AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 10, 2004.
REGISTRATION NO. 333-114568

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

AMENDMENT NO. 2
TO
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. [ ]

The registration fees were paid with the previous filings of this Registration Statement.

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.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 27. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Description of Exhibit
1.1	Underwriting Agreement.**
3.1	Amended and Restated Certificate of Incorporation.**
3.2	Amended and Restated Bylaws.*
5.1	Opinion of Davis Graham & Stubbs LLP.*
5.2	Opinion of Richards, Layton & Finger, P.A.*
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 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.**
10.17	Amended and Restated Lease Agreement between the State Land Board and the District dated April 4, 1996.**
10.18	Bargain and Sale Deed among the State Land Board, the District and the Company dated April 11, 1996.**
10.19	Mortgage Deed, Security Agreement, and Financing Statement between the State Land Board and the Company dated April 11, 1996.**
10.20	Water Service Agreement for the Hills at Sky Ranch Water dated May 14, 2004 among Icon Land II, LLC, a Colorado limited liability company, the Company, and the District (incorporated by reference from the Current Report on Form 8-K filed with the SEC on May 21, 2004).
23.1	Consent of Davis Graham & Stubbs LLP (included in Exhibit 5.1).
23.2	Consent of KPMG LLP.**
23.3	Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.2).

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* Filed herewith.

** Previously filed.

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 June 10, 2004.

PURE CYCLE CORPORATION

By: *

Name: Mark W. Harding
Title: President

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.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
*	Chief Executive Officer and Director (Principal Executive Officer)	June 10, 2004
- ---------- Thomas P. Clark		

*	President and Director (Principal Financial Officer and Principal Accounting Officer)	June 10, 2004
Mark W. Harding		
*	Chairman of the Board	June 10, 2004
Harrison H. Augur		
*	Director	June 10, 2004
Richard L. Guido		
*	Director	June 10, 2004
Margaret S. Hansson		
*	Director	June 10, 2004
George M. Middlemas		

* Wanda J. Abel, by signing her name hereto, signs this document on behalf of each of the persons indicated by an asterisk above pursuant to a power of attorney duly executed by each such persons and previously filed with the Securities and Exchange Commission as part of the Registration Statement.

Date: June 10, 2004

/s/ WANDA J. ABEL

Wanda J. Abel, Attorney-In-Fact

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* Filed herewith.

** Previously filed.

BYLAWS
OF
PURE CYCLE CORPORATION

AS AMENDED AND RESTATED
JUNE 10, 2004

ARTICLE I
OFFICES

1.1 OFFICES.

The registered office of Pure Cycle Corporation (the "CORPORATION") in the State of Delaware shall be as provided for in the Certificate of Incorporation as amended from time to time. The Corporation shall have offices at such other places as the board of directors may from time to time determine.

ARTICLE II
STOCKHOLDERS

2.1 ANNUAL MEETINGS.

The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the date and at the time fixed, from time to time, by resolution of the board of directors. Each such annual meeting shall be held at such place, within or without the State of Delaware, as shall be determined by the board of directors. The day, time, and place of each annual meeting shall be specified in the notice of such annual meeting. Any annual meeting of stockholders may be adjourned from day to day, time to time, and place to place until its business is completed.

2.2 SPECIAL MEETINGS.

Except as otherwise required by law or by the Certificate of Incorporation of the Corporation (the "CERTIFICATE OF INCORPORATION"), special meetings of stockholders may be called by the chairman of the board, the chief executive officer, the president or the board of directors pursuant to a resolution approved by a majority of the entire board of directors or a sole remaining director, or the written request of stockholders owning twenty percent of the entire capital stock of the Corporation issued and outstanding and entitled to vote. A written request for a meeting delivered by stockholders shall state the purpose or purposes of the meeting and shall be delivered to the secretary. The term "ENTIRE BOARD OF DIRECTORS," as used in these bylaws, means the total number of directors which the Corporation would have if there were no vacancies. The business to be conducted at a special meeting of stockholders shall be limited to the business set forth in the notice of meeting sent by the Corporation.

2.3 STOCKHOLDER ACTION.

Any action required or permitted to be taken by the stockholders of the Corporation shall be effected at a duly called annual or special meeting of such stockholders or without a meeting, without prior notice, and without a vote, if the requisite stockholders entitled to vote execute a consent in writing, setting forth the action so taken.

2.4 NOTICE OF MEETING.

Written notice stating the place, date and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) nor more than fifty (50) days before the date of the meeting, except as otherwise required by statute or the Certificate of Incorporation, either personally or by mail, prepaid telegram, telex, facsimile transmission, cablegram, overnight courier or radiogram, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the stockholder at the stockholder's address as it appears on the stock records of the Corporation. If given personally or otherwise than by mail, such notice shall be deemed to be given when either handed to the stockholder or delivered to the stockholder's address as it appears on the stock records of the Corporation.

2.5 WAIVER.

Attendance of a stockholder of the Corporation, either in person or by proxy, at any meeting, whether annual or special, shall constitute a waiver of notice of such meeting, except where a stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the

transaction of any business because the meeting is not lawfully called or convened. A written waiver of notice of any such meeting signed by a stockholder or stockholders entitled to such notice, whether before, at or after the time for notice or the time of the meeting, shall be equivalent to notice. Neither the business to be transacted at, nor the purposes of, any meeting need be specified in any written waiver of notice.

2.6 VOTING LIST.

The secretary shall prepare and make available, at the earlier of ten (10) days before every meeting of stockholders, or two (2) business days after the notice is given, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting, during ordinary business hours either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall be produced and kept at the place of the meeting during the whole time of the meeting and may be inspected by any stockholder who is present.

2.7 QUORUM.

Except as otherwise required by law, the Certificate of Incorporation or these bylaws, the holders of not less than a majority of the shares entitled to vote at any meeting of the stockholders, present in person or by proxy, shall constitute a quorum. In all matters other than the election of directors, the affirmative vote of the majority of shares present in person or by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Directors shall be elected by a plurality of the votes of the shares present in person or by proxy at the meeting and entitled to vote on the election of directors. If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting from time to time, without notice if the time and place are announced at the meeting, until a quorum shall be present. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than twenty (20) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then, notwithstanding the prior paragraph and except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum.

2.8 RECORD DATE.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting, or at any adjournment of a meeting of stockholders; or entitled to receive payment of any dividend or other distribution or allotment of any rights; or entitled to exercise any rights in respect of any change, conversion or exchange of stock; or for the purpose of any other lawful action; the board of directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors. The record date for determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournments thereof shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. The record date for any other action shall not be more than sixty (60) days prior to such action. If no record date is fixed: (i) the record date for determining stockholders entitled to notice of or to vote at any meeting shall be the close of business on the day immediately preceding the day on which notice is given or, if notice is waived by all stockholders, at the close of business on the day immediately preceding the day on which the meeting is held; and (ii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating to such other purpose. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.9 PROCEDURE.

The order of business and all other matters of procedure at every meeting of the stockholders may be determined by the presiding officer.

2.10 ADVANCE NOTICE OF STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS.

Stockholders may nominate one or more persons for election as directors at the annual meeting of stockholders or propose business to be brought before the annual meeting of stockholders, or both, only if (i) such business is a proper matter for stockholder action under applicable Delaware law and (ii) the stockholder has given timely notice in proper written form of such stockholder's intent to make such nomination or nominations or to propose such business.

To be timely, a stockholder's notice relating to the annual meeting shall be delivered to the secretary at the principal executive offices of the Corporation not less than 120 or more than 180 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders. However, if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the Anniversary of the preceding year's annual meeting, then notice by the stockholder to be timely must be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 15th day following the day on which public announcement of the date of such meeting is first made.

To be in proper form a stockholder's notice to the secretary shall be in writing and shall set forth (i) the name and address of the stockholder who intends to make the nomination(s) or propose the business and, as the case may be, of the person or persons to be nominated or of the business to be proposed, (ii) a representation that the stockholder is a holder of record of stock of the Corporation, that the stockholder intends to vote such stock at such meeting and, in the case of nomination of a director or directors, intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iii) in the case of nomination of a director or directors, a description of all arrangements or understandings between the stockholder and each nominee or any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder, (iv) such other information regarding each nominee or each matter of business to be proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), had the nominee been nominated, or intended to be nominated, or the matter been proposed, or intended to be proposed, by the board of directors of the Corporation and (v) in the case of nomination of a director or directors, the consent of each nominee to serve as a director of the Corporation if so elected.

The Chairman of a meeting of stockholders may refuse to acknowledge the nomination of any person or the proposal of any business not made in compliance with the foregoing procedures.

Notwithstanding the foregoing provisions of this section, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this section. Nothing in this section shall affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act. Nothing in this section shall affect any rights of stockholders, if any, to have any nominee included in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

ARTICLE III
DIRECTORS

3.1 NUMBER.

Except as otherwise fixed pursuant to the provisions of the Certificate of Incorporation, the number of directors shall be fixed from time to time exclusively by resolutions adopted by the board of directors; provided, however, that the number of directors shall at no time be less than three (3) nor more than fifteen (15); PROVIDED, HOWEVER, that no decrease in the number of directors constituting the board of directors shall shorten the term of any incumbent director; and provided, further, that a newly created directorship established by the election of an additional member of the board by the board of directors shall be deemed to automatically increase the size of the board by one (1).

3.2 CHAIRMAN OF THE BOARD.

The chairman, if present, shall preside at all meetings of stockholders and of the board and shall perform all duties incident to the office of chairman of the board and all such other duties as may from time to time be assigned to him by the board or by these bylaws.

3.3 ELECTION AND TERMS.

A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and qualified, subject, however, to such director's prior death, resignation, retirement, disqualification or removal from office.

3.4 NEWLY CREATED DIRECTORSHIPS AND VACANCIES.

Except as otherwise fixed pursuant to the provisions of the Certificate of Incorporation, newly created directorships resulting from any increase in the number of directors and any vacancies on the board of directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office or a sole remaining director, even though less than a quorum of the board of directors, or, if there are no remaining directors, by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the new directorship which was created or in which the vacancy occurred and until such director's successor shall have been elected and qualified.

3.5 REGULAR MEETINGS.

The first meeting of each newly elected board of directors elected at the annual meeting of stockholders shall be held immediately after and at the same place as, the annual meeting of the stockholders, provided a quorum is present, and no notice of such meeting shall be necessary in order to legally constitute the meeting. Regular meetings of the board of directors shall be held at such times and places as the board of directors may from time to time determine.

3.6 SPECIAL MEETINGS.

Special meetings of the board of directors may be called at any time, at any place and for any purpose by the chairman of the board, the chief executive officer, the president or by a majority of the entire board of directors.

3.7 NOTICE OF MEETINGS.

Notice of regular meetings of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director at his usual place of business or at such other address as shall have been furnished by him for such purpose. Such notice shall be properly and timely given if it is: (a) deposited in the United States mail not later than the third calendar day preceding the date of the meeting or (b) personally delivered, telegraphed, sent by facsimile transmission or communicated by telephone at least twenty-four hours before the time of the meeting. Such notice need not include a statement of the business to be transacted at, or the purpose of, any such meeting.

3.8 WAIVER.

Attendance of a director at a meeting of the board of directors shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A written waiver of notice signed by a director or directors entitled to such notice, whether before, at, or after the time for notice or the time of the meeting, shall be equivalent to the giving of such notice.

3.9 QUORUM.

Except as may be otherwise provided by law, in the Certificate of Incorporation, or in these bylaws, the presence of a majority of the total number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the board of directors, and the act of a majority of the directors present at a meeting at which a quorum is present shall be deemed the act of the board of directors. Less than a quorum may adjourn any meeting of the board of directors from time to time without notice.

3.10 PARTICIPATION IN MEETINGS BY TELEPHONE.

Members of the board of directors, or of any committee thereof, may participate in a meeting of such board or committee by means of conference telephone or similar

communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

3.11 POWERS.

The business, property and affairs of the Corporation shall be managed by or under the direction of its board of directors, which shall have and may exercise all the powers of the Corporation to do all such lawful acts and things as are not by law, by the Certificate of Incorporation or by these bylaws, directed or required to be exercised or done by the stockholders.

3.12 COMPENSATION OF DIRECTORS.

Directors shall receive such compensation for their services as shall be determined by a majority of the entire board of directors, provided that directors who are serving the Corporation as officers or employees and who receive compensation for their services as such officers or employees shall not receive any salary or other compensation for their services as directors.

3.13 ACTION WITHOUT A MEETING.

Unless otherwise restricted by the Certificate of Incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors or any committee thereof may be taken without a meeting if written consent thereto is signed by all members of the board of directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the board or committee. Any such consent may be in counterparts and shall be effective on the date of the last signature thereon unless otherwise provided therein.

3.14 REMOVAL.

The stockholders may, at any meeting called for the purpose, by vote of a majority of the capital stock issued and outstanding and entitled to vote for the election of directors, remove any director from office, with or without cause.

ARTICLE IV
COMMITTEES

4.1 DESIGNATION OF COMMITTEES.

The board of directors may establish committees for the performance of delegated or designated functions to the extent permitted by law, each committee to consist of one or more directors of the Corporation. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of such absent or disqualified member.

4.2 COMMITTEE POWERS AND AUTHORITY.

The board of directors may provide, by resolution or by amendment to these bylaws, that a committee may exercise all the power and authority of the board of directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; PROVIDED, HOWEVER, that a committee may not exercise the power or authority of the board of directors in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors, pursuant to Article IV of the Certificate of Incorporation, fix the designations and any of the preferences or rights of shares of preferred stock relating to dividends, redemption, dissolution, any distribution of property or assets of the Corporation, or the conversion into, or the exchange of shares for, shares of any other class or

classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending these bylaws; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

4.3 COMMITTEE PROCEDURES.

To the extent the board of directors or the committee does not establish other procedures for the committee, each committee shall be governed by the procedures established in SECTION 3.3 (except as they relate to an annual meeting of the board of directors) and SECTIONS 3.4, 3.5, 3.6, 3.7, 3.9, 3.10, 3.12, AND 3.13 of these bylaws, as if the committee were the board of directors.

ARTICLE V
OFFICERS

5.1 NUMBER.

The officers of the Corporation shall be appointed or elected by the board of directors. The officers shall be a chief executive officer, a president, such number, if any, of executive vice presidents as the board of directors may from time to time determine, such number, if any, of vice presidents as the board of directors may from time to time determine, a secretary, such number, if any, of assistant secretaries as the board of directors may from time to time determine, and a chief financial officer. Any person may hold two (2) or more offices at the same time except the offices of chief executive officer and secretary and the offices of president and secretary.

5.2 ADDITIONAL OFFICERS.

The board of directors may appoint such other officers as it shall deem appropriate.

5.3 TERM OF OFFICE, RESIGNATION.

All officers, agents and employees of the Corporation shall hold their respective offices or positions at the pleasure of the board of directors and may be removed at any time by the board of directors with or without cause. Any officer may resign at any time by giving written notice of his resignation to the chief executive officer, the president, or to the secretary, and acceptance of such resignation shall not be necessary to make it effective unless the notice so provides. Any vacancy occurring in any office shall be filled by the board of directors.

5.4 CHIEF EXECUTIVE OFFICER.

The chief executive officer shall be chief executive officer of the Corporation and, subject to the direction and control of the board of directors, shall manage the business of the Corporation. The chief executive officer shall preside at all meetings of the stockholders and directors at which such officer may be present unless the board of directors has appointed a chairman, vice chairman, or other officer of the board to preside at such meetings. The chief executive officer may execute contracts, deeds and other instruments on behalf of the Corporation. The chief executive officer shall have full authority on behalf of the Corporation to attend any meeting, give any waiver, cast any vote, grant any discretionary or directed proxy to any person, and exercise any other rights of ownership with respect to any shares of capital stock or other securities held by the Corporation and issued by any other corporation or with respect to any partnership, trust or similar interest held by the Corporation.

5.5 PRESIDENT.

The president, if any, shall be the officer next in rank after the chief executive officer. The president may execute contracts, deeds and other instruments on behalf of the Corporation. In the absence of the chief executive officer or in the event of his disability, inability or refusal to act, the president shall perform the duties and exercise the power of the chief executive officer. The president shall have full authority on behalf of the Corporation to attend any meeting, give any waiver, cast any vote, grant any discretionary or directed proxy to any person, and exercise any other rights of ownership with respect to any shares of capital stock or other securities held by the Corporation and issued by any other corporation or with respect to any partnership, trust or similar interest held by the Corporation.

5.6 EXECUTIVE VICE PRESIDENT.

Each executive vice president, if any, shall perform such functions as may be prescribed by the board of directors, the chairman of the board, the chief executive officer or the president. Each executive vice president may execute contracts, deeds and other instruments on behalf of the Corporation. Each executive vice president shall have full authority on behalf of the Corporation to attend any meeting, give any waiver, cast any vote, grant any discretionary or directed proxy to any person, and exercise any other rights of ownership with respect to any shares of capital stock or other securities held by the Corporation and issued by any other corporation or with respect to any partnership, trust or similar interest held by the Corporation. Each executive vice president shall perform such other duties as the board, the chief executive officer or the president may from time to time prescribe or delegate to him.

5.7 VICE PRESIDENT.

Each vice president, if any, shall perform such functions as may be prescribed by the board of directors, the chief executive officer, the president, or any executive vice president. Each vice president may execute contracts, deeds and other instruments on behalf of the Corporation. The vice president shall have full authority on behalf of the Corporation to attend any meeting, give any waiver, cast any vote, grant any discretionary or directed proxy to any person, and exercise any other rights of ownership with respect to any shares of capital stock or other securities held by the Corporation and issued by any other corporation or with respect to any partnership, trust or similar interest held by the Corporation. Each vice president shall perform such other duties as the board, the chief executive officer, the president or any executive vice president may from time to time prescribe or delegate to him.

5.8 SECRETARY.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and, upon the request of a person entitled to call a special meeting of the board of directors, he shall give notice of any such special meeting. The secretary shall keep the minutes of all meetings of the stockholders, the board of directors or any committee established by the board of directors. The secretary shall be responsible for the maintenance of all records of the Corporation and may attest documents on behalf of the Corporation. The secretary shall perform such other duties as the board, the chief executive officer, the president or any vice president may from time to time prescribe or delegate to him.

5.9 ASSISTANT SECRETARY.

Each assistant secretary, if any, shall, in general, perform the duties as may be prescribed by the secretary or by the chief executive officer, president, or by the board of directors from time to time. Any assistant secretary or secretaries, when authorized by the board of directors, may sign with the president or a vice president certificates for the Corporation's shares, the issuance of which have been authorized by a resolution of the board of directors.

5.10 CHIEF FINANCIAL OFFICER.

The chief financial officer shall also be the treasurer of the Corporation and shall be responsible for the control of the funds of the Corporation and the custody of all securities owned by the Corporation. The chief financial officer shall perform such other duties as the board, the chief executive officer or the president may from time to time prescribe or delegate to him.

5.11 COMPENSATION.

Officers shall receive such compensation, if any, for their services as may be authorized or ratified by the board of directors. Election or appointment as an officer shall not of itself create a right to compensation for services performed as such officer.

ARTICLE VI
INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

6.1 DIRECTORS AND OFFICERS.

Subject to the Certificate of Incorporation and the other sections of this Article, the Corporation shall indemnify, to the fullest extent permitted by, and in the manner permissible under, the laws of the State of Delaware in effect on the date of these bylaws and as amended from time to time, any person who was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, association or other enterprise, against expenses (including attorneys' fees), judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, including any action, suit or proceeding by or in the right of the Corporation (a "PROCEEDING"). The Corporation shall advance all reasonable expenses incurred by or on behalf of any such person in connection with any Proceeding within ten days after the receipt by the Corporation of a statement or statements from such person requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by such person and, if such person is an officer or director of the Corporation, shall include or be preceded or accompanied by an undertaking by or on behalf of such person to repay any expenses advanced if it shall ultimately be determined that such person is not entitled to be indemnified against such expenses. Costs, charges or expenses of investigating or defending Proceedings for which indemnity will be sought hereunder may be incurred without the Corporation's consent provided that no settlement of any such Proceeding may be made without the Corporation's consent, which consent shall not be unreasonably withheld.

6.2 DETERMINATION OF RIGHT TO INDEMNIFICATION.

6.2.1 Any indemnification requested by any person under SECTION 6.1 shall be made no later than forty-five (45) days after receipt of the written request of such person unless a determination is made within said forty-five (45) day period: (i) by a majority vote of directors who are not parties to such Proceedings, or (ii) in the event a quorum of non-involved directors is not obtainable, at the election of the Corporation, by independent legal counsel in a written opinion, that such person is not entitled to indemnification hereunder.

6.2.2 Notwithstanding a determination under SECTION 6.2.1 above that any person is not entitled to indemnification with respect to a Proceeding, such person shall have the right to apply to any court of competent jurisdiction for the purpose of enforcing such person's right to indemnification pursuant to these bylaws. Neither the failure of the Corporation (including its board of directors or independent legal counsel) to have made a determination prior to the commencement of such action that such person is entitled to indemnification hereunder, nor an actual determination by the Corporation (including its board of directors or independent legal counsel) that such person is not entitled to indemnification hereunder, shall be a defense to

the action or create any presumption that such person is not entitled to indemnification hereunder.

6.2.3 The Corporation shall indemnify any person against all expenses incurred in connection with any hearing or Proceeding under this SECTION 6.2 if such person prevails on the merits or otherwise in such Proceeding.

6.3 SUBROGATION.

In the event of payment under these bylaws, the indemnifying party or parties shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnified person therefor and such indemnified person shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the indemnifying party or parties to effectively bring suit to enforce such rights.

6.4 PRESUMPTIONS AND EFFECT OF CERTAIN PROCEEDINGS.

6.4.1 In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that such person is entitled to indemnification under this ARTICLE VI, and the Corporation shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

6.4.2 The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not (except as otherwise expressly provided in these bylaws) of itself adversely affect the right of any person to indemnification or create a presumption that such person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that such person had reasonable cause to believe that his conduct was unlawful.

6.5 EXCEPTION TO RIGHT OF INDEMNIFICATION OR ADVANCEMENT OF EXPENSES.

Notwithstanding any other provision of these bylaws, no person shall be entitled to indemnification or advancement of expenses under these bylaws with respect to any Proceeding brought by such person, unless the bringing of such Proceeding or making of such claim shall have been approved by the board of directors.

6.6 CONTRACT.

The foregoing provisions of this ARTICLE VI shall be deemed to be a contract between the Corporation and each director and officer who serves in such capacity at any time while this bylaw is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any Proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The foregoing rights of indemnification shall not be deemed exclusive of any other rights to which any director or officer may be entitled apart from the provisions of this ARTICLE VI.

6.7 SURVIVING CORPORATION.

The board of directors may provide by resolution that references to "the Corporation" in this Article shall include, in addition to this Corporation, all constituent corporations absorbed in a merger with this Corporation so that any person who was a director or officer of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, employee or agent of another corporation, partnership, joint venture, trust, association or other entity shall stand in the same position under the provisions of this Article with respect to this Corporation as he would if he had served this Corporation in the same capacity or is or was so serving such other entity at the request of this Corporation, as the case may be.

6.8 INUREMENT.

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors, and administrators of such person.

6.9 EMPLOYEES AND AGENTS.

To the same extent as it may do for a director or officer, the Corporation may indemnify and advance expenses to a person who is not and was not a director or officer of the Corporation but who is or was an employee or agent of the Corporation.

ARTICLE VII
CAPITAL STOCK

7.1 CERTIFICATES.

Each stockholder of the Corporation shall be entitled to a certificate or certificates signed by or in the name of the Corporation by (a) the chief executive officer, the president, or any executive vice president or vice president and (b) the secretary, an assistant secretary or the chief financial officer, certifying the number of shares of stock of the Corporation owned by such stockholder. Any or all the signatures on the certificate may be a facsimile.

7.2 FACSIMILE SIGNATURES.

In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is

issued, it may be issued by the Corporation with the same effect as if he, she or it was such officer, transfer agent, or registrar at the date of issue.

7.3 REGISTERED STOCKHOLDERS.

The Corporation shall be entitled to treat the holder of record of any share or shares of stock of the Corporation as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it has actual or other notice thereof, except as provided by law.

7.4 CANCELLATION OF CERTIFICATES.

All certificates surrendered to the Corporation shall be canceled and, except in the case of lost, stolen or destroyed certificates, no new certificates shall be issued until the former certificate or certificates for the same number of shares of the same class of stock have been surrendered and canceled.

7.5 LOST, STOLEN, OR DESTROYED CERTIFICATES.

The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed upon the making of an affidavit of that fact by the person claiming the certificate or certificates to be lost, stolen, or destroyed. In its discretion, and as a condition precedent to the issuance of any such new certificate or certificates, the board of directors may require that the owner of such lost, stolen or destroyed certificate or certificates, or such person's legal representative, give the Corporation and its transfer agent or agents, registrar or registrars a bond in such form and amount as the board of directors may direct as indemnity against any claim that may be made against the Corporation and its transfer agent or agents, registrar or registrars on account of the alleged loss, theft, or destruction of any such certificate or the issuance of such new certificate.

7.6 TRANSFER OF SHARES.

Shares of stock shall be transferable on the books of the Corporation by the holder thereof, in person or by duly authorized attorney, upon the surrender of the certificate or certificates representing the shares to be transferred, properly endorsed, with such proof or guarantee of the authenticity of the signature as the Corporation or its agents may reasonably require.

7.7 TRANSFER AGENTS AND REGISTRARS.

The Corporation may have one or more transfer agents and one or more registrars of its stock, whose respective duties the board of directors may, from time to time, define. No certificate of stock shall be valid until countersigned by a transfer agent, if the Corporation shall have a transfer agent, or until registered by the registrar, if the Corporation shall have a registrar. The duties of transfer agent and registrar may be combined.

ARTICLE VIII
SEAL

8.1 SEAL.

The board of directors may adopt and provide a seal which shall be circular in form and shall bear the name of the Corporation and the words "Seal" and "Delaware," and which, if adopted, shall constitute the corporate seal of the Corporation.

ARTICLE IX
FISCAL YEAR

9.1 FISCAL YEAR.

The fiscal year for the Corporation shall be determined from time to time by the board of directors.

ARTICLE X
AMENDMENTS

10.1 AMENDMENTS.

Subject to the provisions of the Certificate of Incorporation, these bylaws may be altered, amended, or repealed at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a majority vote of the shares represented and entitled to vote at such meeting, provided that in the notice of such special meeting, notice of such purpose shall be given. Subject to the laws of the State of Delaware, the Certificate of Incorporation and these bylaws, the board of directors may, by majority vote of those present at any meeting at which a quorum is present, amend these bylaws or enact such other bylaws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation. The board of directors shall have the power to amend or repeal any bylaw adopted by the stockholders unless such power is prohibited by the laws of the State of Delaware, the Certificate of Incorporation or by a provision in these Bylaws adopted by stockholders specifying particular provisions of the Bylaws which may not be amended by the board of directors.

ATTEST:

_____
Secretary

EXHIBIT 5.1

[DAVIS GRAHAM & STUBBS LLP LETTERHEAD]

June 10, 2004

Board of Directors
Pure Cycle Corporation
8451 Delaware Street
Thornton, Colorado 80260

Re: Registration Statement on Form SB-2 (File No. 333-114568)

Ladies and Gentlemen:

We have acted as counsel to Pure Cycle Corporation (the "Company"), a Delaware corporation, in connection with the filing of a Registration Statement on Form SB-2 (File No. 333-114568), as amended (the "Registration Statement") with the Securities and Exchange Commission (the "Commission"). The Registration Statement relates to the registration of 3,686,172 shares of the Company's common stock, $.00333 par value per share (the "Shares") consisting of 700,000 shares offered by the Company (the "Company Shares"), 2,505,367 offered by certain Pure Cycle selling stockholders, and the issuance and sale by the Company of up to an additional 480,805 shares if and to the extent the underwriters exercise an over-allotment option granted by the Company (the "Over-Allotment Shares").

This opinion is delivered pursuant to the requirements of Item 601(b)(5) of Regulation S-B under the Act.

In rendering this opinion, we have examined such documents and records, including an examination of originals or copies certified or otherwise identified to our satisfaction, and matters of law as we have deemed necessary for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with the originals of all documents submitted to us as copies.

We do not express any opinion herein concerning any law other than the General Corporation Law of the State of Delaware, including the provisions of the Delaware Constitution and the reported judicial decisions interpreting such law, except that with respect to certain matters of Delaware law, we have relied upon the opinion of Richards, Layton & Finger, P.A., dated as of the date hereof. We express no opinion with respect to any other law of the State of Delaware or any other jurisdiction.

Based upon the foregoing and subject to the qualifications and limitations stated herein, we are of the opinion that:

1. The Company Shares and the Shares that underlie options and warrants held by the selling shareholders, when and if issued and sold as contemplated in the Registration Statement, will be legally and validly issued, fully paid and non-assessable.

2. When the (i) Underwriting Agreement has been duly executed and delivered and the over-allotment contained therein has been duly exercised by the Underwriters and (ii) certificates representing the Over-Allotment Shares in the form of the specimen certificate examined by us have been manually signed by an authorized officer of the transfer agent and registrar for the common stock and registered by such transfer agent and registrar, and have been delivered to and paid for by the Underwriter at a price per share not less than the per share par value of the common stock as contemplated by the Underwriting Agreement, the issuance and sale of the Over-Allotment Shares will have been duly authorized, and the Over-Allotment Shares will be validly issued, fully paid and non-assessable.

3. The remaining Shares have been legally and validly issued and are fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933 or the rules of the Commission.

Very truly yours,

/s/ Davis Graham & Stubbs LLP

EXHIBIT 5.2

June 10, 2004

Flagstone Securities
347 West 57th St., 34th Floor
New York, NY 10019

Ladies and Gentlemen:

We have acted as special Delaware counsel to Pure Cycle Corporation, a Delaware corporation (the "Company"), in connection with an Underwriting Agreement (the "Underwriting Agreement"), by and among the Company, Flagstone Securities and the stockholders listed on Schedule II to the Underwriting Agreement (the "Selling Stockholders"). The Underwriting Agreement relates to the issuance and sale (the "Offering") of up to three million two hundred five thousand three hundred sixty-seventy (3,205,367) shares of common stock, par value $.0033 per share (the "Common Stock"), of the Company, seven hundred thousand (700,000) shares of which are being offered by the Company and two million five hundred five thousand three hundred sixty-seven (2,505,367) shares of which are being offered by the Selling Stockholders (the "Stockholder Shares"). Pursuant to the Offering, four hundred seventy-five thousand five hundred eighty-nine (475,589) Stockholder Shares will become purchasable upon the exercise of outstanding stock options and nine hundred eight thousand seven hundred seventy-eight (908,778) Stockholder Shares (the "Warrant Shares") will be purchasable upon the exercise of outstanding warrants (the "Warrants"). The Warrants will be exercised immediately prior to the sale of the Warrant Shares. The exercise price for the Warrants will be paid in cash in an amount at least equal to the aggregate par value of the Warrant Shares being issued with the balance of the exercise price (the "Loan") to be paid in the form of a 4% promissory note (each, a "Note") payable to the Company. Each Note is secured by the Warrant Shares issued upon the exercise of the Warrants pursuant to a Pledge Agreement (the "Pledge Agreement"), between the Company and the Pledgor (as defined in the Pledge Agreement). In this connection, you have requested our opinion as to a certain matter of Delaware law.

For the purpose of rendering our opinion as expressed herein, we have been furnished and have reviewed the following documents:

(i) the Amended and Restated Certificate of Incorporation of the Company as filed with the Secretary of State of the State of Delaware on April 22, 2004;

(ii) the bylaws of the Company, as amended through the date hereof;

(iii) a form of Underwriting Agreement;

(iv) the Warrant Agreement, dated December 11, 1990, between the Company and Inco Securities Corporation, as Purchaser, the Warrant Agreement, dated February 12, 1991, between the Company and Inco Securities Corporation, as Purchaser, the Warrant Agreement, dated September 23, 1991, between the Company and Beverly A. Beardslee, as Purchaser, the Warrant Agreement, dated September 23, 1991, between the Company and Bradley K. Beardslee as Purchaser, the Warrant Agreement, dated September 23, 1991, between the Company and Robert D. Beardslee, as Purchaser, the Warrant Agreement, dated November 26, 1991, between the Company and Asra Corporation, as Purchaser, the Warrant Agreement, dated November 26, 1991, between the Company and International Properties, Inc., as Purchaser, the Warrant Agreement, dated August 30, 1996, between the Company and Proactive Partners, L.P. ("Proactive"), as Purchaser, the Warrant Agreement, dated August 12, 1991, between the Company and Inco Securities Corporation, as Purchaser, a form of a Warrant Agreement, dated September 23, 1991, evidencing the right to purchase Common Stock, issued pursuant to a certain Investment Agreement, dated as of September 23, 1991, among the Company, Alan C. Stormo and D.W. Pettyjohn, the Warrant Agreement, dated August 30, 1997, between the Company and Gregory M. Morey ("Morey"), as Purchaser, the Warrant Agreement, dated November 30, 1996, between the Company and Proactive, as Purchaser, the Warrant Agreement, dated February 28, 1997, between the Company and Proactive, as Purchaser, the Warrant Agreement, dated May 30, 1997, between the Company and Proactive, as Purchaser, the Warrant Agreement, dated August 30, 1997, between the Company and Proactive, as Purchaser, the Warrant Agreement, dated August 30, 1996, between the Company

and Morey, as Purchaser, the Warrant Agreement, dated November 30, 1996, between the Company and Morey, as Purchaser, the Warrant Agreement, dated February 28, 1997, between the Company and Morey, as Purchaser, the Warrant Agreement, dated May 30, 1997, between the Company and Morey, as Purchaser, and the Warrant Agreement, dated August 12, 1992, between the Company and Landmark Water Partners II, L.P., as Purchaser (collectively, the "Warrant Agreements");

(v) a form of a Note;

(vi) a form of a Pledge Agreement;

(vii) a certificate of an officer of the Company, dated the date hereof (the "Officer's Certificate") certifying, among other things, resolutions adopted by the Board of Directors of the Company relating to the issuance of (i) the Warrants; and (ii) the Warrant Shares upon the exercise of the Warrants (collectively, the "Resolutions"); and

(viii) the Resolutions.

With respect to the foregoing documents, we have assumed: (a) the genuineness of all signatures, and the incumbency, authority, legal right and power and legal capacity under all applicable laws and regulations, of each of the officers and other persons and entities signing or whose signatures appear upon each of said documents as or on behalf of the parties thereto; (b) the authenticity of all documents submitted to us as originals; (c) the conformity to authentic

originals of all documents submitted to us as certified, conformed, photostatic, electronic or other copies; and (d) that the foregoing documents, in the forms submitted to us for our review, have not been altered or amended in any respect material to our opinion as expressed herein. For the purpose of rendering our opinion as expressed herein, we have not reviewed any document other than the documents set forth above, and we assume there exists no provision of any such other document that bears upon or is inconsistent with our opinion as expressed herein. We have conducted no independent factual investigation of our own, but rather have relied solely upon the foregoing documents, the statements and information set forth therein, and the additional matters recited or assumed herein, all of which we assume to be true, complete and accurate in all material respects. We have also assumed that each of the Underwriting Agreement and the Pledge Agreement will be duly completed, executed and delivered in the forms furnished for our review.

The Underwriting Agreement, the Warrant Agreements, the Pledge Agreement and the Note are hereinafter referred to as the "Agreements."

In addition to the foregoing, for the purpose of rendering our opinion as expressed herein, we have, with your consent, assumed the following matters:

(1) that each of the Agreements has been duly authorized, executed and delivered by each of the parties thereto;

(2) that each of the Agreements is a legal, valid and binding obligation of each of the parties thereto, enforceable against each of the parties thereto in accordance with its terms;

(3) that the Company has received or will receive, immediately prior to the time of issuance of any Warrant Shares, the exercise price of any Warrant exercised or being exercised to issue such Warrant Shares, consisting of cash at least equal to the par value per share of the Warrant Shares being issued and a Note for the balance of the exercise price;

(4) that the Company has at all times relevant to our opinion as expressed herein sufficient authorized, unissued and otherwise unreserved shares of Common Stock available for issuance at the time of each issuance of Warrant Shares;

(5) that stock certificates (the "Stock Certificates") representing the Warrant Shares to be issued pursuant to the Agreements, in the form attached to the Officer's Certificate, have been or will be duly completed, executed and delivered by the President and the Secretary of the Company to reflect the issuances of Warrant Shares pursuant to and in accordance with the Agreements;

(6) that no Warrant Shares shall be issued upon exercise of any Warrants if the exercise price per Warrant is less than the par value per share of the Warrant Shares being issued;

(7) any transfer restrictions (the "Transfer Restrictions") imposed on the Warrant Shares, by virtue of the Warrant Agreements, will be noted conspicuously on the Stock

Certificates, as applicable, and that such transfer restrictions bear a reasonably necessary relation to the best interests of the Company and are reasonably designed to implement lawful purposes;

(8) that each purchaser of Warrant Shares has entered into a written agreement agreeing that the Warrant Shares issued upon the exercise of the Warrants will be subject to the Transfer Restrictions;

(9) that the sale and issuance of the Warrant Shares pursuant to the Offering will not conflict with or violate the Transfer Restrictions set forth in the Warrant Agreements or any other restrictions on the transfer of the Warrants or Warrant Shares pursuant to any agreement;

(10) that the issuance of Warrant Shares upon their sale and issuance pursuant to the Agreements will contemporaneously be recorded in the stock ledger of the Company at the time of such issuance; and

(11) that the issuance of Warrant Shares upon their sale and issuance pursuant to the Agreements will not conflict with or violate any contractual rights of the Selling Stockholders under the Stock Purchase Agreement and Investment Agreement, dated December 10, 1999, among the Company and certain of the Selling Stockholders.

DISCUSSION

You have asked us whether the Warrant Shares when issued, delivered and paid for in accordance with the Agreements will be validly issued, fully paid and non-assessable under Delaware law.

Under Delaware law, authorized but unissued shares of stock may not be issued "except for money paid, labor done or personal property, or real estate or leases thereof actually acquired." Del. Const. of 1897, art. IX, ss. 3. Authorized but unissued shares of stock with par value may bE issued for such consideration, having a value not less than the par value thereof, as is determined from time to time by the board of directors. 8 DEL. C. ss. 153. The consideration for which stock is to be issued shall bE paid in such form and in such manner as the board of directors shall determine and, if the entire amount of such consideration has been received by the corporation in the form mandated by Del. Const. of 1897, art. IX, ss. 3, or if the requirements of Section 152(2) of the General Corporation Law of the State of Delaware (the "General Corporation Law") are satisfied, the stock so issued will be deemed fully paid and non-assessable. 8 DEL. C. ss. 152.

Under Section 152 of the General Corporation Law, stock will be deemed to be fully paid and non-assessable if either:

> (1) The entire amount of such consideration has been received by the corporation in the form of cash, services rendered, personal property, real property, leases of real property, or a combination thereof; or
> (2) not less than the amount of the consideration

> determined to be capital pursuant to Section 154 of this title has been received by the corporation in such form [cash or other specified forms of consideration] and the corporation has received a binding obligation of the subscriber or purchaser to pay the balance of the subscription or purchase price....

8 DEL. C.ss.152. Thus, pursuant to Section 152 of the General Corporation Law, a corporation must receive "cash, services rendered, personal property, real property, leases of real property, or a combination thereof" for the aggregate par value of the shares of capital stock to be issued, and a "binding

obligation" for the balance of the purchase price. 8 DEL. C.ss. 152. Since the Company will receive cash for the aggregate par value of the Warrant Shares being issued, the question becomes whether the receipt by the Company of a Note for the balance of the exercise price would be deemed a "binding obligation" within the meaning of Section 152(2) of the General Corporation Law.

The commentary of the General Corporation Law Committee of the Delaware State Bar Association (the "Commentary") specifically recognizes that a promissory note constitutes a binding obligation under Section 152(2) of the General Corporation Law. The Commentary provides:

> This new ss. 152 is completely rewritten, implementing the constitutional requirement regarding the quality of the consideration to be received for the valid issuance of fully paid and nonassessable stock. It expressly provides that the constitutional quality of consideration (I.E. cash, services rendered, property) must be paid only to the extent of the par value or stated value of the fully paid stock, PROVIDED THERE IS A BINDING OBLIGATION (SUCH AS A PROMISSORY NOTE) FOR THE BALANCE.

2 R. Balotti & J. Finkelstein, THE DELAWARE LAW OF CORPORATIONS AND BUSINESS ORGANIZATIONS V-25 (2004 & 1999 Supp.) (emphasis added); SEE ALSO David A. Drexler ET AL. DELAWARE CORPORATION LAW & PRACTICE, ss. 17.02, at 17-20 (2003) ("The 1974 amendments to Section 152 [permit] ... shares to have fully paid status where the corporation receives constitutional consideration only for the amount which will be credited to its capital account in respect of the shares, [however] those amendments did not spell out what types of consideration OTHER THAN A PROMISSORY NOTE executed by the stockholder will qualify as a 'binding obligation' supporting the issuance of fully paid shares under Section 152.") (emphasis added); EGAN V. MCNAMARA, 467 A.2d 733, 742 (D.D.C. 1983) (applying Delaware law) (finding that stockholders "who paid cash for more than the amount designated as 'capital' (par value) and executed a promissory note for the 'excess'" had "fully paid and nonassessable stock" under Section 152 of the General Corporation Law). In addition, the Supreme Court of the State of Delaware suggested that a secured promissory note might even constitute consideration of Constitutional quality required by Section 152(1) of the General Corporation Law. SOHLAND V. BAKER, 141 A. 277, 286 (Del. 1927) ("That a negotiable promissory note of a subscriber for stock secured by the proper collateral, may constitute property actually acquired within the meaning of section 3 of article 9

of the Constitution of 1897, is shown by the above cases cited by the appellants."). The Court of Chancery in RIEGEL V. THE ONLY PACKAGE PIE, 128 A. 110 (Del. Ch. 1925), further suggested that even a mere promise to lend money may be sufficient consideration under Section 152(2). The Court expounded in relevant part as follows:

> If stock is issued and fully paid for by property of [Constitutional quality], the lawful requirement is satisfied. There is no provision in the law which forbids the exaction of something additional. When the legal standard of consideration for stock, its quality and amount, is satisfied, the corporation is at liberty to insist on any additional terms by way of contract it may choose, whether such additional terms will furnish what in the first instance would be a [Constitutional quality] consideration or not.

RIEGEL, 128 A. at 112. The Court in RIEGEL, 128 A. at 112, therefore, implied that any "additional terms by way of contract" is sufficient consideration under Section 152(2) for the issuance of capital stock as long as the Constitutional quality consideration required by Section 152(1) has been received by the corporation.

Although the Commentary fails to define a "binding obligation," and there is no generally accepted meaning of "binding obligation" under Delaware law, a "binding agreement" is generally defined as "[a]n enforceable contract." Black's Law Dictionary 68 (7th ed. 1999). Similarly, an "obligation" is defined as "[a] formal, binding agreement or acknowledgment of a liability to pay a certain amount or to do a certain thing for a particular person or set of persons." ID. at 1102. Further, Delaware courts have consistently concluded that a promissory note, if properly entered into, is a "binding obligation." HANNIGAN V. ITALO PETROLEUM CORP. OF AMERICA, 47 A.2d 169, 171 (Del. 1945) ("It would seem to be quite clear that even though a promissory note had been

executed without express antecedent authority and had been executed and delivered in a manner not in the usual and regular course of business, yet if such note was duly reported to and ratified by a competent Board of Directors, with knowledge of the facts, then such note would constitute a binding obligation."); SEE ALSO VS&A COMMUNICATIONS PARTNERS, L.P. V. PALMER BROADCASTING LTD. PARTNERSHIP, C.A. No. 12521, slip op at 19 (Del. Ch. Nov. 13, 1992) ("A borrower who signed a loan commitment assumed a BINDING OBLIGATION to negotiate the remaining nonessential terms of the transaction in good faith.") (emphasis added); SUSSEX TRUST CO. V. CLIFTON CANNING CO., INC., 1988 WL 116426, at *3 (Del. Super. Nov. 2, 1988) (finding that "promissory notes" were "valid and binding obligations of the Company"); FIRST FEDERAL SAVINGS BANK V. CPM ENERGY SYS. CORP., 1993 WL 138986, at *3 (Del. Super. Apr. 22, 1993) ("CPMES agreed to be bound by the terms of the promissory note when it accepted the monies loaned by First Federal."); POLOTSKY V. ARTISANS SAVINGS BANK, 188 A. 63, 65 (Del. 1936) (Cashier's check "becomes the obligation of the issuing bank as much so as if the bank had given a promissory note instead of a check.") (citations omitted).

These cases may be contrasted with the long-standing and generally accepted principle of contract interpretation that a promise that is too indefinite or that gives the promisor an unconditional right to cancel the promise is illusory and therefore not a binding obligation.

CONSOLE MASTER SPEAKER CORP. V. MUSKEGON WOOD PRODUCTS CORP., 138 A. 598, 599 (Del. Super. 1927) ("where promisor retains an unlimited right to decide later the nature or extent of its performance; the promise is too indefinite for legal enforcement; that such unlimited choice in effect destroys the promise and makes it illusory"); SEE ALSO MOBIL OIL CORP. V. WROTEN, 303 A.2d 698, 701 (Del. Ch. 1973) ("Where the plaintiff's promise is a mere illusion, that is, where his promise exists in form but not in substance, then it follows necessarily that there is no consideration to support the defendant's promise, and thus no enforceable contract."); RESTATEMENT (SECOND) OF CONTRACTSss. 2 cmt. e (1981) ("Words of promise which by their terms make performance entirely optional with the promisor whatever may happen, or whatever course of conduct in other respects he may pursue, do not constitute a promise.").

In addition, each Note is a non-recourse note. Although there is no Delaware case on point, we have found authority which supports the conclusion that a non-recourse note may properly be treated as a binding obligation. In FEDERAL DEPOSIT INS. CORP. V. UNIVERSITY ANCLOTE, INC., 764 F.2d 804 (11th Cir. 1985), a guarantor of a non-recourse note attempted to avoid liability on the ground that its obligation should be limited to that of the borrower. The Court disagreed with the claim that greater liability was being imposed upon the guarantor than that of the principal debtor and noted that "[m]erely because Anclote cannot be held liable for a deficiency judgment does not mean that Anclote did not incur an indebtedness when it signed the note." ID. at 8806. This decision is consistent with a decision of the Untied States Supreme Court construing the tax liability of taxpayers who have used non-recourse instruments to finance real estate transactions. In COMMISSIONER OF INTERNAL REVENUE V. TUFTS, 461 U.S. 300 (1983), the Court was faced with the question of how to calculate the tax effect of a sale of property when the unpaid principal of the non-recourse mortgage exceeded the value of the property which was securing it. In the context of determining the gain on sale of property, the Court stated that it was proper for the Commissioner of the Internal Revenue "to treat a non-recourse mortgage in this context as a true loan" because by entering into the non-recourse mortgage, "the mortgagor incurred an obligation to repay." 461 U.S. at 307, 309. The Court then held that a non-recourse mortgage should not be treated differently than a mortgage with recourse: "The only difference between a [non-recourse] mortgage and one on which the borrower is personally liable is that the mortgagee's remedy is limited to foreclosing on the securing property. This difference does not alter the nature of the obligation...." 461 U.S. 311-312.

Each Note establishes that the full amount of the Loan is due and payable by a date certain -- August 31, 2007, subject only to acceleration. Further, pursuant to the applicable Pledge Agreement, each Note is secured by a pledge of the Warrant Shares received by each Selling Stockholder. If a Selling Stockholder fails to pay the Note and is thereby in default, the Company may recover the Warrant Shares issued to the Selling Stockholder and restore the Company and its other stockholders to the same position that they held prior to the issuance. Each Selling Stockholder, therefore, must pay the full amount of the Loan pursuant to the Note or relinquish his or its rights to the Warrant Shares received by such stockholder. In either event, the Selling Stockholder has made an explicit promise that may not be canceled by the Selling Stockholder. Given the foregoing attributes of each Note, each Pledge Agreement and the

precedents above, we believe that a Delaware court should find that each Note is a "binding obligation" within the meaning of Section 152(2) of the General Corporation Law.

Based upon and subject to the foregoing and upon our review of such matters of law as we have deemed necessary and appropriate in order to render our opinion as expressed herein, and subject to the assumptions, limitations, exceptions and qualifications set forth herein, it is our opinion that when issued, delivered and paid for in accordance with the terms of the Agreements, the Warrant Shares will be validly issued, fully paid and non-assessable.

We are admitted to practice law in the State of Delaware and do not hold ourselves out as being experts on the law of any other jurisdiction. The foregoing opinion is limited to the General Corporation Law of the State of Delaware currently in effect, and we have not considered and express no opinion on any other laws or the effect of the laws of any other state or jurisdiction, including federal laws relating to securities or other federal laws, or the rules and regulations of stock exchanges or of any other regulatory body. In addition, we have not considered and express no opinion as to the applicability of or any compliance with the Delaware Securities Act, 6 DEL. C. ss. 7301 ET SEQ., or any rules or regulationS promulgated thereunder.

We understand that Davis Graham & Stubbs LLP wishes to rely on this opinion in rendering various opinions in connection with the Underwriting Agreement, and we consent to such reliance. Except as stated in the immediately preceding sentence, the foregoing opinion is rendered solely for your benefit in connection with the matters addressed herein and, without our prior written consent, may not be relied upon by you for any other purpose or be furnished or quoted to, or be relied upon by, any other person or entity for any purpose. Notwithstanding the foregoing, we hereby consent to the use of and filing of this opinion as an exhibit to the Registration Statement to be filed with the Securities and Exchange Commission, provided, however, that in giving such consent we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Richards, Layton & Finger, P.A.

MG/LRS/kmm