

PURE CYCLE CORPORATION
CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS

As Amended January 15, 2008

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PURPOSE

The compensation committee (the “Committee”) is appointed by the board of directors (the “Board”) of Pure Cycle Corporation (the “Company”). This compensation committee charter specifies the composition, scope of authority and responsibility of the Committee. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through overseeing the compensation philosophy and policies of the Company. The Committee shall review and recommend to the Board all compensation arrangements for the executive officers and key employees of the Company.

COMPOSITION

The Committee shall have at least three (3) members at all times, each of whom:

- (1) Is an independent director, as defined in the Rule 4200(a)(15) of the NASDAQ listing standards, as amended;
- (2) Satisfies the independence requirements set forth in Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended;
- (3) Is an “outside director” under Regulation Section 1.162-27 promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended; and
- (4) Is a “non-employee director,” as defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended.

In addition, Committee members shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member. Each member of the Committee shall be appointed by the Board and shall serve until the earlier to occur of the date on which he or she shall be replaced by the Board, resigns from the Committee, or resigns from the Board.

MEETINGS

The Board shall name a chairperson of the Committee, who shall prepare and/or approve the agenda for each meeting and shall preside over meetings of the Committee. In the absence of the chairperson, the Committee shall select a chairperson for that meeting. A majority of the members of the Committee shall constitute a quorum and the act of a majority of the members present at a meeting where a quorum is present shall be the act of the Committee. The Committee may also act

by unanimous written consent of its members. The Committee shall maintain minutes or other records of meetings and activities of the Committee. The Committee shall meet as frequently as circumstances dictate, but no less than once annually. The Committee shall, through its chairperson, report to the Board following the meetings of the Committee.

RESPONSIBILITIES, DUTIES AND POWERS

The following shall be the principal responsibilities of the Committee, authorization for which has been provided by the Board. These items are set forth as a guide, with the understanding that the Committee may supplement them as appropriate and may establish policies and procedures from time to time that it deems necessary or advisable in fulfilling its responsibilities. In performing these responsibilities, the Committee shall have access to the Company's personnel and documents as necessary to carry out its responsibilities. The Committee may delegate to subcommittees of the Committee or to one or more executive officers of the Company the authority to make compensation determinations for employees who are not executive officers of the Company, except as provided below:

1. Determine at least annually the corporate goals, objectives, factors and criteria relevant to compensation of the Company's executive officers and key employees for the current fiscal year, and the procedures for determining compensation to be paid to the Company's executive officers and key employees;
2. Evaluate at least annually the performance of the Company's executive officers and key employees in light of established goals and objectives;
3. Review at least annually all forms of compensation (including, without limitation, salary, bonus, commission, stock, stock options, perquisites, severance, change in control benefits and other forms of compensation) applicable to the Company's executive officers and key employees;
4. Review at least annually and determine (i) salaries paid to the executive officers and key employees, (ii) grants of cash-based bonuses and equity compensation provided to the executive officers and key employees, (iii) the entering into, or amendments or extensions of, employment contracts or similar arrangements with the executive officers and key employees, (iv) executive officers' and key employees' severance or change in control benefits, and (v) such other executive officer and key employee compensation matters as may be directed by the Board from time to time.
5. Periodically review policies for the administration of the executive officer and key employee compensation programs and policies regarding perquisites;
6. Annually review and make recommendations to the Board with respect to adoption and approval of, or amendments to, all cash-based and equity-based incentive compensation plans and shares reserved thereunder;
7. Administer the Company's equity incentive and similar stock based plans (the "***Stock Plans***") in accordance with the terms of said Stock Plans. The Committee will: (i) approve

grants of stock, stock options, stock purchase rights, restricted stock grants and other equity incentives to individuals eligible for such grants (including grants in compliance with Rule 16b-3 promulgated under the Exchange Act to individuals who are subject to Section 16 of the Exchange Act); (ii) interpret the Stock Plans and agreements thereunder; (iii) determine acceptable forms of consideration for stock acquired pursuant to the Stock Plans; (iv) adopt, amend or terminate any subplans under the Stock Plans, and (v) exercise such other power and authority as may be permitted or required under the Stock Plans. In carrying out its administration of the Stock Plans, the Committee may delegate any part of the duties under this Section 7 to the chief executive officer of the Company; provided, however, that the Committee may not delegate to the chief executive officer the authority to (a) grant, amend or administer any stock option or other equity award to or held by any director or executive officer of the Company, (b) grant any stock option with an exercise price per share that is less than the fair market value of the Company's common stock as determined under the applicable Stock Plan, or (c) take any action not otherwise permitted under the applicable Stock Plans. Any such delegation of duties shall be reflected in the written minutes of the Committee.

8. Annually review materials and analyses developed by the Company's employees and/or such compensation consultants as the Committee deems appropriate related to the form and amount of compensation to be paid or awarded to non-employee members of the Board. The Committee will make a recommendation to the full Board for its approval.
9. Regularly report to the Board on the major items covered at each Committee meeting and make recommendations to the Board and management concerning such matters.
10. Review and discuss with management the Company's disclosures contained under the caption "Compensation Discussion and Analysis" for use in any of the Company's periodic reports, registration statements and proxy statements to be filed with the Securities and Exchange Commission and make recommendations to the Board that the "Compensation Discussion and Analysis" be included in the Company's periodic reports, registration statements or proxy statements, as the case may be.
11. Prepare an annual report on executive compensation to the Company's stockholders for inclusion in the proxy statement for the Company's annual meeting in accordance with the rules and regulations of the Securities and Exchange Commission.
12. Review and assess on at least an annual basis the adequacy of this Charter and, if appropriate, recommend revisions for approval by the Board;
13. Perform such further functions as may be requested by the Board.
14. Perform any other activities required by applicable law, rules or regulations, including the rules of the Securities and Exchange Commission and any exchange or market on which the Company's capital stock is traded, and perform other activities that are consistent with this charter, the Company's certificate of incorporation and bylaws, and governing laws, as the Committee or the Board deems necessary or appropriate.

Studies and Outside Advisors

The Committee will have the sole authority, as and when it shall determine to be necessary or appropriate to the functions of the Committee, at the expense of the Company and not at the expense of the members of the Committee, to retain and terminate compensation consultants, legal counsel and other advisors of its choosing to assist the Committee in connection with its functions. The Committee shall have the sole authority to approve the fees and other retention terms of such advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any such advisors employed by the Committee.