow Agent shall have been instructed in writing to refuse such payment.

SEVENTH: The Escrow Agent shall not be personally liable for any act it may do or omit to do hereunder as such agent, while acting in good faith and in the exercise of its own best judgment.

EIGHTH: Except as set forth in this Agreement or its schedules, the Escrow Agent is hereby expressly authorized to disregard any and all notices or warnings given by any of the parties hereto, or by any other person, firm or corporation, excepting only orders or process of court, and is hereby expressly authorized to comply with and obey any and all process, orders, judgments or decrees of any court, and in case the Escrow Agent obeys or complies with any such process, order, judgment or decree of any court it shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such process, order, judgment or decree be subsequently reversed, modified, annulled, set aside or vacated, or found to

have been issued or entered without jurisdiction.

NINTH: In consideration of the acceptance of this escrow by the Escrow Agent, the undersigned agree, jointly and severally, for themselves, their heirs, legal representatives, successors and assigns to pay the Escrow Agent its charges hereunder and to release it as to any liability by it incurred to any other person, firm or corporation by reason of its carrying out any of the terms thereof, and to reimburse it for all its expenses, including, among other things, reasonable counsel fees and court costs incurred in connection with litigation arising out of this Agreement. Escrow fees or charges, as distinguished from other expenses hereunder, are those fees detailed in the nineteenth paragraph hereof.

TENTH: The Escrow Agent shall comply strictly with the requirements of this Agreement but shall be under no duty or obligation to ascertain the identity, authority or rights of the parties executing or delivering or purporting to execute or deliver these instructions or any documents or papers of payments deposited or called for hereunder, and assumes no responsibility or liability for the validity or sufficiency of these instructions or any documents or papers or payments deposited or called for hereunder.

ELEVENTH: The Escrow Agent shall not be liable for the outlawing of any rights under any Statute of Limitation or by reason of laches in respect to these instructions or any documents or papers deposited.

TWELFTH: In the event of any dispute between the parties hereto as to the facts of default, the validity or meaning of these instructions or any other fact or matter relating to the transaction between the parties, the Escrow Agent is instructed as follows:

That it shall be under no obligation to act, except under process or order of court, and shall sustain no liability for its failure to act pending such process or court order;

That it may in its sole and absolute discretion, deposit the property herein or so much thereof as remains in its hands with the then Clerk, or acting Clerk, of the District Court of Arapahoe County, State of Colorado, interplead the parties hereto, and upon so depositing such property and filing its complaint in interpleader it shall be relieved of all liability under the terms hereof as to the property so deposited, and furthermore, the parties hereto for themselves, their heirs, legal representatives, successors and assigns do hereby submit themselves to the jurisdiction of said court. The institution of any such interpleader action shall not impair the rights of the Escrow Agent under ninth paragraph above.

THIRTEENTH: Any expenses to transfer any instruments or other property deposited hereunder may be paid by the Escrow Agent from funds held in Escrow, or if none then the undersigned will pay or reimburse for any such expense.

FOURTEENTH: If the deposits hereunder are not withdrawn before _____, 20__, then PureCycle Corporation and Icon Investors I, LLC will jointly provide the Escrow Agent with written instructions regarding disbursements of the deposits.

FIFTEENTH: The provisions of these instructions shall be binding upon the legal representatives, heirs, successors and assigns of the parties hereto.

SIXTEENTH: The parties hereto shall be entitled to any income produced from investments held in this Escrow.

SEVENTEENTH: Other provisions:

- ---
- ---
- ---
- ---
- ---

EIGHTEENTH: This agreement shall be construed under the laws of the State of Colorado.

NINETEENTH: The undersigned principals hereby agree to pay the Escrow Agent the following fees:

- ---
$500.00 ANNUALLY (DEDUCTED FROM ACCOUNT EACH JUNE)
- ---

Fees will be charged as follows:

Deduct from account XX Send invoice _____ Charge Checking

#_____ Fee at closing _____

Party(ies) responsible for fees PureCycle Corporation and Icon Investors I, LLC

This agreement consists of four typewritten pages including this page and the additional three schedules which are incorporated by reference.

IN WITNESS WHEREOF the undersigned have hereunto affixed their signatures on the _____ day of _____, 2003.

Principal	Principal
PureCycle Corporation 8451 Delaware Street Thornton, Colorado 80260	Icon Investors I, LLC 5299 DTC Boulevard, Suite 815 Greenwood Village, CO 80111
Tax Identification No.	Tax Identification No.
(303)292-3456 /303)292-3475	(303)984-9800 /(303)984-9874
Telephone No. / Fax No.	Telephone No. / Fax No.

ACCEPTED:

The Bank of Cherry Creek, N. A., Escrow Agent

By:_____

EXHIBIT H

WATER OPINION REQUIREMENTS

1. PURECYCLE owns the right to divert and sell outside the Lowry Range the use of the Dedicated Export Water which will be used to supply the Property.

2. The Dedicated Export Water has not been conveyed or committed to ECCV under the ECCV Agreement, or otherwise.

3. The Dedicated Export Water is not reserved to the Land Board pursuant to Section 5.1(c) of the Amended and Restated Lease Agreement and per Exhibit A thereto.

4. The Dedicated Export Water may be used for purposes as contemplated by the Water Use Agreement, including re-use to extinction except for augmentation obligations.

5. The Dedicated Export Water is not part of the "Reserved Water" described in Section 5.1(e) of the Amended and Restated Lease Agreement.

6. Rangeview has diligently pursued and obtained the adjudication of Water Rights as contemplated by Section 5.4 of the Amended and Restated Lease Agreement.

7. The only encumbrances on the Dedicated Export Water to be used to provide service under the Water Service Agreement are the provisions of the Amended and Restated Lease Agreement and the Mortgage Deed, Security Agreement, and Financing Statement dated 4/11/96 made by PURECYCLE for the benefit of the Land Board.

8. The Dedicated Export Water to be used to provide service under the Water Service Agreement is not subject to rights of first refusal for the benefit of ECCV or Arapahoe County.

EXHIBIT I

LAND BOARD ESTOPPEL CERTIFICATE

This Estoppel Certificate is given jointly to Airpark Metropolitan District, a quasi-governmental corporation and political subdivision of the State of Colorado ("AMD"), and ICON Investors I, LLC, a Colorado limited liability company ("Developer"), by the State of Colorado, acting through its State Board of Land Commissioners (the "State"), with the understanding that AMD and Developer will rely on this Certificate in connection with entering into a Water Service Agreement among AMD, Developer, Pure Cycle Corporation, a Delaware corporation ("PureCycle"), and Rangeview Metropolitan District, a quasi-governmental corporation and political subdivision of the State of Colorado ("Rangeview").

The State hereby certifies as follows:

1. The State is the Lessor under that certain Amended and Restated Lease Agreement between Rangeview and the State (Lease No. S-37280), executed April 4, 1996, as recorded on July 31, 1996 at Reception No. A6097802 in the Arapahoe County Clerk and Recorder's Office (the "Lease"). A true, correct and complete copy of the Lease, together with any amendments, modifications and supplements thereto, is attached hereto. The Lease is the entire agreement between the State and Rangeview pertaining to the use of all the waters on and under the Lowry Range (as defined under the "Lease"). There are no amendments, modifications, supplements, arrangements, side letters or understandings, oral or written of any sort, of the Lease, except as attached.

2. The Lease has been duly executed and delivered by, and is a binding obligation of, the State, and the Lease is in full force and effect.

3. All current obligations of the State under the Lease have been performed, and to the best of the State's knowledge Rangeview is not currently in default under the Lease.

4. The State is not in default under the Lease. The State has not assigned, transferred or hypothecated the Lease or any interest therein.

5. The person executing this Estoppel Certificate is authorized by the State to do so and execution hereof is the binding act of the State enforceable against the State.

IN WITNESS WHEREOF, the State has executed this Estoppel Certificate this __ day of _____, 200_.

STATE OF COLORADO
STATE BOARD OF LAND COMMISSIONERS

By:_____
President

EXHIBIT J

RANGEVIEW ESTOPPEL CERTIFICATE

This Estoppel Certificate is given jointly to Airpark Metropolitan District, a quasi-governmental corporation and political subdivision of the State of Colorado ("AMD"), and ICON Investors I, LLC, a Colorado limited liability company ("Developer"), by the Rangeview Metropolitan District, a quasi-governmental corporation and political subdivision of the State of Colorado ("Rangeview"), with the understanding that AMD and Developer will rely on this Certificate in connection with entering into a Water Service Agreement among AMD, Developer, Pure Cycle Corporation, a Delaware corporation ("PureCycle"), and Rangeview.

Rangeview hereby certifies as follows:

1. Rangeview is Lessee under that certain Amended and Restated Lease Agreement between Rangeview and the State Board of Land Commissioners (Lease No. S-37280), executed April 4, 1996, as recorded on July 31, 1996 at Reception No. A6097802 in the Arapahoe County Clerk and Recorder's Office (the "Lease"). A true, correct and complete copy of the Lease, together with any amendments, modifications and supplements thereto, is attached hereto. The Lease is the entire agreement between Rangeview and the State pertaining to the use of all the waters on and under the Lowry Range (as defined under the "Lease"). There are no amendments, modifications, supplements, arrangements, side letters or understandings, oral or written of any sort, of the Lease, except as attached.

2. The Lease has been duly executed and delivered by, and is a binding obligation of, Rangeview, and the Lease is in full force and effect.

3. All current obligations of the Rangeview under the Lease have been performed, and to the best of Rangeview's knowledge, neither the State or Rangeview are currently in default under the Lease.

4. Rangeview has not assigned, transferred or hypothecated the Lease or any interest therein.

5. The person executing this Estoppel Certificate is authorized by Rangeview to do so and execution hereof is the binding act of Rangeview enforceable against the Rangeview.

IN WITNESS WHEREOF, Rangeview has executed this Estoppel Certificate this __ day of _____, 200_.

RANGEVIEW METROPOLITAN DISTRICT

By:___________________________________

OPTION AGREEMENT

NON-STATUTORY STOCK OPTION

THIS AGREEMENT is made and entered into as of April 9, 2001, by and between PURE CYCLE CORPORATION (the "Company") and Mark W. Harding (the "Optionee") (together, the "Parties").

RECITALS

A. The Board of Directors of the Company (the "Board") has resolved to issue to Mr. Harding non-statutory stock options to purchase common stock of the Company, 1/3 of $0.01 par value per share ("Stock").

B. The Optionee is desirous of obtaining the non-statutory stock options on the terms and conditions contained herein.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Option Grant. The Company hereby confirms and acknowledges that its Board of Directors has granted to the Optionee, as of April 9, 2001, an option (the "Option") to purchase up to 3,000,000 shares of Stock (the "Option Shares") upon the terms and conditions set forth herein.

2. Exercise Price. The purchase price of the Option Shares is $0.18 per share.

3. Option Period. The Option shall continue until August 30, 2007, unless sooner terminated or modified under the provisions of this Agreement, and shall automatically expire on such date.

4. Vesting Schedule. Subject to the provisions of Section 5 and the right of the Company to accelerate the date upon which any or all of this Option becomes vested, the Option may be exercised by the Optionee to purchase the number of Option Shares specified in Section 1 as follows:

(a) 2,250,000 Option Shares shall be immediately exercisable;

(b) 250,000 Option Shares shall become exercisable on the first anniversary of the date of grant; and

(c) An additional 250,000 Option Shares shall become exercisable on each succeeding annual anniversary date of the grant until all such shares are vested.

5. Limitation on Exercise; Change of Control.

(a) Definition. For purposes of this Agreement, a "change of control" shall be deemed to have occurred if (i) any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or Mr. Thomas P. Clark is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of more than 33-1/3 percent of the then outstanding voting stock of the Company; or (ii) at any time during any period of three consecutive years (not including any period prior to the date of this Agreement), individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof; or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation of the Company which would result in the voting securities of the Company or such surviving entity outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or (iv) a reorganization of the Company (other than a reorganization under the United States Bankruptcy Code). A change of control shall not include any transaction undertaken for the purpose of reincorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the

beneficial ownership of the Company's capital stock.

(b) Options. In the event of a change of control of the Company as defined in Section 5(a), then the Board may, in its sole discretion, without obtaining stockholder approval, prescribe the terms and conditions for the exercise of, or modification of, any outstanding Options. By way of illustration, and not by way of limitation, the Board may provide for the complete or partial acceleration of the dates of exercise of the Options, or may provide that such Options will be exchanged or converted into options to acquire securities of the surviving or acquiring corporation, or may provide for the payment or distribution in respect of outstanding Options (or the portion thereof that is currently exercisable) in cancellation thereof. The Board may provide that Options granted hereunder must be exercised in connection with the closing of such transaction, and that is not so exercised such Options will expire. The Board may not, however, adversely affect the rights of any Optionee with respect to previously granted Options without the consent of the Optionee.

6. Adjustment for Stock Split, Stock Dividend, Etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a stock dividend or any other distribution upon such shares payable in Stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and

privileges of the shares of Stock included in the outstanding Option granted hereunder shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence.

7. Fractional Shares. In no event shall any fractional share of Stock be issued upon any exercise of this Option. If any adjustment or substitution provided for in this Agreement shall result in the creation of a fractional share, the Company shall, in lieu of selling or otherwise issuing such fractional share, pay to the Optionee a cash sum in an amount equal to the product of such fraction multiplied by the fair market value of a share of Stock on the date the fractional share would otherwise have been issued. In the case of any such substitution or adjustment affecting an Option, the total exercise price for the shares of Stock then subject to an Option shall remain unchanged but the exercise price per share shall be equitably adjusted by the Board to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

8. Termination of Employment; Retirement; Death; Disability.

(a) If the employment of the Optionee is terminated within the Option Period for cause, as determined by the Company, the Option shall thereafter be void for all purposes. As used in this Section 8, "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures. The effect of this Section 8 shall be limited to determining the consequences of a termination, and nothing in this Section shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

(b) If the Optionee terminates his employment with the Company in a manner determined by the Board, in its sole discretion, to constitute retirement (which determination shall be communication to the Optionee within 10 days of such termination), the Option may be exercised by the Optionee within twelve months following his or her retirement (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to Option Shares which had become exercisable on or before the date of the Optionee's termination of employment.

(c) If the Optionee dies or becomes disabled (within the meaning of Section 22(e) of the Internal Revenue Code) during the Option Period while still employed, or within the twelve-month period following his or her retirement as defined in (b) above, the Option may be exercised by those entitled to do so under the Optionee's will or by the laws of descent and distribution, or in the case of disability, by the Optionee's guardian or legal representative, within twelve months following the Optionee's death or disability, but not thereafter. In any such case, the Option may be exercised only as to the Option Shares which had become exercisable on or before the date of the Optionee's death or disability.

(d) If the employment of the Optionee by the Company is terminated (which for this purpose means that the Optionee is no longer employed by the Company or by an Affiliated Corporation) within the Option Period for any reason other than cause, retirement as provided in (b) above, disability or the Optionee's death, the Option may be exercised by the Optionee within the three

months following the date of such termination (provided that such

exercise must occur within the Option Period), but not thereafter. In any case, the Option may be exercised only as to the Option Shares which had become exercisable on or before the date of termination of employment.

9. Transferability. The Option granted herein is not transferable by the Optionee except by will or pursuant to the laws of descent and distribution, and this Option is exercisable during the Optionee's lifetime only by him, or in the event of a disability or incapacity, by his guardian or legal representative.

10. Exercise. The Option may be exercised in whole or in part by delivering to the Company written notice of exercise, together with payment in full for the shares being purchased upon such exercise. The written notice must specify the number of shares with respect to which such Option is exercised (which must be in an amount evenly divisible by 100) and payment of the exercise price. Such notice shall be in an form satisfactory to the Board and shall specify the particular Option being exercised. The purchase of the Stock shall take place at the principal offices of the Company upon delivery of such notice, at which time the exercise price of the Stock shall be paid in full by any of the methods or any combination of the methods set forth in Section 11. A properly executed certificate or certificates representing the Stock shall be issued by the Company and delivered to the Optionee. If Option Shares are to be used to pay all or part of the exercise price, a certificate for the number of shares of Stock used to pay the exercise price shall be issued by the Company and a copy thereof delivered to the Optionee, and a separate certificate shall be issued by the Company and delivered to the Optionee representing the shares, in excess of the exercise price, to which the Optionee is entitled as a result of the exercise of the Option.

11. Payment of Exercise Price. The exercise price shall be immediately due upon exercise of the Option and shall, subject to the tax withholding requirements, be payable in one or more of the following forms:

(a) Cash;

(b) Cashier's check payable to the order of the Company;

(c) Delivery to the Company of certificates representing the number of shares then owned by the Optionee, the fair market value of which equals the purchase price of the Stock purchased pursuant to the Option, properly endorsed for transfer to the Company. For purposes of this Agreement, the fair market value of any shares delivered in payment of the purchase price upon exercise of the Option shall be their fair market value as of the exercise date. The exercise date shall be the date of delivery of the certificates for the Stock used as payment of the exercise price; or

(d) Delivery to the Company of a properly executed notice of exercise together with irrevocable instructions to a broker to deliver to the Company promptly the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Optionee necessary to pay the exercise price.

12. Adjustment of Options. Subject to the limitations contained in this Agreement, the Board may make any adjustment in the exercise price, the number of shares subject to, or the

terms of, an outstanding Option and a subsequent grant of an Option by amendment or substitution of an outstanding Option. Such amendment, substitution or re-grant may result in terms and conditions (including exercise price, number of shares covered, vesting schedule or exercise period) that differ from the terms and conditions of the original Option. The Board may not, however, adversely affect the rights of any Optionee to previously granted Options without the consent of the Optionee. If such action is effected by amendment, the effective date of such amendment shall be the date of the original grant.

13. Securities Law Limitations. Neither this Option nor the Option Shares have been registered under the Securities Act of 1933, as amended (the "1933 Act"), or under any blue sky or other state securities laws. The Optionee therefore represents and agrees that: (a) the Option shall not be exercisable unless the purchase of Option Shares upon the exercise of the Option is pursuant to an applicable effective registration statement under the 1933 Act, or unless in the opinion of counsel for the Company, the proposed purchase of such Option Shares would be exempt from the registration requirements of the 1933 Act, and from the qualification requirements of any state securities laws; (b) upon

exercise of the Option, it will acquire the Option Shares for its own account for investment and not with any intent or view to any distribution, resale or other disposition of the Option Shares; and (c) it will not sell or transfer the Option or the Option Shares, unless the Option or the Option Shares, as applicable, are registered under the 1933 Act, except in an transaction that is exempt from registration under the 1933 Act, and each certificate issued to represent any of the Option Shares shall bear a legend calling attention to the foregoing restrictions and agreements. The Company may require as a condition of the exercise of the Option, that the Optionee sign such further representations and agreements as it reasonably determines to be necessary or appropriate to assure and to evidence compliance with the requirements of the 1933 Act. Legends evidencing such restrictions may be placed on the certificates evidencing the Stock.

14. Stockholder Rights. The Optionee shall have no stockholder rights with respect to shares subject to the Option until such person shall have exercised the Option, paid the exercise price and become the holder of record of the purchased shares.

15. Withholding

(a) Withholding Requirement. The Company's obligations to deliver shares upon the exercise of an Option shall be subject to the Optionee's satisfaction of all applicable federal, state and local income and other tax withholding requirements.

(b) Withholding With Stock. The Optionee may, subject to Board approval, pay all such amounts of tax withholding, or any part thereof, by electing to transfer to the Company, or to have the Company withhold from shares otherwise issuable to the Optionee, shares having a value equal to the amount required to be withheld or such lesser amount as may be elected by the Optionee. The value of the shares to be withheld shall be based on the fair market value of the Stock on the date that the amount of tax to be withheld is determined (the "Tax Date"). Any such elections by the Optionee to have shares withheld for this purpose will be subject to the following restrictions:

(i) All elections must be made prior to the Tax Date;

(ii) All elections shall be irrevocable; and

(iii) If the Optionee is an officer or director of the Company within the meaning of Section 16 of the 1934 Act ("Section 16") , the Optionee must satisfy the requirements of such Section 16 and any applicable rules thereunder with respect to the use of Stock to satisfy such tax withholding obligation.

16. General Restrictions.

(a) Compliance with Securities Laws. Each Option grant shall be subject to the requirement that, if at any time, counsel to the Company shall determine that the listing, registration or qualification of the shares subject to such grant upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares thereunder, such grant may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

(b) Stock Restriction Agreement. The Board may provide that shares of Stock issuance upon the exercise of an Option shall, under certain conditions, be subject to restrictions whereby the Company has the right of first refusal with respect to such shares or a right or obligation to repurchase all or a portion of such shares, which restrictions may survive an Optionee's term of employment with the Company. The acceleration of time or times at which an Option becomes exercisable may be conditioned upon the Optionee's agreement to such restrictions.

17. Governing Law. This Agreement is entered into and shall be governed by, construed and enforced in accordance with the laws of the State of Delaware.

18. Optionee's Affirmation. In consideration of the granting by the Company of the Option, the Optionee hereby affirms that he has a present intention to remain in the employ and service of the Company for the period that this Option continues. This affirmation, however, shall confer no right to the Optionee to continue in the employ of the Company, nor interfere in any way with

the right of the Company to discharge the Optionee at any time for any reason whatsoever, with or without cause.

IN WITNESS HEREOF, the Parties have hereunto affixed their signatures in acknowledgement and acceptance of the above terms and conditions as of the date first written above.

COMPANY

PURE CYCLE CORPORATION

By:

Thomas P. Clark,
Chief Executive Officer

OPTIONEE

By:

Mark W. Harding

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Stockholders
Pure Cycle Corporation:

We consent to the use of our report dated October 10, 2003 in the registration statement on Form SB-2, with respect to the balance sheets of Pure Cycle Corporation as of August 31, 2003 and 2002, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

KPMG LLP

Denver, Colorado
April 16, 2004