
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): August 31, 2004

PURE CYCLE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

0-8814
(Commission
File Number)

84-0705083
(I.R.S. Employer
Identification Number)

**8451 Delaware Street,
Thornton, CO**
(Address of principal executive offices)

80260
(Zip Code)

Registrant's telephone number, including area code: (303) 292-3456

NO CHANGE

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

The Company has entered into agreements with certain of its investors and creditors who held warrants or debt instruments of the Company and/or rights to participate in the proceeds from the sale of the Company's Export Water assets through various agreements, including the Commercialization Agreement dated as of April 11, 1996. All of such agreements were effective as of August 31, 2004. The agreements are summarized as follows:

(i) LCH, Inc. has retired \$2,506,514 in debt (consisting of principal and interest) and terminated its right to receive \$4,000,000 from the Company's sale of Export Water in exchange for payment by the Company of \$950,000 in cash. In addition, LCH foreclosed on 306,279 shares of the Company's common stock that had been pledged to it by Thomas P. Clark, the Company's Chief Executive Officer, to secure payment of the Company's obligations.

(ii) OAR Incorporated and Willard G. Owens have sold to the Company their rights to receive \$7,199,333 (out of an aggregate of \$32,026,232) from the sale of Export Water under the Commercialization Agreement in exchange for payment of \$2,500,000 in cash and the issuance of 40,512 restricted shares of the Company's common stock. Concurrent with the execution of this agreement, Mr. Owens and the Company executed an Amendment of Warrant following which Mr. Owens exercised warrants and purchased, on a net exercise basis, 124,488 shares of the Corporation's common stock. (Mr. Owens' warrant amendment and exercise is included with the other warrant amendments described in clause (iv) below.)

(iii) Proactive Partners, L.P. has sold to the Company its right to receive \$1,000,000 from the sale of Export Water under the Commercialization Agreement in exchange for payment of \$250,000 in cash.

(iv) The Company amended certain of its outstanding warrants to allow the warrantholders to use the current market value of the underlying stock as consideration for the payment of the exercise price of the warrants. Following such amendments, ten warrantholders holding rights to purchase 1,636,612 shares of common stock having a warrant exercise price of \$1.80 per share used 363,243 shares underlying such warrants and having a current market value of \$8.11 per share to purchase 1,273,369 newly issued shares of common stock from the Company. As of August 31, 2004, the Company continues to have outstanding warrants to purchase 54,894 shares of common stock at an exercise price of \$1.80 per share.

There is no relationship between the Company and any of LCH, Inc., Proactive Partners, L.P., OAR, Incorporated or Willard G. Owens. Each of the warrantholders is a stockholder of the Company. One of such warrantholders, Apex Investment Fund II, L.P., owned beneficially approximately 11% of the Company's common stock prior to the exercise of the warrant.

ITEM 1.02 TERMINATION OF A MATERIAL DEFINITIVE AGREEMENT

In conjunction with the item set forth in clause (i) of Item 1.01, the agreements with LCH terminated.

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

All of the shares issued in the transactions described in clause (ii) and (iv) of Item 1.01 were issued in reliance on Section 4(2) of the Securities Act of 1933, as amended, as transactions not involving a public offering. Each of the warrant holders was a sophisticated purchaser with long-standing relationships with the Company.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

Exhibit No.	Description
10.1	Purchase and Sale Agreement dated as of August 31, 2004 between Pure Cycle Corporation and Proactive Partners, L.P.
10.2	Settlement Agreement dated as of August 31, 2004 among Pure Cycle Corporation, Thomas P. Clark and LCH, Inc.
10.3	Purchase and Sale Agreement dated as of August 31, 2004 among Pure Cycle Corporation, OAR Incorporated and Willard G. Owens.
10.4	Form of Amendment to Warrant

SIGNATURE

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

Date: November 12, 2004

PURE CYCLE CORPORATION

By: /s/ Mark W. Harding

Mark W. Harding
President

EXHIBIT INDEX

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10.3	<u>Purchase and Sale Agreement dated as of August 31, 2004 among Pure Cycle Corporation, OAR Incorporated and Willard G. Owens.</u>
10.4	<u>Form of Amendment to Warrant</u>

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement dated as of August 31, 2004, by and between PURE CYCLE CORPORATION, a Delaware corporation ("Pure Cycle"), and PROACTIVE PARTNERS, L.P., a California limited partnership ("Seller").

RECITALS

WHEREAS, Pure Cycle and Seller are parties to a Comprehensive Amendment Agreement No. 1, dated as of April 11, 1996 (the "CAA") pursuant to which Pure Cycle is obligated to pay to the parties to the CAA certain proceeds it receives from the sale of Export Water (as defined in the CAA); and

WHEREAS, Seller is a member of the group originally designated in the CAA as "Series A Stockholders," which group is entitled to receive Gross Proceeds totaling \$3,200,000 in categories (s) and (t) of Paragraph 2 of the CAA;

WHEREAS, Pure Cycle's board of directors has authorized amendment of the CAA to substitute the names of individual holders of Series A-1 Preferred Stock in place of the group designated in the CAA as "Series A Stockholders"; and

WHEREAS, Seller was an original holder of the Series A-1 Preferred Stock and, pursuant to the amendment to the CAA, would be entitled to receive \$1,000,000 of Gross Proceeds from the sale of Export Water pursuant to the terms of the CAA and is willing to consent to the amendment of the CAA to substitute its name and proportion interest in the Series A-1 Preferred Stock, in place of the reference to the group of Series A Stockholders; and

WHEREAS, Pure Cycle has offered to purchase from Seller its rights to receive all payments under the CAA at a discount to the face amount of the Gross Proceeds to be received, and Seller has accepted the offer, on and subject to the terms set forth herein.

AGREEMENT

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

1. Amendment of CAA. Paragraph 2(s)(iii) of the CAA is amended to delete "the then current holders of Pure Cycle Series A Convertible Preferred Stock have received \$48,500" and to substitute therefor: "the following persons have received the amounts set forth below:

Apex	\$	12,368
EV Fund II	\$	18,187
Auginco	\$	606
Brag	\$	758
Augur	\$	758
Peterson	\$	364
Sundlun	\$	303
Proactive	\$	15,156
	\$	48,500."

Paragraph 2(t)(i) of the CAA is amended in its entirety to read as follows: to the August 1992 Funding Group, the individuals identified below (collectively, the “Series A Stockholders”), and Pure Cycle on a pro rata basis with 10% of all funds available for distribution going to the Apex Group, 9.19% going to Landmark II, 6.56% going to Warwick, .3% going to Auginco, .4% going to Morey, .4% going to Leeds, .4% going to Brag, and 70.11% going to the individuals that comprise the Series A Stockholders, and 2.64% going to Pure Cycle until the Apex Group has received \$449,710, Landmark II has received \$413,005, Warwick has received \$295,085, Auginco has received \$13,440, Morey has received \$17,920, Leeds has received \$17,920, Brag has received \$17,920, the individuals comprising the Series A Stockholders have received \$3,151,500, payable in the proportions set forth below, and Pure Cycle has received \$118,500.

Apex	\$ 803,633
EV Fund II	\$ 1,181,812
Auginco	\$ 39,394
Brag	\$ 49,242
Augur	\$ 49,242
Peterson	\$ 23,636
Sundlun	\$ 19,697
Proactive	\$ 984,844
	\$ 3,151,500

2. Purchase of CAA Interest. Pure Cycle hereby purchases from Seller, and Seller hereby sells to Pure Cycle, all of its right, title and interest in the CAA. Seller hereby unconditionally and irrevocably transfers, assigns and conveys to Pure Cycle, and Pure Cycle hereby accepts from Seller, all of Seller’s rights related to its interest in the CAA, including, without limitation: (i) the rights of Seller to receive monies and other property or assets due and to become due to Seller with respect to such interest pursuant to the CAA and (ii) all rights of Seller with respect to such interest and to compel performance and otherwise exercise all remedies thereunder (collectively, the “transferred interest”). Pure Cycle hereby accepts the transferred interest and agrees to be bound by the terms and conditions of the CAA.

3. Purchase Price. The consideration payable by Pure Cycle for the transferred interest shall be Two Hundred Fifty Thousand Dollars and No Cents (\$250,000) (the “Consideration”), payable by cash, check or wire transfer of immediately payable funds to the bank account specified on Exhibit A attached hereto.

4. Effect of Purchase. Upon payment to Seller of the Consideration, all rights of Seller relating in any way to the CAA will be owned by Pure Cycle. Pure Cycle and the Seller agree that this Agreement constitutes an assignment to Pure Cycle of all of Seller's rights, title and interest in and to the CAA as of the Closing Date, and as of the closing date, the Seller shall cease to possess any rights with respect to the CAA.

5. Representations and Warranties.

(a) Authority. Seller has all requisite right, power and authority to execute, deliver and perform this Agreement. This Agreement has been duly and validly executed and delivered by the Seller. This Agreement is the valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, except as enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, redemption, reinstatement, and other laws affecting the rights or remedies of creditors generally and (b) general principles of equity.

(b) Ownership of Transferred Interest. The transferred interest represents the entire interest of Seller under the CAA. Seller owns the transferred interest, and passes to Pure Cycle good and marketable title to the transferred interest, free and clear of any lien, encumbrance, pledge, option, charge or assessment of any kind. Seller has not taken any action to sell or otherwise transfer the transferred interest or to mortgage, hypothecate or otherwise encumber the transferred interest, or to grant any lien, pledge, option, encumbrance, adverse interest or claim of any kind on the incidents of ownership of the transferred interest, including any right of first offer or other contractual obligation.

(c) No Conflicts. Seller has full right and power to sell, assign and transfer the transferred interest as provided in this Agreement. The execution, delivery and performance by the Seller of this Agreement does not and will not: (a) conflict with, violate, result in a breach of or constitute a default under any agreement, instrument or obligation to which the Seller is a party or by which the Seller is bound; (b) conflict with or violate any order, judgment, decree, statute, rule or regulation applicable to the Seller; (c) result in the creation or imposition of any Lien against or upon the transferred interest; or (d) require any consent, approval or authorization of, or filing with, any governmental authority or any other third party.

(d) Investment Representatives. Seller understands that the valuation of interests in the CAA is uncertain and that the value derives from future transactions and developments that are largely unknown and unknowable. Seller acknowledges that the Consideration being paid hereunder represents an arms' length negotiation between Pure Cycle and Seller and represents the fair market value of transferred interest. Seller has read and understands the public filings made by Pure Cycle with the Securities and Exchange Commission. In addition, Seller has been given the opportunity to solicit from Pure Cycle all information relevant to valuation of rights under the CAA, and has received all the information requested. Seller has made an investigation of the pertinent facts related to Pure Cycle and the likelihood of payment under the CAA and has reviewed all information regarding Pure Cycle to the extent it deems necessary in order to be fully informed with respect thereto. Seller is a sophisticated investor, knowledgeable and experienced in financial and business matters and in transactions of this nature, and has made its own assessment of the value of the rights under the CAA. Seller is capable of evaluating the merits and risks of this transaction. Seller understands that subsequent events may prove that values of interests in the CAA were higher or lower than the valuation indicated by the Consideration paid hereunder.

6. Release. Seller, on behalf of itself and its partners and agents, hereby fully and forever releases and discharges Pure Cycle and its officers, directors, agents, employees, affiliates, successors and predecessors from any and all claims, demands, proceedings, causes of actions, orders, obligations, contracts, agreements, debts, guarantees, damages, expenses, costs, attorneys' fees and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity, which the Seller now has, has ever had or may hereafter have against Pure Cycle in connection with, related to or arising out of (i) the Seller's interest under the CAA, (ii) the financing transactions pursuant to which Seller acquired shares of Series A Preferred Stock of Pure Cycle and its interest in the CAA and (iii) the business, operations, management, financing, or other matters relating to Pure Cycle.

7. Survival. Each of the covenants, representations and warranties of the Seller and Pure Cycle made herein shall survive the Closing.

8. Entire Agreement; Amendments; Waivers. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect thereto. This Agreement may not be modified orally, but only by an agreement in writing signed by the party against whom any waiver or amendment may be sought to be enforced. No action taken pursuant to this Agreement and no investigation by or on behalf of any party hereto shall be deemed to constitute a waiver by such party of compliance with any representation, warranty, covenant or agreement herein. The waiver by any party hereto of any condition or of a breach of another provision of this Agreement shall not be construed as a waiver of any other condition or subsequent breach. The waiver by any party of any part of any condition precedent to its obligations under this Agreement shall not preclude it from seeking redress for breach of this Agreement other than with respect to the condition waived.

9. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

10. Headings and Exhibits. The section, exhibit and other headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

11. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same Agreement.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Colorado, without giving effect to the principles of conflicts of law of such state.

IN WITNESS WHEREOF, the parties hereto have executed this Purchase and Sale Agreement as of the date set forth above.

PURE CYCLE CORPORATION

By: /s/ Mark Harding

Mark Harding, President

SELLER:
PROACTIVE PARTNERS, L.P.

By: /s/ C. C. McGettigan

Charles C. McGettigan, General Partner

SETTLEMENT AGREEMENT

This Settlement Agreement dated as of August 31, 2004, by and between PURE CYCLE CORPORATION, a Delaware corporation ("Pure Cycle"), Thomas P. Clark ("Clark") and LCH, Inc., a Delaware corporation ("LCH").

RECITALS

WHEREAS, Pure Cycle and LCH are parties to an Assignment and Assumption Agreement in February 1991, as amended in April 1996 (the "Rangeview Water Rights Agreement"), pursuant to which Pure Cycle is obligated to pay to LCH proceeds of \$4,000,000 it will receive from the sale of Export Water, following payment by Pure Cycle of obligations under the Comprehensive Amendment Agreement No. 1 (the "CAA"); and

WHEREAS, Pure Cycle has issued to LCH (i) a promissory note dated January 31, 1989 in the principal amount of \$450,000 and (ii) a promissory note dated February 23, 1989 in the principal amount of \$500,000 (the "Notes"), which Notes at the date hereof had accrued interest of \$1,556,514; and

WHEREAS, each of the Notes is secured by a pledge of 1,000,000 shares (post-split) of Pure Cycle common stock owned by Clark (the "Pledged Collateral") pursuant to a Pledge Agreement entered into concurrent with the issuance by Pure Cycle of the Notes, and is payable through payment of obligations under the Rangeview Water Rights Agreement; and

WHEREAS, LCH has demanded payment on the Notes, and Pure Cycle, LCH and Clark have agreed that the Notes would be cancelled and obligations in respect of the Rangeview Water Rights Agreement would be deemed satisfied, all on and subject to the terms set forth herein.

AGREEMENT

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

1. Satisfaction of Obligations under the Rangeview Water Rights Agreement, Cancellation of Notes and Release of Pledge. Pure Cycle, Clark and LCH hereby agree that upon payment in full of the consideration identified in Paragraph 2 hereof, (i) all obligations in respect of the Rangeview Water Rights Agreement will be deemed satisfied in full, (ii) the Notes will be cancelled and all principal and accrued interest thereon will be deemed fully paid and satisfied and the Notes will be returned to Pure Cycle, marked "Paid in Full", and (iii) 1,693,720 shares comprising a portion of the Pledged Collateral (the "Returned Collateral") will be returned to Clark.

2. Amount Paid in Settlement. Pure Cycle and Clark agree that the consideration for the satisfaction of all obligations under the Rangeview Water Rights Agreement and for the cancellation of the Notes shall be (i) Nine Hundred Fifty Thousand Dollars and No Cents (\$950,000), payable by Pure Cycle to LCH in cash, check or wire transfer of immediately payable funds to the bank account specified on Exhibit A attached hereto and (ii) 306,280 shares of Pure Cycle common stock comprising a portion of the Pledged Collateral (the "Transferred Collateral") will be transferred to LCH by Clark pursuant to foreclosure under the pledge (collectively, the "Consideration"). The Transferred Collateral will have the status of restricted stock held by a non-affiliate of Pure Cycle, may be sold under Rule 144(k) and will be issued free of any legend restricting transfer.

3. Effect of Purchase. Upon payment in full by Pure Cycle of the cash component of the Consideration and delivery by Clark of any instruments of transfer in respect of the Transferred Collateral as may be requested by LCH, all rights or claims of LCH relating in any way to the Notes, the Returned Collateral, Rangeview Water Rights Agreement, or any rights to receive payments from the sale of Export Water will be extinguished. As of the closing date, LCH shall cease to possess any rights or claims with respect to the Notes, the Returned Collateral or the Rangeview Water Rights Agreement and Clark shall cease to possess any rights or claims against LCH with respect to the Transferred Collateral.

4. Representations and Warranties of Pure Cycle and Clark.

(a) Authority. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. Clark has the requisite capacity to execute, deliver and perform his obligations under this Agreement. The execution, delivery and performance of this Agreement by the Company has been duly authorized by the Company's board of directors and no other corporate action on the part of the Company or its shareholders is necessary. This Agreement, when duly executed and delivered by the Company, Clark and LCH, will constitute a valid and binding obligation of the Company and Clark enforceable against the Company and Clark in accordance with its terms except (a) as limited by applicable bankruptcy, insolvency, reorganization, or similar laws relating to or affecting the enforcement of creditors' rights generally and (b) as limited by equitable principles generally.

(b) Consents and Approvals, No Violations. Except for the filings, permits, authorizations, consents, notices, and approvals as may be required under the Securities Exchange Act of 1934, as amended (including any rules and regulations promulgated under it, the "Exchange Act"), state securities or blue sky laws, the execution, delivery or performance of this Agreement by the Company and Clark or compliance by the Company and Clark with any of the provisions of this Agreement shall not (a) conflict with or result in any breach of any provision of the articles of incorporation, the by-laws or similar organizational documents of the Company, (b) require any material filing by the Company or Clark with, or permit, authorization, consent or approval of, any governmental entity, (c) result in a material violation or breach of, or constitute a default under, any of the terms, conditions or provisions of any agreement to which the Company or Clark is a party or by which they may be bound or (d) violate any order, writ, injunction, decree, or any material statute, rule or regulation applicable to the Company or Clark or any of their respective material properties or assets.

(c) Transferred Collateral. The Transferred Collateral has been owned by Clark since 1987 and has been pledged to LCH to secure obligations under the Notes and the Rangeview Water Rights Agreement (the "LCH Lien") since 1989. Clark owns the Transferred Collateral, free and clear of any lien, encumbrance, pledge, option, charge or assessment of any kind, other than the LCH Lien. The Transferred Collateral, when delivered in accordance with the terms of this Agreement, will be duly and validly issued, fully paid and nonassessable and will be free of restrictions on transfer, other than restrictions set forth under applicable federal and state securities laws.

(d) Exemption from Registration. Assuming the accuracy of the representations set forth in Section 6(d) hereof, the transfer of the Transferred Collateral from Clark to LCH as contemplated hereby is exempt from the registration requirements of the Securities Act of 1933, as amended (including any rules and regulations promulgated under it, the "Securities Act"), and the qualification or registration requirements of applicable blue sky laws. None of the Company, Clark nor any authorized agent acting on behalf of either of them shall take any action hereafter that would cause the loss of such exemption.

(e) NASDAQ. The Company is listed and traded on the NASDAQ Small Cap Market of the National Association of Securities, Dealers, Inc. (the "NASDAQ"). The Company has received no notice, either oral or written from NASDAQ stating that the Company has failed to comply with any listing standards of the NASDAQ Small Cap Market, and the Company has maintained all requirements for the continuation of listing thereon.

5. Representations and Warranties of LCH.

(a) Authority. LCH has all requisite right, power, authority and capacity to execute, deliver and perform this Agreement. This Agreement has been duly and validly executed and delivered by LCH. This Agreement is the valid and binding obligation of LCH, enforceable against LCH in accordance with its terms, except as enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, redemption, reinstatement, and other laws affecting the rights or remedies of creditors generally and (b) general principles of equity.

(b) Ownership. LCH owns the Notes free and clear of any lien, encumbrance, pledge, option, charge or assessment of any kind. LCH has not taken any action to sell or otherwise transfer any interest in the Rangeview Water Rights Agreement or to mortgage, hypothecate or otherwise encumber such contractual rights, the Notes or the Pledged Collateral, or to grant any lien, pledge, option, encumbrance, adverse interest or claim of any kind on the incidents of ownership of the Rangeview Water Rights Agreement, the Notes or the Pledged Collateral, including any right of first offer or other contractual obligation.

(c) No Conflicts. The execution, delivery and performance by LCH of this Agreement does not and will not: (a) conflict with, violate, result in a breach of or constitute a default under any agreement, instrument or obligation to which LCH is a party or by which LCH is bound; (b) conflict with or violate any order, judgment, decree, statute, rule or regulation applicable to LCH; (c) result in the creation or imposition of any lien against or upon the interests being relinquished hereunder; or (d) require any consent, approval or authorization of, or filing with, any governmental authority or any other third party by LCH, except as may be required by U.S. federal or state securities laws.

(d) Investment Matters. LCH understands that the valuation of interests in the Rangeview Water Rights Agreement and the common stock of Pure Cycle is difficult and that such value derives significantly from future transactions and developments that are largely unknown and unknowable. LCH acknowledges that the Consideration being paid hereunder represents an arms' length negotiation among Pure Cycle, Clark and LCH and represents the fair market value of the Rangeview Water Rights Agreement and all principal and accrued interest due under the Notes. LCH has read the public filings made by Pure Cycle with the Securities and Exchange Commission (under the name Pure Cycle Corp.). In addition, LCH has been given the opportunity to solicit from Pure Cycle all information relevant to valuation of rights under the Rangeview Water Rights Agreement and the Notes and regarding Pure Cycle's business and operations, and has received all the information requested. LCH has made an investigation of the pertinent facts related to Pure Cycle, the common stock, and the likelihood of payment under the Rangeview Water Rights Agreement and the Notes and has reviewed all information regarding Pure Cycle to the extent it deems necessary in order to be fully informed with respect thereto. LCH is taking ownership of the common stock hereunder for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof. LCH is a sophisticated investor, knowledgeable and experienced in securities, financial and business matters and in transactions of this nature, and has made its own assessment of the value of Pure Cycle, the common stock, and of rights under the Rangeview Water Rights Agreement. LCH is capable of evaluating the merits and risks of this transaction and is able to bear a complete loss of the investment in Pure Cycle common stock included herein. LCH understands that subsequent events may prove that values of interests in the Rangeview Water Rights Agreement and the common stock were higher or lower than the valuation indicated by the Consideration paid hereunder.

6. Release.

(a) LCH, on behalf of itself and its officers, directors, employees, controlling persons and agents, hereby fully and forever releases and discharges Pure Cycle and its officers, directors, agents, employees, affiliates, successors and predecessors from any and all claims, demands, proceedings, causes of actions, orders, obligations, contracts, agreements, debts, guarantees, damages, expenses, costs, attorneys' fees and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity, which LCH now has, has ever had or may hereafter have against Pure Cycle in connection with, related to or arising out of (i) LCH's interests in or claims against Pure Cycle, including under the Notes, the Rangeview Water Rights Agreement, and any interest of LCH in the Rangeview Company L.P., (ii) the financing transactions pursuant to which LCH acquired its interest in or claim against Pure Cycle, including in the Notes, the Rangeview Water Rights Agreement and Rangeview Company L.P. and (iii) the business, operations, management, financing or other matters relating to Pure Cycle.

(b) Pure Cycle, on behalf of itself and its officers, directors, employees and agents, hereby fully and forever releases and discharges LCH and its officers, directors, agents, employees, affiliates, successors and predecessors from any and all claims, demands, proceedings, causes of actions, orders, obligations, contracts, agreements, debts, guarantees, damages, expenses, costs, attorneys' fees and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity, which Pure Cycle now has, has ever had or may hereafter have against LCH in connection with, related to or arising out of (i) the financing transactions pursuant to which Pure Cycle issued the Notes and entered into the Rangeview Water Rights Agreement and (ii) the business, operations, management, financing, or other matters relating to Pure Cycle

7. Survival. Each of the covenants, representations and warranties of LCH, Clark and Pure Cycle made herein shall survive the Closing.

8. Entire Agreement; Amendments; Waivers. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect thereto. This Agreement may not be modified orally, but only by an agreement in writing signed by the party against whom any waiver or amendment may be sought to be enforced. No action taken pursuant to this Agreement and no investigation by or on behalf of any party hereto shall be deemed to constitute a waiver by such party of compliance with any representation, warranty, covenant or agreement herein. The waiver by any party hereto of any condition or of a breach of another provision of this Agreement shall not be construed as a waiver of any other condition or subsequent breach. The waiver by any party of any part of any condition precedent to its obligations under this Agreement shall not preclude it from seeking redress for breach of this Agreement other than with respect to the condition waived.

9. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

10. Headings and Exhibits. The section, exhibit and other headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

11. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same Agreement.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the principles of conflicts of law of such state.

IN WITNESS WHEREOF, the parties hereto have executed this Purchase and Sale Agreement as of the date set forth above.

PURE CYCLE CORPORATION

By: /s/ Mark Harding

Mark Harding, President

/s/ Thomas P. Clark

Thomas P. Clark

LCH, INC.

By: /s/ Timothy M. Inglis

Name:
Title:

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement dated as of August 31, 2004, by and between PURE CYCLE CORPORATION, a Delaware corporation ("Pure Cycle"), and OAR, Incorporated, a Colorado corporation ("OAR"), and Willard G. Owens ("Owens"; together, OAR and Owens are referred to herein as "Sellers").

RECITALS

WHEREAS, Pure Cycle and Sellers are parties to a Comprehensive Amendment Agreement No. 1, dated as of April 11, 1996 (the "CAA") pursuant to which Pure Cycle is obligated to pay to the parties to the CAA certain proceeds it receives from the sale of Export Water (as defined in the CAA); and

WHEREAS, OAR is in category (a) of Section 2.1 of the CAA and is entitled to receive Gross Proceeds totalling \$5,600,000 and Owens is in category (c), (j) and (s) (ii) of Section 2.1 of the CAA and is entitled to receive Gross Proceeds totalling \$500,000, \$499,800 and \$599,333, respectively, under Paragraph 2 of each of these categories of the CAA; and

WHEREAS, Pure Cycle has offered to purchase from Sellers their rights to receive all payments under the CAA at a discount to the face amount of the Gross Proceeds to be received, and Sellers have accepted the offer, on and subject to the terms set forth herein.

AGREEMENT

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

1. Purchase of CAA Interest. Pure Cycle hereby purchases from Seller, and Sellers hereby sell to Pure Cycle, all of their right, title and interest in the CAA. Sellers hereby unconditionally and irrevocably transfer, assign and convey to Pure Cycle, and Pure Cycle hereby accepts from Sellers, all of Sellers' rights related to their interest in the CAA as identified in the Recitals hereto, including, without limitation: (i) the right of Sellers to receive monies and other property or assets due and to become due to Sellers with respect to such interest pursuant to the CAA and (ii) all rights of Sellers with respect to such interest and to compel performance and otherwise exercise all remedies thereunder (collectively, the "transferred interest"). Pure Cycle hereby accepts the transferred interest and agrees to be bound by the terms and conditions of the CAA.

2. Purchase Price. The consideration payable by Pure Cycle to OAR for the transferred interest shall be (i) Two Million Five Hundred Thousand Dollars and No Cents (\$2,500,000), payable by wire transfer of immediately payable funds to the bank account specified on Exhibit A attached hereto and (ii) 40,512 shares of common stock (the "Common Stock") of Pure Cycle to Owens individually (collectively, the "Consideration"). The Common Stock will be issued bearing the legend restricting transfer set forth in Paragraph 7 hereof. At any time after August 31, 2005, Owens may tender such Common Stock to Pure Cycle or its transfer agent in exchange for the same number of shares of Common Stock free of any legend restricting transfer. Such non-restricted shares shall be issued to Owens within ten business days of their being tendered to Pure Cycle or its transfer agent. In any litigation brought pursuant to Pure Cycle's failure to exchange Stock as called for in this Paragraph, Pure Cycle shall be liable to Owens for the costs of such litigation, including his attorney fees.

3. Effect of Purchase. Upon payment to OAR of the cash component of the Consideration and upon issuance to Owens of the Common Stock, all rights of Sellers relating in any way to the CAA will be owned by Pure Cycle. Pure Cycle and the Sellers agree that this Agreement constitutes an assignment to Pure Cycle of all of Sellers' rights, title and interest in and to the CAA as of the closing date, and as of the closing date the Sellers shall cease to possess any rights with respect to the CAA.

4. Representations and Warranties.

(a) Authority.

(i) Sellers has all requisite right, power, authority and capacity to execute, deliver and perform this Agreement. This Agreement has been duly and validly executed and delivered by the Sellers. This Agreement is the valid and binding obligation of the Sellers, enforceable against the Sellers in accordance with its terms, except as enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, redemption, reinstatement, and other laws affecting the rights or remedies of creditors generally and (b) general principles of equity.

(ii) Pure Cycle, through its undersigned representative, has all requisite right, power, authority, and capacity to execute, deliver and perform this Agreement. This Agreement has been duly and validly executed and delivered by Pure Cycle. This Agreement is the valid and binding obligation of Pure Cycle, enforceable against Pure Cycle in accordance with its terms, except as enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, redemption, reinstatement, and other laws affecting the rights or remedies of creditors generally and (b) general principles of equity.

(b) Ownership of Transferred Interest. The transferred interest represents the entire interest of Sellers under the CAA. Sellers own the transferred interest, and pass to Pure Cycle good and marketable title to the transferred interest, free and clear of any lien, encumbrance, pledge, option, charge or assessment of any kind. Sellers have not taken any action to sell or otherwise transfer the transferred interest or to mortgage, hypothecate or otherwise encumber the transferred interest, or to grant any lien, pledge, option, encumbrance, adverse interest or claim of any kind on the incidents of ownership of the transferred interest, including any right of first offer or other contractual obligation.

(c) No Conflicts.

(i) Sellers have full right and power to sell, assign and transfer the transferred interest as provided in this Agreement. The execution, delivery and performance by the Sellers of this Agreement does not and will not: (a) conflict with, violate, result in a breach of or constitute a default under any agreement, instrument or obligation to which the Sellers is a party or by which the Sellers is bound; (b) conflict with or violate any order, judgment, decree, statute, rule or regulation applicable to the Sellers; (c) result in the creation or imposition of any Lien against or upon the transferred interest; or (d) require any consent, approval or authorization of, or filing with, any governmental authority or any other third party.

(ii) Pure Cycle has full right and power to make the payment and issue the stock as provided in this Agreement. The execution, delivery and performance by Pure Cycle of this Agreement does not and will not: (a) conflict with, violate, result in a breach of or constitute a default under any agreement, instrument or obligation to which Pure Cycle is a party or by which Pure Cycle is bound; (b) conflict with or violate any order, judgment, decree, statute, rule or regulation applicable to Pure Cycle; (c) result in the creation or imposition of any Lien against or upon the transferred interest; or (d) require any consent, approval or authorization of, or filing with, any governmental authority (including, but not limited to the United States Securities and Exchange Commission) or any other third party.

(d) Investment Representatives. Sellers and Pure Cycle understand that the valuation of interests in the CAA and the common stock of Pure Cycle is uncertain and that such value derives significantly from future transactions and developments that are largely unknown and unknowable. The parties, acknowledge that the Consideration being paid hereunder represents an arms' length negotiation between Pure Cycle and Owens and represents the fair market value of transferred interest and the Consideration. Owens, on behalf of Sellers, has read and understands the public filings made by Pure Cycle with the Securities and Exchange Commission. In addition, Owens has been given the opportunity to solicit from Pure Cycle all information relevant to valuation of rights under the CAA and regarding Pure Cycle's business and operations, and has received all the information requested. Owens, on behalf of Sellers, has made an investigation of the pertinent facts related to Pure Cycle, the Common Stock, and the likelihood of payment under the CAA and has reviewed all information regarding Pure Cycle to the extent he deems necessary in order to be fully informed with respect thereto. Owens is acquiring the Common Stock hereunder for his own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof. Owens is a sophisticated investor, knowledgeable and experienced in securities, financial and business matters and in transactions of this nature, and has made his own assessment of the value of Pure Cycle, Common Stock, and of rights under the CAA. Owens, on behalf of Sellers, is capable of evaluating the merits and risks of this transaction and is able to bear a complete loss of the investment in Pure Cycle Common Stock included herein. The parties understand that subsequent events may prove that values of interests in the CAA and the Common Stock were higher or lower than the valuation indicated by the Consideration paid hereunder.

5. Release.

(a) Sellers, on behalf of themselves and their officers, directors, employees, affiliates, and agents, hereby fully and forever release and discharge Pure Cycle and its officers, directors, agents, employees, affiliates, successors and predecessors from any and all claims, demands, proceedings, causes of actions, orders, obligations, contracts, agreements, debts, guarantees, damages, expenses, costs, attorneys' fees and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity, which the Sellers now have, have ever had or may hereafter have against Pure Cycle in connection with, related to or in any way arising out of (i) the Sellers' interest under the CAA, (ii) the financing transactions pursuant to which Sellers acquired their interest in the CAA and (iii) the business, operations, management, financing, or any other matters relating to Pure Cycle, the Rangeview Metropolitan District, the Export Water, or the property known as the Lowry Range.

(b) Pure Cycle, on behalf of itself and its officers, directors, employees and agents, hereby fully and forever releases and discharges Sellers and its officers, directors, agents, employees, affiliates, successors and predecessors from any and all claims, demands, proceedings, causes of actions, orders, obligations, contracts, agreements, debts, guarantees, damages, expenses, costs, attorneys' fees and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity, which Pure Cycle now has, has ever had or may hereafter have against Sellers in connection with, related to or in any way arising out of (i) the Sellers' interest under the CAA, (ii) the financing transactions pursuant to which Pure Cycle entered into the CAA and (iii) the business, operations, management, financing, or any other matters relating to Pure Cycle, the Rangeview Metropolitan District, the Export Water, or the property known as the Lowry Range.

6. Survival. Each of the covenants, representations and warranties of the Sellers and Pure Cycle made herein shall survive the Closing.

7. Restrictive Legend. The shares of Common Stock issued hereunder shall bear the following (or substantially equivalent) legend on the face or reverse side thereof:

"These shares have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws, and may not be sold, transferred or otherwise disposed of in the absence of such registration or an exemption therefrom under said Act and such laws and the respective rules and regulations thereunder."

8. Entire Agreement; Amendments; Waivers. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect thereto. This Agreement may not be modified orally, but only by an agreement in writing signed by the party against whom any waiver or amendment may be sought to be enforced. No action taken pursuant to this Agreement and no investigation by or on behalf of any party hereto shall be deemed to constitute a waiver by such party of compliance with any representation, warranty, covenant or agreement herein. The waiver by any party hereto of any condition or of a breach of another provision of this Agreement shall not be construed as a waiver of any other condition or subsequent breach. The waiver by any party of any part of any condition precedent to its obligations under this Agreement shall not preclude it from seeking redress for breach of this Agreement other than with respect to the condition waived.

9. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

10. Headings and Exhibits. The section, exhibit and other headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

11. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same Agreement.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Colorado, without giving effect to the principles of conflicts of law of such state.

IN WITNESS WHEREOF, the parties hereto have executed this Purchase and Sale Agreement as of the date set forth above.

SELLERS:
OAR, INCORPORATED

PURE CYCLE CORPORATION

By: /s/ Willard G. Owens

Willard G. Owens, President

By /s/ Mark Harding

Mark Harding, President

WILLARD G. OWENS, individually

/s/ Willard G. Owens

FORM OF
AMENDMENT TO WARRANT
AND
AGREEMENT TO EXERCISE

This Amendment to Warrant dated _____, 2004 between PURE CYCLE CORPORATION, a Delaware corporation ("Pure Cycle") and _____ ("Warrantholder").

RECITALS

WHEREAS, Warrantholder currently holds Warrant No. _____ to purchase _____ shares of common stock of Pure Cycle (the "Warrant"); and

WHEREAS, Pure Cycle and Warrantholder desire to amend the Warrant to include a net exercise provision; and

WHEREAS, Warrantholder desires to exercise the Warrant by utilizing the value of the shares underlying the Warrant to pay the exercise price.

AGREEMENT

1. Amendment of Warrant.

- (a) Section 1.1 of the Warrant shall be amended to add the following at the end thereof:

The holder may request to receive the number of shares of Common Stock to be issued pursuant to the Warrant exercise less the number of shares of Common Stock having a Quoted Price as of the exercise date equal to the aggregate Purchase Price for all shares of Common Stock being exercised at the time.

- (b) A new Section (e) shall be added to the definitions in the Warrant:

(c) "Quoted Price" on any day means the last reported per share sales price of the Common Stock (or, if no sales prices are reported, the average of the high and low bid prices on the last preceding trading day) on the principal national or regional stock exchange upon which the Common Stock is listed, or, if the shares of Common Stock are not listed on a national or regional stock exchange, as quoted on The NASDAQ Stock Market or by the National Quotation Bureau Incorporated, on such day. In the absence of one or more such quotations, the Company shall be entitled to determine the Quoted Price on the basis of such quotations as shall be reasonable under the circumstances.

2. Exercise of Warrant. Immediately following the amendment referred to in Section 1 above, Warrantholder will exercise the Warrant on a net exercise basis and Pure Cycle will issue to Warrantholder the number of shares of Pure Cycle common stock resulting from the utilization of a portion of the shares underlying the Warrant to pay the exercise price. The Common Stock will be issued free of any legend restricting transfer.

3. Effect of Exercise. Upon exercise of the Warrant, the Warrantholder shall cease to possess any rights or claims with respect to the Warrant.

4. Representations and Warranties.

(a) Authority. Warrantholder has all requisite right, power, authority and capacity to execute, deliver and perform this Agreement. This Agreement has been duly and validly executed and delivered by the Warrantholder. This Agreement is the valid and binding obligation of the Warrantholder, enforceable against the Warrantholder in accordance with its terms, except as enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, redemption, reinstatement, and other laws affecting the rights or remedies of creditors generally and (b) general principles of equity.

(b) Ownership of Warrant. Warrantholder owns the Warrant free and clear of any lien. Warrantholder has not taken any action to sell or otherwise transfer the Warrant or to mortgage, hypothecate or otherwise encumber the Warrant, or to grant any lien, pledge, option, encumbrance, adverse interest or claim of any kind on the incidents of ownership of the Warrant, including any right of first offer or other contractual obligation.

(c) No Conflicts. The execution, delivery and performance by the Warrantholder of this Agreement does not and will not: (a) conflict with, violate, result in a breach of or constitute a default under any agreement, instrument or obligation to which the Warrantholder is a party or by which the Warrantholder is bound; (b) conflict with or violate any order, judgment, decree, statute, rule or regulation applicable to the Warrantholder; (c) result in the creation or imposition of any Lien against or upon the transferred interest; or (d) require any consent, approval or authorization of, or filing with, any governmental authority or any other third party.

(d) Investment Representations. Warrantholder understands that the valuation of the common stock of Pure Cycle is uncertain and that such value derives significantly from future transactions and developments that are largely unknown and unknowable. Warrantholder has read and understands the public filings made by Pure Cycle with the Securities and Exchange Commission. In addition, Warrantholder has been given the opportunity to solicit from Pure Cycle all information relevant to valuation of the Pure Cycle common stock and Pure Cycle's business and operations, and has received all the information requested. Warrantholder has made an investigation of the pertinent facts related to Pure Cycle and the common stock, and has reviewed all information regarding Pure Cycle to the extent he deems necessary in order to be fully informed with respect to the exercise of the Warrant. Warrantholder is a sophisticated investor, knowledgeable and experienced in securities, financial and business matters and in transactions of this nature, and has made his own assessment of the value of Pure Cycle and the common stock. Warrantholder is capable of evaluating the merits and risks of this transaction and is able to bear a complete loss of the investment in Pure Cycle common stock represented by exercise of the Warrant. Warrantholder understands that subsequent events may prove that the value of the common stock was higher or lower than the exercise price of the Warrant exercised hereunder. Warrantholder has consulted his own tax advisor with respect to the transactions surrounding this Agreement and is not relying on Pure Cycle for advice relating to the tax treatment of such transactions.

5. Release. Warrantholder hereby fully and forever releases and discharges Pure Cycle and its officers, directors, agents, employees, affiliates, successors and predecessors from any and all claims, demands, proceedings, causes of actions, orders, obligations, contracts, agreements, debts, guarantees, damages, expenses, costs, attorneys' fees and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity, which the Warrantholder now has, has ever had or may hereafter have against Pure Cycle in connection with, related to or arising out of (i) the issuance of the Warrant and the financing transactions pursuant to which the Warrant was issued, (ii) Warrantholder's purchase or exercise of the Warrant or (iii) the business, operations, management, financing, or other matters relating to Pure Cycle.

6. Survival. Each of the covenants, representations and warranties of the Warrantholder made herein shall survive the Closing.

7. Entire Agreement; Amendments; Waivers. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect thereto. This Agreement may not be modified orally, but only by an agreement in writing signed by the party against whom any waiver or amendment may be sought to be enforced. No action taken pursuant to this Agreement and no investigation by or on behalf of any party hereto shall be deemed to constitute a waiver by such party of compliance with any representation, warranty, covenant or agreement herein. The waiver by any party hereto of any condition or of a breach of another provision of this Agreement shall not be construed as a waiver of any other condition or subsequent breach. The waiver by any party of any part of any condition precedent to its obligations under this Agreement shall not preclude it from seeking redress for breach of this Agreement other than with respect to the condition waived.

8. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

9. Headings and Exhibits. The section, exhibit and other headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

10. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same Agreement.

11. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Colorado, without giving effect to the principles of conflicts of law of such state.

PURE CYCLE CORPORATION

By: /s/

Mark W. Harding, President

WARRANTHOLDER:

By:

Name:

Title:

