

PURE CYCLE CORPORATION
NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER

As amended August 21, 2008

1. Purpose

- 1.1 The purpose of the Nominating and Corporate Governance Committee (the “NCG Committee”) of the board of directors (the “Board”) of Pure Cycle Corporation (the “Company”) is to:
- 1.1.1 identify and evaluate director candidates and to recommend to the Board proposed nominees for Board membership;
 - 1.1.2 recommend to the Board, directors to serve on each Board committee;
 - 1.1.3 lead the Board in its annual review of the Board’s performance;
 - 1.1.4 develop and recommend to the Board a set of Corporate Governance Guidelines;
 - 1.1.5 recommend and review all matters pertaining to fees and retainers paid to non-employee directors for Board and committee service and for serving as chair of a Board committee;
 - 1.1.6 recommend stock ownership requirements for non-employee directors of the Company;
 - 1.1.7 work with management to develop an orientation and continuing education program for directors;
 - 1.1.8 develop and recommend to the Board, a Board charter and/or mission statement, if appropriate; and
 - 1.1.9 perform such other functions as the Board may from time to time assign to the NCG Committee.

2. Charter

- 2.1 This charter is the written charter of the NCG Committee (the “Charter”).

3. Composition

- 3.1 At all times the NCG Committee will consist of a minimum of three (3) directors.
- 3.2 Each of the members of the NCG Committee will meet the independence and qualification requirements as provided in the Company’s Corporate Governance Guidelines, the Rules of the National Association of Securities Dealers Automated Quotation System applicable to the Company, and applicable laws and regulations.
- 3.3 The NCG Committee will recommend to the Board, and the Board will designate, the chair of the NCG Committee (the “Chair”).

- 3.4 The Chair will be responsible for leadership of the NCG Committee, including preparing the agenda, presiding over NCG Committee meetings, making NCG Committee assignments, and reporting the NCG Committee's actions to the Board.

4. Meetings

- 4.1 The NCG Committee will meet in person at least annually. Otherwise, the NCG Committee will meet, either in person or telephonically, as often as it deems necessary or appropriate to perform its duties and responsibilities under the Charter.
- 4.2 The NCG Committee will report to the full Board with respect to its meetings, and provide the Board with a copy of the minutes of all NCG Committee meetings.
- 4.3 The majority of the members of the NCG Committee will constitute a quorum, and the NCG Committee will act at an in person or telephonic meeting only by majority vote. The NCG Committee may also act by unanimous written consent.

5. Authority and Responsibilities

5.1 Identifying and Evaluating Director Candidates.

5.1.1 **General.** Except to the extent the Company is legally required by contract or otherwise to provide third parties with the ability to nominate directors (for example, through preferred stock rights to elect directors upon a dividend default, shareholder agreements, and management agreements), the NCG Committee will be responsible for identifying and evaluating all director candidates. The NCG Committee will seek individuals qualified to become board members for recommendation to the Board, including evaluating persons suggested by shareholders. Directors may be nominated by the Board of Directors or by shareholders in accordance with the Bylaws of the Company. The NCG Committee will conduct the appropriate inquiries into the backgrounds and qualifications of possible nominees. The NCG Committee will investigate and review each proposed nominee's qualifications for service on the Board, and where appropriate, recommend to the Board proposed nominees for Board membership.

5.1.2 Shareholder Nominations.

5.1.2.1 For a shareholder to submit a candidate for consideration by the NCG Committee, a shareholder must notify the Company's Corporate Secretary.

5.1.2.2 The Company's Bylaws also permit certain shareholders to nominate directors at an annual meeting of shareholders. To make a director nomination at an annual meeting, a shareholder must satisfy the eligibility requirements set forth in the Company's Bylaws and notify the Company's Corporate Secretary by no later than the date that is specified in the Company's Bylaws.

5.1.2.3 In either case, the notice must be sent to: Corporate Secretary, Pure Cycle Corporation, 8451 Delaware Street, Thornton, Colorado 80260. Any notice must also meet all of the requirements contained in the Company's Bylaws and set forth:

- the name, age, business address and residence address of the proposed nominee;
- the principal occupation or employment of the proposed nominee;
- all board memberships held by the nominee;
- any other information relating to the proposed nominee that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations promulgated under that act;
- any other information the shareholder believes is relevant concerning the proposed nominee;
- a written consent of the proposed nominee(s) to being named as a nominee and to serve as a director if elected;
- whether the proposed nominee is going to be nominated at the annual meeting of shareholders or is only being provided for consideration by the NCG Committee;
- the name and record address of the shareholder who is submitting the notice;
- the class or series and number of voting shares of the Company which are owned of record or beneficially by the shareholder who is submitting the notice;
- a description of all arrangements or understanding between the shareholder who is submitting the notice and any other person (naming such person) pursuant to which the nomination is being made by the shareholder who is submitting the notice; and
- if the shareholder who is submitting the notice intends to nominate the proposed nominee at the annual meeting of shareholders, a representation that the shareholder intends to appear in person or by proxy at the annual meeting to nominate the proposed nominee named in the notice.

5.1.3 **Individual Evaluation Criteria.** The NCG Committee works with the Board on an annual basis to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individual director candidates, the NCG Committee will take into account many factors, including but not limited to:

- 5.1.3.1 general understanding of water rights, real estate, engineering, marketing, finance, accounting and other disciplines relevant to the Company’s business;

- 5.1.3.2 business experience in and understanding of the industry in which the Company operates;
 - 5.1.3.3 experience with relevant regulatory matters in which the Company is involved;
 - 5.1.3.4 educational and professional background;
 - 5.1.3.5 experience with publicly-traded companies;
 - 5.1.3.6 reputation for integrity and professionalism;
 - 5.1.3.7 board memberships;
 - 5.1.3.8 commitment to devote the time and attention necessary to fulfill his or her duties to the Company; and
 - 5.1.3.9 diversity of experience and expertise.
- 5.1.4 **Overall Evaluation Criteria.** The NCG Committee will also evaluate each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment, using its diversity of experience. The NCG Committee believes that, except during periods of temporary vacancies, a majority of its directors must be independent. In determining the independence of a director, the Board will apply the definition of "independent director" in the Rules of the National Association of Securities Dealers Automated Quotation System applicable to the Company and applicable laws and regulations.
- 5.1.5 **Additional Criteria For Current Directors.** In determining whether to recommend a director for re-election, the NCG Committee will consider the director's past attendance at meetings and participation in and contributions to the activities of the Board. The NCG Committee may also consider the stability and continuity provided by the continuing service of qualified incumbents. Current directors must provide the NCG Committee with updated information regarding any changes in employment or board memberships.
- 5.1.6 **Age Requirements.** Individuals who serve as directors must be at least 21 years of age and must be less than 70 years of age on the date of election or re-election to the Board. Directors attaining their 70th birthday while in office shall retire on or prior to the date of the next annual meeting, but in any event no later than their 71st birthday. In its discretion, the NCG Committee may waive the age requirement with respect to a particular director nominee by taking official action at a meeting or by unanimous written consent.
- 5.1.7 **Term Limits.** An individual may serve as a director for a maximum of ten continuous years. The term limit for current directors first elected prior to June 21, 2004, will be determined as if such directors were first elected on June 21, 2004. In its discretion, the NCG Committee may waive the term limit with respect to a particular director nominee by taking official action at a meeting or by unanimous written consent.

- 5.1.8 **No Specific Limitation on Service on Other Boards.** The NCG Committee does not believe that Board members should be prohibited from serving on boards and/or committees of other organizations, and has not adopted any guidelines limiting such activities. However, the NCG Committee will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to the Board, and will consider any conflicts of interest arising from such other activities. A director may not continue to serve on the Board and an individual will not be considered for nomination to the Board if such person's service on the Board would exceed the limits for board service or otherwise violate any rules established by any exchange on which the Company's stock is listed.
- 5.2 **Board Committee Recommendations.** The NCG Committee will recommend nominees for appointment to each Board committee annually and as vacancies or newly created positions occur. The NCG Committee will also recommend the chair for each Board committee.
- 5.3 **Board Assessment.** The NCG Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board following the end of each fiscal year.
- 5.4 **Corporate Governance Guidelines.** The NCG Committee will periodically review and reassess the adequacy of the Corporate Governance Guidelines of the Company and recommend any proposed changes to the Board for approval.
- 5.5 **Director Compensation.** The NCG Committee will recommend and review all matters pertaining to fees and retainers paid to directors for Board and committee service and for serving as chair of a Board committee.
- 5.6 **Additional Assignments.** The NCG Committee will perform such other functions as the Board may from time to time assign to the NCG Committee.

6. Miscellaneous

- 6.1 The NCG Committee will be given the resources and assistance necessary to discharge its responsibilities, including unrestricted access to Company personnel and documents. The NCG Committee will also have the authority to engage and obtain advice and assistance from internal or external legal, accounting or other advisors and experts, as it deems necessary or appropriate.
- 6.2 At least annually, the NCG Committee will review and assess the adequacy of this Charter.
- 6.3 At least annually, the NCG Committee will evaluate its own performance and report to the Board on such evaluation.