UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended August 31, 2026

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

Commission File Number **0-8814**



PURE CYCLE CORPORATION

(Exact name of registrant as specified in its charter)

Colorado	**84-0705083**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
34501 E Quincy Avenue, Bldg 1, Suite D, Watkins, CO	**80137**
(Address of principal executive offices)	(Zip Code)

(303) 292 – 3456

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock 1/3 of $.01 par value	**PCYO**	**The Nasdaq Stock Market LLC**
(Title of each class)	(Trading Symbol(s))	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☒
Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $201,624,526

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: November 13, 2026 – 24,129,742

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III is incorporated by reference from the registrant's definitive proxy statement for the 2027 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days of the close of the fiscal year ended August 31, 2026. Alternatively, we may include such information in an amendment to this annual report on Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are all statements, other than statements of historical fact, included in this report that address activities, events or developments that we expect or anticipate will or may occur in the future, such as statements about the development of Sky Ranch, including the timing of delivery of lots, completion of rental units and infrastructure and future home construction, and progress on other projects we pursue; future financial results, including water and wastewater tap sales and revenues, expected receipt of milestone and other payments; and anticipated future economic conditions. The words "anticipate," "likely," "may," "should," "could," "will," "believe," "estimate," "expect," "plan," "intend," "potential" and similar expressions are intended to identify forward-looking statements. Investors are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results to differ materially. Factors that could cause actual results to differ from projected results include, without limitation, changes in interest rates, inflation, trade policies, tariffs, laws and regulations, and other factors impacting the housing market, home sales and other aspects of our business; uncertainties regarding our ability to continue our development activities as anticipated; the risk factors discussed in Part I, Item 1A of this report; and other factors discussed from time to time in our press releases, public statements and documents filed or furnished with the SEC.

Glossary

The following terms are used in this report:

- Non-Tributary Groundwater – groundwater located outside the boundaries of any designated groundwater basins in existence on January 1, 1985, the withdrawal of which will not, within one hundred years of continuous withdrawal, deplete the flow of a natural stream at an annual rate greater than one-tenth of one percent of the annual rate of withdrawal.
- Not Non-Tributary Groundwater – statutorily defined as groundwater located within those portions of the Dawson, Denver, Arapahoe, and Laramie Fox-Hill aquifers outside of designated basins that does not meet the definition of "non-tributary."
- Tributary Groundwater – all water located in an aquifer that is hydrologically connected to a natural stream such that depletion has an impact on the surface stream.
- Designated Groundwater – renewable and sustainable groundwater from certain areas of Colorado designated by the Colorado Ground Water Commission subject to management under the Colorado Ground Water Commission's rules.
- Tributary Surface Water – water on the surface of the ground flowing in a stream or river system.
- Export Water – the portion of the Rangeview Water Supply that we purchased from the Rangeview District and own under our Export Agreement with the Rangeview District, which we may export off the Lowry Ranch to serve customers in other areas.
- Non-Export Water – the portion of the Rangeview Water Supply owned by the Land Board and leased to the Rangeview District under the Lease, which is used primarily to serve customers on the Lowry Ranch and, as permitted by the Lease, customers off the Lowry Ranch.
- SFE (single-family equivalent) – a customer, whether residential, commercial, or industrial, that imparts a demand on our water or wastewater systems based on the estimated demand of a family of four persons living in a single-family house on a standard sized lot.
- Acre-foot – approximately 326,000 gallons of water. As context dictates, we use the term to designate an annual decreed amount of water available during a typical year.

PART I

Item 1 – Business

Unless otherwise specified or the context otherwise requires, any reference to "Pure Cycle," the "Company," "we," "us" or "our" is to Pure Cycle Corporation and its wholly-owned subsidiaries on a consolidated basis.

Overview

We are a diversified water and wastewater service provider, land developer, and home rental company. We provide wholesale water and wastewater services in the Denver, Colorado area, develop land we own into master planned communities, and own and lease single-family rental homes at Sky Ranch, which we plan to sell over time. Our water, wastewater and single-family rental businesses generate recurring monthly revenue, and our land development business generates revenue from lot sales and creates new long-term water and wastewater customers.

For more than 30 years, we have accumulated and continue to accumulate a portfolio of valuable water rights, land interests and single-family rental homes along the Front Range of Colorado. We have added an extensive network of wholesale water production, storage, treatment and distribution systems, and wastewater collection and treatment systems that we operate and maintain on behalf of the Rangeview District to serve domestic, commercial, and industrial customers in the eastern Denver metropolitan region.

We operate in three complementary segments – water and wastewater services, land development and single-family rental. To date, we have sold or are in the process of developing 1,535 finished lots, we have constructed and operate water and wastewater systems under our Rangeview Water Agreements (defined below) with capacity to serve approximately 2,500 residential equivalent units, and we have constructed 51 rental homes.

Our businesses are connected. Our water supplies and service rights allow us to serve the communities we develop, and each home or business built becomes a long-term water and wastewater customer that pays a one-time tap fee and monthly service charges. We typically invest in land development, water and wastewater facilities and public improvements years before the related lot sales, tap fees, service revenue and reimbursements from the Sky Ranch Community Authority Board are received. Our results also include revenue that varies with outside activity, such as water sales to oil and gas operators, and royalty income from oil and gas wells on our Sky Ranch mineral interests, which depends on third-party production and commodity prices. As a result, our revenue, earnings and cash flow can vary significantly from year to year. We estimate our water portfolio could ultimately serve approximately 60,000 SFEs; serving that number would require substantial additional infrastructure beyond our existing systems.

Business Segments

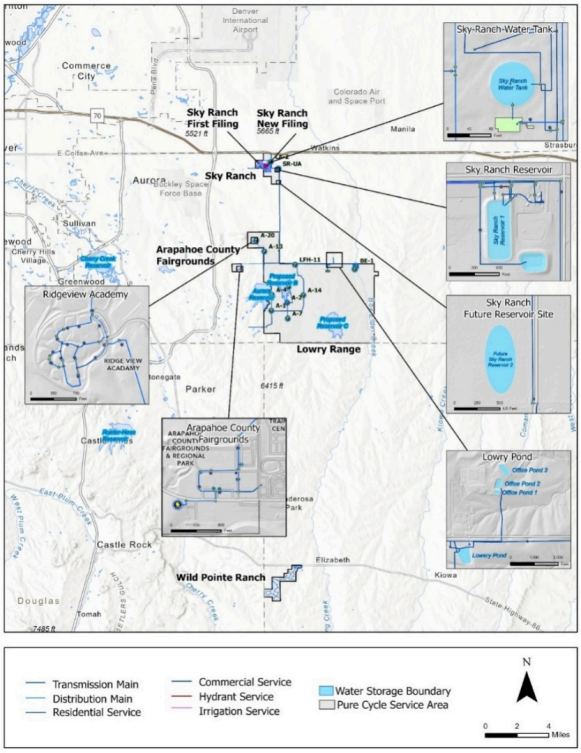
Water and Wastewater Services Segment

We own or control the water supply and infrastructure required to (i) withdraw, treat, store and deliver water; (ii) collect, treat and reuse wastewater; and (iii) treat and deliver reclaimed water for irrigation and industrial use, including non-potable irrigation of parks and open spaces.

We mainly provide wholesale water and wastewater services to local governmental entities that in turn provide residential and commercial water and wastewater services to customers in their service areas. Our largest customer is the Rangeview Metropolitan District (Rangeview District). We have the exclusive right to provide water and wastewater services to the Rangeview District's customers in its exclusive 24,000-acre Lowry Ranch Service Area, and at Sky Ranch in the southeastern Denver metropolitan area. As of August 31, 2026, through the Rangeview District, we provide service to more than 1,800 single-family equivalent (SFE) water connections and 1,308 SFE wastewater connections. With the water rights we own and control, we believe we can serve an estimated 60,000 SFEs. See "Glossary" immediately preceding this Item 1 for the definitions of certain terms used in this report.

In addition to our domestic customers, we provide raw water for industrial oil and gas operations. Multiple operators lease more than 135,000 acres in and adjacent to our service area with more than 100 wells and miles of oil and gas collection lines. Sales of water to industrial customers in the oil and gas industry are unpredictable and fluctuate dramatically but provide high margin revenue for our water assets.

Illustrative map of our main Water Resources and Service Area



Our water and wastewater services segment generates revenue from (i) monthly metered water usage and wastewater treatment fees, (ii) one-time water and wastewater tap (connection) fees, typically payable when a building permit is issued, (iii) construction and special facility funding fees, (iv) consulting fees and (v) fees for water sold to oil and gas operators for drilling and hydraulic fracturing. Each source is described under "Our Assets – Sources of Water and Wastewater Service Revenue" below.

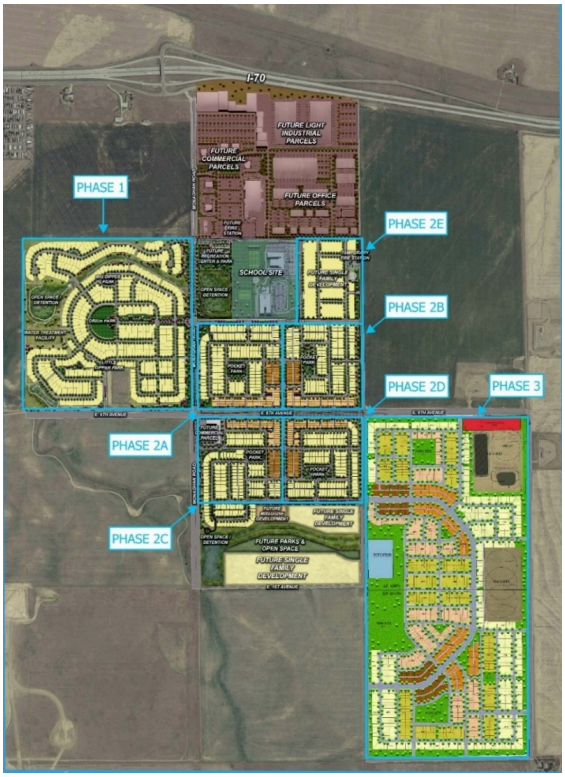
Land Development Segment

Through our land development segment, we develop master planned communities along the I-70 corridor of the Denver metropolitan area whose homeowners and businesses also become our water and wastewater customers. The segment allows us to capture the value our water adds to raw land along the Colorado Front Range enabling land to be entitled and developed which without water would otherwise not occur.

Our primary land asset, known as Sky Ranch, is in one of the most active development areas in the Denver metropolitan region along the rapidly developing I-70 corridor, where we are developing lots for residential, commercial, retail, and light industrial uses. Sky Ranch is zoned to include up to 3,200 single-family and multifamily homes, parks, open spaces, trails, recreational centers, schools, and over two million square feet of retail, commercial and light industrial space, all of which will be serviced by our water and wastewater services segment.

In 2010, we purchased approximately 930 acres of land along the I-70 corridor known as Sky Ranch, intending to sell lots to homebuilders and add the purchasers of the homes as our water customers. Development began in June 2017, when we entered into agreements with three national homebuilders to sell the initial residential lots (Phase 1), and has continued in Phase 2, which we have divided into Phases 2A, 2B, 2C, 2D and 2E so that we deliver infrastructure and lots to our homebuilder customers as they need them, without excess inventories of lots and homes. The illustration below provides our planned overall layout of Sky Ranch.

Illustrative map of the Sky Ranch Master Planned Community



As of August 31, 2026, we have delivered 1,361 finished lots, including 72 lots retained for our single-family rental segment, are under construction on 154 lots (Phase 2E) scheduled for substantial completion in 2027, and have an additional 14 lots under contract for sale in 2027 at Sky Ranch. As of August 31, 2026, homebuilders have built and sold 1,021 homes at Sky Ranch, with approximately 82 additional homes under construction. All Phase 1 lots in Sky Ranch are complete and all public improvements (roads, parks, open spaces, storm drain facilities, etc.) have been accepted by the various governmental entities that will control and maintain that infrastructure.

Single-Family Rental Segment

We launched our single-family rental segment in fiscal 2021 to retain a portion of the lots we develop at Sky Ranch, contract with homebuilders to construct homes on those lots for us, and lease the homes, typically under one-year leases. As of August 31, 2026, we owned 51 rental homes, 50 of which were leased and one of which was listed for sale. During fiscal 2026, we reduced the planned size of the portfolio by reselling, or entering into contracts to resell, 19 lots previously reserved for rental homes to homebuilders, and stopped adding homes to the portfolio beyond the homes under existing construction contracts. Subsequent to fiscal 2026, our Board of Directors determined that we will not invest in new rental homes beyond our existing portfolio and existing construction contracts, and that we will sell our rental homes in an orderly manner, generally as existing leases expire. This decision reflects the returns on the portfolio in the current environment, in which our cost of capital has increased while rental rates have remained flat. Our objective is to maximize the return on our investment in the portfolio through rental income earned during the remaining ownership period and net proceeds from home sales, and we will manage the timing and pace of sales based on expected selling prices, lease expirations, and financing and operating costs. At August 31, 2026, we had contracts with a homebuilder to construct 21 additional homes on lots reserved for rental homes, and we are working with the homebuilder to reduce the number of homes completed under those contracts and to sell the related lots to homebuilders. We expect to sell the homes individually, and we are offering our tenants the opportunity to purchase their homes.

The 21st Century ROAD to Housing Act, which became law on July 11, 2026, restricts, beginning January 7, 2027, purchases of single-family homes by for-profit investors that control 350 or more single-family homes, subject to an exception for newly constructed homes acquired or built under a build-to-rent program. The Act does not restrict us directly, but it may reduce demand from institutional buyers for single-family rental homes; see Item 1A – Risk Factors.

Our Strengths and Strategy

Our strategy is to create long-term shareholder value by developing our water and land assets together, growing recurring water and wastewater revenue as Sky Ranch and our service area build out, and allocating capital among reinvestment in our business, debt service and the return of capital to shareholders. We believe our principal strengths are:

- **A developed water supply in a water-short region.** Directly and through the Rangeview District, we own or control 30,602 acre-feet of water and approximately 26,000 acre-feet of adjudicated reservoir sites in the Denver metropolitan area, which we estimate can serve approximately 60,000 SFEs. Colorado law requires local governments to determine that a proposed development above a statutory size threshold has an adequate water supply before approving it, and the Colorado Water Conservation Board projects that the South Platte River basin, which includes the Denver metropolitan area, could face a municipal and industrial water supply gap of approximately 193,000 to 391,000 acre-feet per year by 2050, the largest of any basin in Colorado. We believe these conditions make developed, locally available water supplies increasingly valuable.
- **An integrated water and land development platform.** Because we provide the water and wastewater service, own the land and act as the developer at Sky Ranch, we can align the timing of infrastructure investment with homebuilder lot take-downs, avoid buying water from or paying fees to a third-party provider or waiting for annexation, and offer competitively priced lots. Each home and business built at Sky Ranch becomes a long-term water and wastewater customer, generating a one-time tap fee and recurring monthly service revenue.
- **Long-term exclusive service rights.** We are the exclusive provider of water and wastewater service to the Rangeview District's customers on 24,000 acres of the Lowry Ranch through 2081 and at Sky Ranch and Wild Pointe. These rights are contractual, are conditioned on our continued performance and investment, and are subject to the terms described below under "How Our Agreements with the Rangeview District Work."
- **An entry-level master planned community in a growth corridor.** Sky Ranch is located along the I-70 corridor near Denver International Airport, the University of Colorado Anschutz Medical Campus, Buckley Space Force Base and other major employment centers. Sky Ranch lots are priced for entry-level homes in a metropolitan market where the median price of a detached home was approximately $650,000 in 2026, which we believe positions our homebuilders to compete for buyers during periods of weaker demand.
- **Strong financial position, earnings and cash flow generation.** At August 31, 2026, we had $15.4 million of cash and cash equivalents and working capital of $11.1 million. Our outstanding debt totaled $17.7 million and we had borrowing capacity of $14.0 million. Fiscal 2026 was our ninth consecutive profitable fiscal year, with net income of $14.2 million. Net cash provided by operating activities was $3.3 million in fiscal 2026, after funding $10.6 million of public improvements reimbursable by the Sky Ranch CAB.

Our Assets

Water Assets

We use our valuable and growing water and land assets within our water and land development operations. Our water assets are summarized in the table below and further discussed in this section (amounts in acre-feet):

Water Source	Groundwater	Designated Groundwater	Surface Water	Total
Rangeview Water Supply				
Export (1)	10,000	—	1,650	11,650
Non-Export (2)	13,685	—	1,650	15,335
Fairgrounds	321	—	—	321
Sky Ranch	828	—	—	828
Lost Creek supply	520	670	378	1,568
WISE (3)	—	—	900	900
Total	25,354	670	4,578	30,602

(1) Pending completion by the State Board of Land Commissioners (the Land Board) of documentation related to the exercise of our right to substitute 1,650 acre-feet of our groundwater for a comparable amount of surface water.

(2) We have the exclusive right to use this water to provide water services to customers on and off the Lowry Ranch, as described further below.

(3) Amount of WISE water available for our use may vary by year and is described in greater detail below.

Rangeview Water Supply

Our Rangeview Water Supply consists of approximately 27,000 acre-feet of tributary surface water, non-tributary groundwater, and not non-tributary groundwater, and approximately 26,000 acre-feet of adjudicated reservoir sites. The Rangeview Water Supply is principally located in the southeast Denver metropolitan area at the "Lowry Ranch," which is land owned by the Land Board and is described below.

We acquired our Rangeview Water Supply through a series of agreements we refer to as the "Rangeview Water Agreements." These agreements are described in more detail in Note 2 to the accompanying consolidated financial statements.

Under service agreements with the Rangeview District, we are the exclusive water and wastewater service provider to the Rangeview District's customers, where we design, construct, operate and maintain the Rangeview District's water and wastewater systems that serve its customers on the Lowry Ranch, at Sky Ranch and in other approved areas. The Rangeview District owns the facilities for both systems on and off the Lowry Ranch. See "How Our Agreements with the Rangeview District Work" below.

Fairgrounds Water

The fairgrounds water represents groundwater rights acquired from Arapahoe County in conjunction with entering into water service agreements with the County for the Arapahoe County Fairgrounds. This water with our overall Rangeview Water Supply, is available for supplying water services throughout our service area.

Sky Ranch Water Supply

As part of the acquisition of the Sky Ranch land in 2010, we also acquired the 828 acre-feet of water located beneath the property. The water is being used as part of our overall water system, which includes providing services to the Sky Ranch Master Planned Community.

Lost Creek Water Supply

The "Lost Creek Water" is comprised of water rights we acquired in 2019, 2022 and 2024 in the Lost Creek Designated Ground Water Basin in Weld County Colorado. All of the Lost Creek Water will be changed for use as municipal, industrial or agricultural water as needed.

Box Elder Water Supply

Our Box Elder Water Supply consists of surface water diversions under a lease with the Rangeview District and decreed alluvial (tributary) groundwater rights. Out-of-priority diversions under these rights may be augmented with our other water rights, including the Lost Creek Water.

The Lowry Ranch Property

The Lowry Ranch consists of nearly 26,000 acres, or 40 square miles, of primarily undeveloped land in unincorporated Arapahoe County. It is located 20 miles southeast of downtown Denver and is one of the largest contiguous parcels under single ownership next to a major metropolitan area in the United States. Pursuant to our agreements with the Land Board, we, together with the Rangeview District, have the exclusive rights to provide water and wastewater services to 24,000 acres of the Lowry Ranch.

The Rangeview District and Our Service Agreements

The Rangeview District is a quasi-municipal corporation and political subdivision of the State of Colorado formed in 1986 for the purpose of providing water and wastewater services to the Lowry Ranch and other approved areas. The Rangeview District is governed by a board of directors elected by owners of property within its boundaries, and we own certain rights and real property interests which encompass its current boundaries. The current directors of the Rangeview District are Mark W. Harding (our President, Chief Executive Officer, and a director), Dirk Lashnits (our employee), Brent Brouillard (our employee), and two independent board members. Pursuant to Colorado law, directors may receive $100 for each board meeting they attend, up to a maximum of $1,600 per year; Messrs. Harding, Lashnits and Brouillard have elected to forego these payments**.**

How Our Agreements with the Rangeview District Work

Our water and wastewater business is conducted through a series of agreements among us, the Rangeview District and the Land Board, rather than through our ownership of a regulated utility. The key features of this structure are:

- **Who owns what.** The Land Board owns the Lowry Ranch and leases the Lowry Ranch water and reservoir rights to the Rangeview District through May 1, 2081, in exchange for the royalties described below. We own the Export Water set forth in the table above. The Rangeview District owns the water and wastewater systems we build to serve its customers, and we operate them for the term of our agreements. The Rangeview District is authorized to provide utility service and sets the rates and fees charged to its customers.
- **How revenue flows to us.** Each customer we serve is a customer of the Rangeview District: homebuilders pay tap fees to, and residents pay monthly bills to, the Rangeview District. Under our service agreements, the Rangeview District remits to us 100% of water and wastewater tap fees, after deduction of applicable royalties, 98% of water usage revenue after Land Board royalties, and 90% of wastewater service revenue, and retains the balance to fund its own costs and required reserves. Payments under a service agreement between us and the Rangeview District are payable solely from the wastewater revenue the Rangeview District collects.
- **What we provide in exchange.** Our exclusive rights were granted in consideration of our obligation to finance, design, construct, operate and maintain, at our cost, the water and wastewater systems needed to serve the Rangeview District's customers. We also fund the Rangeview District's operating shortfalls under the Operation Funding Agreement, fund the Rangeview District's obligations as a member of the South Metro WISE Authority, and must replenish the Rangeview District's required operating reserve (one-third of budgeted operating expenses) if the Rangeview District cannot do so, including in full when our service agreement terminates. Our lease requires that all financing and operating costs of serving water users on the Lowry Ranch be provided without cost to the Rangeview District, the Land Board or any water user, except to the extent paid from water fees and rates.
- **How long the arrangements last and what happens when they end.** The Lease, the Lowry Service Agreement and the Lowry Wastewater Agreement expire on May 1, 2081. The Non-Lowry Service Agreement, which governs service at Sky Ranch and Wild Pointe, has no fixed expiration date. When the Lease expires, the improvements, equipment, permits and rights-of-way on the Lowry Ranch used exclusively to deliver Non-Export Water, and our interests in shared facilities used for that purpose, revert automatically to the Land Board without compensation to us, and we have no assured role in serving Lowry Ranch water users after 2081. Facilities used for the sale of Export Water are not affected by expiration of the Lease. Our service to customers off the Lowry Ranch, including at Sky Ranch and Wild Pointe, is also not affected by expiration of the Lease. If our service agreements are terminated because of our default, the Rangeview District may take over the water, our interest in the related infrastructure and the associated revenue stream. See Item 1A – Risk Factors – "Risks Related to Our Agreements with Governmental Counterparties and Related Party Arrangements" and Note 14 to the accompanying consolidated financial statements.

Our rights under the Rangeview Water agreements may not be transferred without the consent of the Land Board or the Rangeview District. See Item 1A – Risk Factors – "Risks Related to Our Agreements with Governmental Counterparties and Related Party Arrangements."

Land Board Royalties and Fees

The Land Board receives royalties on the gross revenue from water sales that use the Rangeview Water Supply, including revenue from the reuse or successive use of treated effluent derived from it, but not on wastewater service fees. The royalty is 12% of gross revenue from water delivered to all customers located on the Lowry Ranch and to private customers located off the Lowry Ranch, and 10% from public entity customers located off the Lowry Ranch. If (i) metered production of water used on the Lowry Ranch in any calendar year exceeds 13,000 acre-feet or (ii) 10,000 acres of the Lowry Ranch have been rezoned to non-agricultural use, finally platted and placed under water tap agreements, the Land Board may elect to receive, in lieu of its 12% royalty on Lowry Ranch customers, 50% of the collective net profits (ours and the Rangeview District's) from the sale or other disposition of water on the Lowry Ranch. Neither condition has been met. The Land Board also receives a royalty of 2% of the gross amount received from the sale of water taps served by the Rangeview Water Supply, other than taps at Sky Ranch. We also pay the Land Board a minimum annual royalty and annual rent and a fee relating to an option we hold to add additional water rights to our lease.

South Metro Water Supply Authority (SMWSA) and Water Infrastructure Supply Efficiency Partnership (WISE)

SMWSA is a Colorado municipal water authority whose 14 members are Denver area water providers in Arapahoe and Douglas Counties, including the Rangeview District. Our CEO and Director, Mark Harding, has been the Chair of the SMWSA for the past five years. Under our agreements with the Rangeview District, we fund the Rangeview District's rights in SMWSA water projects, including WISE, a cooperative project under which the 10 members of the South Metro WISE Authority (SMWA), including the Rangeview District, receive water from the City and County of Denver acting through its Board of Water Commissioners (Denver Water) and the City of Aurora acting by and through its utility enterprise (Aurora Water), and share the related infrastructure. In exchange, we have the exclusive right to use and reuse the Rangeview District's 900 acre-feet of annual WISE water (approximately 9% of the WISE system) and approximately three million gallons per day of transmission pipeline capacity to serve the Rangeview District's customers, and to receive the revenue from providing those services.

East Cherry Creek Valley (ECCV) System

The ECCV Water and Sanitation District has a lease to pump up to 4,000 acre-feet of groundwater from the Arapahoe aquifer below the Lowry Ranch. We operate and maintain the ECCV facilities and may use the system through April 30, 2032 to serve commercial and industrial customers, including oil and gas operators, for a flat monthly fee and a fee per 1,000 gallons produced. In January 2024, Rangeview entered into an agreement with the Land Board to add the ECCV water, wells and pipelines to the Lease through the term of the Lease.

Sources of Water and Wastewater Service Revenue

Monthly Metered Water Usage and Wastewater Treatment Fees

Monthly metered water usage fees are assessed to customers based on actual deliveries each month. Water usage fees are based on a tiered pricing structure that provides for higher prices as customers use greater amounts of water. Current rates and fees are set by the Rangeview District and published in its rules and regulations.

We sell bulk water at a rate of $19.50 per thousand gallons to commercial and industrial customers via bulk meters or the Company's water fill stations.

In exchange for providing wastewater services, we receive 90% of the Rangeview District's monthly wastewater treatment fees, as well as the right to use or sell the reclaimed water.

Water and Wastewater Tap Fees

We receive 100% of the Rangeview District's water and wastewater tap fees, after payment of a 2% royalty to the Land Board on water taps (taps at Sky Ranch are exempt from royalties).

The Rangeview District's 2026 water tap fees are $37,000 per SFE and its wastewater tap fees are $9,000 for a combined $46,000. The Rangeview District assesses its tap and usage fees annually and adjusts the rates as necessary.

Construction and Special Facility Funding Fees

Construction and special facility funding fees are fees we receive, typically in advance, from developers to build infrastructure that serves only the developer's property, such as retail facilities that distribute water to and collect wastewater from a subdivision, and special facilities, such as temporary infrastructure or transmission pipelines, needed to extend service to a development. Once we certify that the facilities have been constructed in accordance with our design criteria, the developer dedicates them to the Rangeview District, and we operate and maintain them on the Rangeview District's behalf.

Industrial – Oil and Gas Operations Fees

We provide water for oil and gas operators that are performing hydraulic fracturing, mainly in the Niobrara Formation on and around our service area and our Sky Ranch property. These fees are paid based on the metered gallons of water delivered. Each well uses between 10 and 20 million gallons of water during hydraulic fracturing, roughly the annual water use of 100 to 200 homes. With a large percentage of the acreage surrounding the Lowry Ranch in Arapahoe, Adams, Elbert, and portions of Douglas Counties already leased by oil companies, we anticipate continuing to provide water for drilling and hydraulic fracturing in the future.

Service to Customers Not on the Lowry Ranch

We are also the Rangeview District's exclusive water and wastewater service provider to its customers located outside the Lowry Ranch Service Area, including all current and future residents, businesses and other water users at Sky Ranch and the customers at Wild Pointe, on the revenue terms described above under "How Our Agreements with the Rangeview District Work."

Wild Pointe – Elbert & Highway 86 Commercial Metropolitan District – In 2017, we entered into an agreement with the Rangeview District, which had entered into an agreement with Elbert & Highway 86 Commercial Metropolitan District (Elbert 86 District), to operate and maintain the water system serving residential and commercial customers at the Wild Pointe development in Elbert County. The system includes two deep water wells, a pump station, treatment and storage facilities, over eleven miles of transmission lines, and over 450 acre-feet of water rights. We provided $1.6 million in funding to acquire the exclusive rights to operate and maintain the system in exchange for the remaining residential and commercial tap fees and annual water use fees.

Land Development Assets – Sky Ranch

In 2010, we purchased approximately 930 acres of undeveloped land in unincorporated Arapahoe County, which we are actively developing as the master planned community known as Sky Ranch. With the property acquisition, we also acquired nearly 830 acre-feet of water beneath Sky Ranch and approximately 640 acres of oil and gas mineral rights. Sky Ranch is located 16 miles east of downtown Denver, four miles north of the Lowry Ranch, and four miles south of Denver International Airport.

As the land developer, we are obligated to provide finished lots (i.e. lots ready for building permits to construct homes) to each of the homebuilders as part of our agreements with them. We build, or contract to build, the roads, curbs, wet and dry utilities, storm drains, parks, open spaces, and other related improvements as part of a master planned community pursuant to our agreement with the Sky Ranch CAB. Each builder purchases water and wastewater taps for each lot from the Rangeview District when a building permit is issued, at a cost that depends on the size of the lot, the size of the house, and the amount of irrigated landscaping.

Public improvements serving homeowners in the development, such as roads, parks, water and sanitary sewer mains, storm sewer and drainage improvements, are ultimately owned by the governmental metropolitan district or other municipality responsible for maintaining them. Under agreements with the "Sky Ranch Districts" and the Sky Ranch CAB (both of which are defined below), we construct these public improvements on their behalf and are entitled to reimbursement of the verified costs from the Sky Ranch CAB, funded through taxes, fees or bonds of the Sky Ranch Districts. See Note 2 and Note 5 to the accompanying consolidated financial statements regarding treatment and recognition of these public improvement costs.

Pursuant to our service agreements, we are required to construct all required wholesale water and wastewater improvements (i.e., a wastewater reclamation facility, water supply, storage, treatment, and other wholesale facilities) for the provision of water and wastewater service to the property. As of August 31, 2026, we have completed wholesale facilities and other infrastructure to serve over 2,000 homes at Sky Ranch, including a wastewater reclamation facility that cost $10.8 million and can serve more than 2,000 single-family homes before requiring expansion.

We expect to have other phases developing concurrently with the third phase that could include commercial, retail, and light industrial sites. We expect full development of the Sky Ranch Master Planned Community to take another eight to ten years depending on market conditions.

We have agreed to construct certain facilities necessary to serve Sky Ranch, and the Rangeview District, through us as its exclusive service provider, agreed to provide water and wastewater services to the property. We have installed roughly 34 miles of water delivery and wastewater collection infrastructure at a cost of $10.5 million, which is reimbursable by the Sky Ranch CAB as outlined in Note 5 to the accompanying consolidated financial statements.

Sky Ranch Districts

Sky Ranch Metropolitan District Nos. 1, 3, 4, 5, 6, 7 and 8 (Sky Ranch Districts) are quasi-municipal corporations and political subdivisions of Colorado formed for the purpose of providing services to the Sky Ranch property. The Sky Ranch Districts are governed by boards of directors elected by owners of property within the districts, and we own certain rights and real property interests that encompass the current boundaries of the districts. The current directors of the Sky Ranch Districts are Mark W. Harding (our President, Chief Executive Officer and a director), Marc Spezialy (our Vice President and Chief Financial Officer), Dirk Lashnits (our employee) and three directors who are not our employees, no more than two of whom serve on the board of any one district. Pursuant to Colorado law, directors may receive $100 for each board meeting they attend, up to a maximum of $1,600 per year; Messrs. Harding, Spezialy and Lashnits have elected to forgo these payments.

Sky Ranch Community Authority Board

Sky Ranch Districts 1,3,5 and 6 have formed the Sky Ranch Community Authority Board (Sky Ranch CAB) to, among other things, design, construct, finance, operate and maintain certain public improvements for the benefit of the property within the boundaries and/or service area of the Sky Ranch Districts. We entered into agreements, first with Sky Ranch Metropolitan District No. 1 in 2014 and later with the Sky Ranch CAB, that require us to fund the construction of an agreed upon list of public improvements for the Sky Ranch Master Planned Community.

We have agreed to advance funding to the Sky Ranch CAB for specified public improvements. All amounts owed under the relevant agreements bear interest at a rate of 6% per annum, and any advances not repaid by December 31, 2058, for Phase 1 and December 31, 2060, for Phase 2, shall be deemed forever discharged and satisfied in full. The Sky Ranch CAB has also agreed to use available moneys not otherwise pledged to payment of debt, future unfunded improvements, or used for operation and maintenance expenses to reimburse us. Since 2017, we have advanced the Sky Ranch CAB a total of $104.2 million for funding the construction of the public improvements. Through August 31, 2026, the Sky Ranch CAB has repaid us an aggregate of $52.2 million of principal and interest, including $44.3 million from the proceeds of bonds issued or refinanced in November 2019, August 2022 and October 2024, with the balance paid from surplus funds.

Phase 2 reimbursable public improvements, project management revenue and interest income are recognized in the note receivable from the Sky Ranch CAB when collection is considered probable. Public improvement costs are recorded in land under development when incurred and are reclassified to the note receivable when certified as reimbursable by an independent engineer; project management fees and interest are added to the note receivable as earned. Note 5 to the accompanying consolidated financial statements summarizes the changes to the note receivable.

How Sky Ranch CAB Repayment Works

The Sky Ranch CAB's ability to repay us depends on tax revenues generated within Sky Ranch, principally (i) ad valorem property taxes levied by the Sky Ranch Districts, including taxes on oil and gas produced from wells within the Sky Ranch Districts, (ii) fees imposed by the Sky Ranch Districts or the Sky Ranch CAB, (iii) public improvement fees on retail sales within Sky Ranch, and (iv) proceeds of bonds secured by and repaid from those revenues. Amounts used to pay bond debt service and the Sky Ranch CAB's operations and maintenance expenses are not available to repay us, our right to repayment is subordinate to the Sky Ranch CAB's bonds, and the Sky Ranch CAB determines when to issue bonds and when to remit available funds. Payments are applied first to accrued interest and then to principal. Revenue available to the Sky Ranch Districts is affected by Colorado laws governing residential assessment rates and limits on growth in local government property tax revenue, which were changed in 2024. We evaluate the collectability of the note receivable using a discounted cash flow analysis prepared with the assistance of a third-party valuation specialist. See "Critical Accounting Estimates" in Item 7 and Note 5.

Other Assets

Oil and Gas Leases

In 2011, we entered into an oil and gas lease and related surface use agreement relating to the sale of oil and gas produced from the mineral estate we own at Sky Ranch. The lease is now held by production, and we have been receiving royalties from the oil and gas production equal to 20% of gross proceeds, less certain taxes, from 13 wells drilled within our mineral interest. During the years ended August 31, 2026 and 2025, we recognized $2.0 million and $6.7 million of royalty income attributable to these wells.

Significant Customers

We primarily provide water and wastewater services on the Rangeview District's behalf to the Rangeview District's customers. The Rangeview District's customers account for the majority of our water and wastewater service revenue. Refer to Note 9 in the accompanying consolidated financial statements for additional information on our significant customers.

Projected Operations

This section should be read in conjunction with *Item 1A – Risk Factors*.

As we continue developing our Rangeview water assets, we anticipate needing a significant number of additional high-capacity deep water wells, surface water diversion structures, storage reservoirs, transmission pipelines and treatment facilities on the Lowry Ranch. We estimate the full build-out of these water and wastewater facilities would cost in excess of $900 million, would accommodate water service to customers on and off the Lowry Ranch and would occur in phases over many decades, and we believe tap fees would be sufficient over time to fund the required infrastructure costs.

We plan to develop additional water assets within the Denver area and are exploring opportunities to utilize our water assets in areas adjacent to our existing water supplies. Additionally, we continue to source additional land acquisitions that could be paired with our water to provide additional growth to each of our business segments.

Growth in Colorado

Colorado's population reached approximately 6.0 million as of July 1, 2025, according to U.S. Census Bureau estimates, and grew approximately 0.4% in the year then ended, slightly below the national rate, with net domestic migration negative for the first time since 2004. Demand for water nonetheless continues to outpace developed supply along the Front Range, and water availability remains a gating factor for new development in the region; see "Our Strengths and Strategy" above.

Labor and Raw Materials

We competitively bid contracts for infrastructure improvements at Sky Ranch through the Rangeview District and the Sky Ranch CAB, and many of those contracts are fixed-price contracts under which the contractor bears the risk of cost overruns. However, change orders, contracts that are not fixed-price and materials we procure directly remain exposed to price increases. Increases in the cost of, or shortages of, skilled labor, concrete, steel, pipe and other materials could increase our development costs, delay the delivery of lots or the completion of water or wastewater facilities, reduce our gross margins, or subject us to penalties or cause defaults under our agreements. See Item 1A – Risk Factors.

Competition

Water and Wastewater Services

Although we have exclusive long-term water and wastewater service contracts for 24,000 acres of the Lowry Ranch, Wild Pointe, and Sky Ranch, providing water and wastewater service is subject to competition elsewhere, principally from neighboring cities and municipal water providers who own water rights. Our principal competitor in areas close to the Lowry Ranch is the City of Aurora. Principal factors affecting competition for water service include the availability of water for the relevant purpose, the cost of delivering the water to the desired location (including the cost of required taps), the reliability of the water supply during drought periods, and the political climate for additional annexations or expansion of service. We believe the supply capacity of our water assets, approximately 60,000 SFEs, our decreed rights to our Rangeview water assets for municipal use, its proximity to Denver area water users, our

competitive pricing and the balance of our portfolio among surface water rights, groundwater rights, storage capacity and reclaimed water supplies provide us with a significant competitive advantage along the Front Range.

Land Development

Developing raw land is a highly competitive business, requires substantial upfront capital and typically requires many years to complete. There are many developers, as well as properties and development projects, in the same geographic area in which Sky Ranch is located. Competition among developers and projects is determined by the location of the real estate, the market appeal of the development plan, the cost and value of the end product, the developer's ability to build, market and deliver projects on a timely and cost effective basis, and the availability of water to serve the project. We believe our record of delivering lots at Sky Ranch demonstrates our ability to deliver lots in a large-scale master planned community.

Environmental, Health and Safety Regulation

Provision of water and wastewater services is subject to regulation under the federal Safe Drinking Water Act, the Clean Water Act, related state laws, and federal and state regulations issued under these laws. These laws and regulations establish criteria and standards for drinking water and for wastewater discharges. In addition, we are subject to federal and state laws and other regulations relating to solid waste disposal and certain other aspects of our operations.

Environmental compliance issues may arise in the normal course of operations or because of regulatory changes. We attempt to align capital budgeting and expenditures to address these issues in a timely manner.

Safe Drinking Water Act

The Safe Drinking Water Act establishes criteria and procedures for the U.S. Environmental Protection Agency (EPA) to set national standards for contaminants in drinking water, which the State of Colorado enforces through the Colorado Primary Drinking Water Standards. Regulation of per- and polyfluoroalkyl substances (PFAS) in drinking water is changing, and such changes could impose compliance costs. The EPA has adopted monitoring requirements and Maximum Contaminant Levels (MCLs) for certain PFAS, and the Colorado Department of Public Health and Environment (CDPHE) has incorporated those requirements and MCLs into its drinking water standards. In May 2026, EPA proposed rules that would rescind MCLs for certain PFAS chemicals, and it revised the compliance deadlines for others. Those proposed rules are not yet finalized. CDPHE has stated that it will conduct additional stakeholder meetings once EPA's anticipated revisions are final. Current requirements for drinking water are not expected to have a material impact on our financial condition or results of operations as we have made and are making investments to meet existing water quality standards; new regulations could require us to change our treatment methods and make additional capital investments. See Item 1A – Risk Factors.

Clean Water Act and Colorado Water Quality Control Act

The Clean Water Act regulates wastewater discharges from drinking water and wastewater treatment facilities and storm water discharges into lakes, rivers, streams, and wetlands. The State of Colorado enforces these standards and has adopted the Colorado Water Quality Control Act and related regulations, which also regulate discharges to groundwater. We maintain the permits required for discharges from our facilities and monitor compliance with their conditions. Discharge violations might occur from time to time and result in fines and penalties.

Reclaimed Water Reuse

Wastewater is treated and the resulting reclaimed water is provided to users for non-potable purposes. The Colorado Water Quality Control Commission has adopted the Reclaimed Water Control Regulation (Regulation No. 84, 5 CCR 1002-84) under the Colorado Water Quality Control Act, which establishes requirements, standards, and concentration limits for the use of reclaimed water. Current regulations require "treaters" to obtain authorization from the Colorado Department of Public Health and Environment, meet reclaimed water quality standards, supply reclaimed water only for authorized uses, and oversee users' compliance. A treater is not subject to enforcement solely because of a user's violation, but may be subject to enforcement for failing to implement its user oversight program. Current reclaimed water requirements are not expected to have a material impact on our financial condition or results of operations, but changes to Regulation No. 84 could require modification of treatment, monitoring, or user oversight programs that could result in additional capital investments.

Land Development

Land development activities are subject to federal, state, and local environmental requirements. For example, construction activities often require coverage under the State of Colorado's general permit for stormwater discharges associated with construction activity. Development that involves the discharge of dredged or fill material into waters of the United States requires a permit from the U.S. Army Corps of Engineers under Section 404 of the Clean Water Act, and similar discharges into other state waters are regulated by the State of Colorado. Additional requirements related to species protection and land use restrictions may apply. Failure to attain and comply with the applicable permits and requirements can result in penalties, fines, and delays to development. It is our policy to obtain and maintain all required permits and approvals for land development activities, and to comply with all conditions of those permits and other regulatory requirements.

Oil and Gas Water Sales

We sell water to oil and gas operators in Colorado for use in drilling and completion activities. In 2023, Colorado enacted House Bill 23-1242, which directed the Colorado Energy and Carbon Management Commission (ECMC) to adopt rules requiring a statewide reduction in the use of fresh water, and a corresponding increase in the use of recycled or reused produced water, in oil and gas operations. In 2025, ECMC adopted rules requiring operators to use escalating minimum percentages of recycled produced water in their operations over time. These requirements could reduce demand for, or the prices we receive for, fresh water sold to oil and gas operators, which could adversely affect our revenues and results of operations.

Employees and Human Capital

As of August 31, 2026, we had 44 full-time employees, all of whom are located in the Denver metropolitan area. None of our employees are represented by a union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relationship with our employees to be good. Approximately 41% of our employees work in our water and wastewater segment, approximately 32% work in our land development segment and approximately 27% work in support and other functions. Our water and wastewater operations are highly technical, run 24 hours a day, seven days a week, and require certified operators who can respond quickly to operational needs. We have low employee turnover, and our experienced, highly skilled employees have an average tenure of more than six years. We seek to maintain a strong team environment built on respect, integrity, flexibility, honesty, trust and stewardship.

Our compensation program is designed to attract, retain, and reward employees with the skills necessary to support our business objectives and to align their interests with those of our shareholders. Compensation packages include base salary, incentive bonuses, and long-term equity awards tied to the value of our stock and other key performance indicators, and benefits include fully or partially paid health insurance, paid time off and leave, life insurance, and a 401(k) plan with a Company match.

Other Information

Pure Cycle was incorporated in Delaware in 1976 and reincorporated in Colorado in 2008.

Available Information and Website Address

Our website address is *www.purecyclewater.com*. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports as soon as reasonably practicable after filing with the Securities and Exchange Commission (SEC).

These reports and all other material we file with the SEC may be obtained directly from the SEC's website, *www.sec.gov.* The contents of our website are not incorporated by reference into this report.

Item 1A – Risk Factors

The following section describes the material risks and uncertainties that we believe could have a material adverse effect on our business, financial condition, results of operations, and the market price of our common stock. These risks should be read in conjunction with the other information set forth in this report, including the accompanying consolidated financial statements and notes thereto. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently consider immaterial, could also materially and adversely affect our business, financial condition, results of operations or the market price of our common stock.

1. Risks Related to the Impacts the Economy and External Forces May Have on Our Operations

Our operations are concentrated in the Front Range area of Colorado; we are subject to general economic conditions in Colorado. Our assets and operations are located solely in the Front Range area of Colorado. Our performance could be adversely affected by economic conditions in, and other factors relating to, Colorado, including supply and demand for housing and zoning and other regulatory conditions. The oil and gas industry remains an important segment of the Colorado economy, and new statutes, regulations or other initiatives that limit oil and gas exploration or increase its cost, or declines in the price of oil and gas, could lead to a downturn in the Colorado economy and its housing market. To the extent that the general economic conditions in the Front Range area of Colorado deteriorate, the value of our assets, our results of operations and our financial condition could be materially adversely affected.

We are dependent on the housing market and development in our targeted service areas for future revenue. The homebuilding industry is cyclical and a deterioration in industry conditions or downward changes in general economic or other business conditions could adversely affect our business, results of operations, cash flows and financial condition. The timing and amount of our lot sales, tap fees and water and wastewater revenue and reimbursement of our public improvement advances depend on housing developments being built near our water assets, and the development of Sky Ranch, the Lowry Ranch and other properties is subject to many factors that are outside our control, including levels of employment, consumer confidence and income, the availability of mortgage financing, interest rate levels and inflation, the cost and availability of raw materials and labor, federal and state tax and housing finance policies, immigration policy and enforcement, and tariffs on products used in construction. Rising interest rates since 2022 have significantly reduced demand for new home starts, and demand for new homes remains constrained. If development in our targeted service areas is delayed or curtailed, we could experience declines in the market value of and demand for our lots and rental homes, and we may need to use our capital resources, incur additional short or long-term debt obligations, or seek to sell additional equity, which may not be available on acceptable terms.

Significant competition from other development projects could adversely affect our results. Land development is a highly competitive business. There are numerous land developers, as well as properties and development projects, near Sky Ranch. Many of our land development competitors may have advantages over us, such as more favorable locations, which may provide more desirable schools and easier access to roads and shopping, or amenities that we may not offer, as well as greater financial resources. If other development projects are found to be more attractive to home buyers, homebuilders or other developers or operators of real estate based on location, price, or other factors, then we may be pressured to reduce our prices or delay further development, either of which could materially adversely affect our business, results of operations, cash flows and financial condition. Our rental homes also compete with other rental housing in the Sky Ranch area, as described below.

Our water business is subject to seasonal fluctuations and weather conditions that could affect demand for our water service and our revenue and that could become more extreme with climate change. Drought and overuse may limit the availability of water to serve our customers, and such droughts may become more frequent and prolonged with climate change. Cool, wet weather, drought restrictions and our customers' conservation efforts may reduce consumption, and freezing weather may cause pipe breakage that interrupts water transmission. Demand for our water is generally greater during warmer summer months because of irrigation and other outside water use, so cooler or wetter than expected summers may reduce our revenue. If we experience an interruption in our water supply, it could have a material adverse effect on our financial condition and results of operations.

The physical impacts of natural disasters and severe weather conditions could reduce consumer demand for housing, result in service disruptions, delay the closing of the sale of residential lots at Sky Ranch and increase our costs, any of which could harm our sales and results of operations. We conduct our operations in the Colorado Front Range, which is subject to natural disasters, including droughts, tornadoes, wildland fires, hail, and severe weather. The occurrence of natural disasters or severe weather conditions in Colorado or elsewhere could result in interruptions in our water and wastewater operations, delay our construction activities, increase costs, and lead to shortages of labor and materials. These events may become more frequent and intense with climate change. If our

insurance or the insurance of our subcontractors does not fully cover business interruptions or losses resulting from these events, our results of operations could be adversely affected.

2. Risks Related to Our Business and Operations

We may not generate sufficient cash flows from operations or other capital resources to pursue our business objectives. Our continuing development of Sky Ranch requires significant cash expenditures. We have advanced the Sky Ranch CAB $104.2 million for construction of public improvements in Phases 1 and 2 at Sky Ranch and we expect to advance approximately $10.8 million more for the completion of Phase 2 public improvements. Further, the Sky Ranch CAB is not required to repay us until it and the Sky Ranch Districts generate sufficient funds, as described below. We have funded and expect to continue to fund such expenditures with cash on hand, cash flows from operations and, for our rental homes, borrowings secured by those homes. As of August 31, 2026, we had $15.4 million of cash and cash equivalents, and we had $14.0 million of available borrowing capacity under our SFR Facility Agreement and Working Capital LOC, of which $8.7 million may be used only to finance rental homes (these and other capitalized terms relating to our debt agreement are defined in Note 7 to the accompanying consolidated financial statements). If our cash on hand and future cash flows from operations are not sufficient to fund our operations and the significant capital expenditures required to continue to develop Sky Ranch, we may be forced to seek additional debt or equity capital or sell assets. Economic conditions and disruptions have previously caused substantial volatility in capital markets, including credit markets and the banking industry, increasing the cost, and significantly reducing the availability of financing, which may recur in the future. There can be no assurance that financing will be available on acceptable terms or at all.

Our debt agreements contain financial covenants and require balloon payments. Our SFR Facility Agreement and SFR Notes require us to maintain minimum tangible net worth, liquidity and debt service coverage and contain events of default, including upon a change in control. A portion of our borrowings bears interest at variable rates, SFR Note 1 requires a balloon payment of approximately $0.9 million in December 2026 and SFR Note 2 requires a balloon payment of approximately $2.9 million in August 2028. If we fail to comply with these covenants or cannot refinance maturing debt on acceptable terms, our lenders could accelerate our obligations and foreclose on the collateral securing them. The SFR Notes are secured by the rental homes they financed and the Lost Creek Note is secured by the Lost Creek water rights. Borrowings under our SFR Facility Agreement, including the Working Capital LOC and letters of credit issued under it, are secured by the rental homes financed under it and by substantially all of our other personal property, including our cash and deposit accounts, receivables and notes receivable.

The rates that the Rangeview District is allowed to charge customers on the Lowry Ranch for water services are limited by the lease with the Land Board and our contract with the Rangeview District and may not be sufficient to cover our costs of construction and operation. Under our lease, both the tap fees and usage rates and charges for water service on the Lowry Ranch are capped at the average of the rates of three nearby water providers, which the Rangeview District surveys annually. Our costs associated with the construction of water systems and the production, treatment and delivery of water, including the cost of extracting our groundwater, are subject to market conditions and factors beyond our control, such as government regulations, tariffs and other charges, changes in insurance and labor markets, drought, water contamination and severe weather conditions, and may increase at a significantly higher rate than those rates. If our costs exceed our revenue, we would be providing water service to the Rangeview District for use at the Lowry Ranch at a loss. The Rangeview District may petition the Land Board for rate increases; however, there can be no assurance that the Land Board would approve a rate increase request, or that any increase would be granted in a timely manner or in a sufficient amount. In addition, our share of the Rangeview District's revenue is subject to renegotiation, as described below under "Our share of revenue under our agreements with the Rangeview District is not fixed and may be reduced."

A significant portion of our water supplies comes from non-renewable aquifers and inadequate water and wastewater supplies could have a material adverse effect on us. A significant portion of our water supplies comes from non-renewable Denver Basin aquifers. The State of Colorado regulates development and withdrawal of water from the Denver Basin aquifers to a rate of 1 percent of the aggregate amount of water determined to be in storage each year, which means our supply should last approximately 100 years even if no efforts were made to conserve or recharge the supply. Nonetheless, we may need to seek additional water supplies to prove our supply can last for 300 years as our non-renewable supplies are depleted. In many areas of Colorado, water supplies are limited, and our ability to obtain new water rights depends on factors beyond our control. If we are unable to obtain sufficient replacement supplies or wastewater treatment capacity to serve expected customer growth, it would have a material adverse impact on our business and financial condition. Additionally, the cost of developing and withdrawing water from the aquifers is expected to increase over time, and we may not be able to recover the increased costs through our rates and charges.

To utilize our water resources as intended, we may need to apply for a change of use with the water court from time to time. This may take several years to complete, and there is no assurance that we will be able to obtain a favorable ruling, which may adversely impact our business and financial condition. Water resources that have been historically used for purposes other than municipal and industrial uses or in other locations, such as our Lost Creek Water, require a favorable change of use ruling by the water court before we can use the water as planned. These proceedings can be costly and contentious: we must demonstrate contractual obligations to provide water service to customers (anti-speculation), the transfer is expected to be limited to the historic "consumptive use" portion of the water right, and we expect opposition to our consumptive use calculations. The water court may impose conditions, such as requiring us to mitigate the loss of the farming tax base, revegetate formerly irrigated land, adopt water quality measures or limit the timing and location of transfers, that would increase our costs or require us to develop alternative water resources. In addition, because our water rights are decreed for specific uses within our service area, including Sky Ranch and the Elbert 86 District's service area at Wild Pointe, a sale or transfer of water rights would be subject to this restriction and may be considered a breach of our Rangeview Water Agreements, which would have a significant negative impact on our business, results of operations, cash flows and financial condition.

A failure of the water wells or distribution networks we own or control could result in losses and damages that may affect our business and financial condition. We distribute water through a network of pipelines and store water in storage tanks and ponds. A failure of these pipelines, tanks or ponds could result in injuries and damage to property for which we may be responsible, in whole or in part. The failure of these pipelines, tanks, or ponds may also result in the need to shut down some facilities or parts of our water distribution network to conduct repairs. Such failures or shutdowns may limit our ability to supply water to our customers and to meet the water delivery requirements prescribed by our contracts, which could adversely affect our business, results of operations, cash flows, and financial condition. Any business interruption or other losses might not be covered by insurance policies or be recoverable through rates and charges, and such losses may make it difficult for us to secure insurance in the future at acceptable rates.

Development on the Lowry Ranch is not within our control and is subject to obstacles. Development on the Lowry Ranch is controlled by the Land Board, which is governed by a five-person citizen board of commissioners, each appointed for a four-year term by the Colorado Governor and approved by the Colorado Senate. The Land Board's focus with respect to issues such as development and conservation on the Lowry Ranch tends to change as membership on the Land Board changes. In addition, there are often significant delays in the adoption and implementation of plans with respect to property administered by the Land Board because the process involves many constituencies with diverse interests. If development of the Lowry Ranch is delayed or abandoned, our future water and wastewater revenue from the Lowry Ranch would be reduced or delayed.

Because of the prior use of the Lowry Ranch as a military facility, environmental clean-up may be required prior to development, including the removal of unexploded ordnance. The U.S. Army Corps of Engineers has been conducting unexploded ordnance removal activities at the Lowry Ranch for more than 30 years. Continued activities are dependent on federal appropriations, and the Army Corps of Engineers has no assurance from year to year of such appropriations for its activities at the Lowry Ranch.

Dependence on third-party utilities for power and gas could delay our projects, increase costs, and adversely affect our results of operations and financial condition. Our development timelines and delivery of finished lots to national homebuilders depend on timely availability of electric and natural gas service from third-party utilities, including Xcel Energy and other providers. Permitting or siting delays, labor or equipment shortages, capacity constraints, storm or wildfire response priorities, interconnection backlogs or changes in a utility's construction plans could force us to delay or resequence phases at Sky Ranch, increasing carrying and construction costs and postponing lot closings, water and wastewater service revenues and rental home lease-up. Utility design changes, cost allocations or line extension rules could also increase our infrastructure costs beyond our estimates, and we may be unable to recover those increases through pricing.

The funds we are advancing to the Sky Ranch CAB for construction of public improvements might not be repaid, which would negatively impact our income, gross margin on selling lots, and cash flows. Since the start of development at Sky Ranch, we have advanced the Sky Ranch CAB $104.2 million for construction of public improvements and expect to fund approximately $10.8 million more to complete the public improvements in Phase 2. At August 31, 2026, the balance owed to us by the Sky Ranch CAB, including accrued interest and project management fees, was $61.8 million, representing approximately 33% of our total assets. The Sky Ranch CAB is not required to repay us unless and until it and the Sky Ranch Districts generate sufficient funds from property taxes, fees or the issuance of bonds, and the Sky Ranch CAB, whose board includes our officers and employees, determines the timing of bond issuances and of remittances of available funds. Repayment therefore depends on the pace of home sales and commercial development at Sky Ranch, the assessed value of property within Sky Ranch, the mill levies the Sky Ranch Districts may impose, Colorado laws limiting residential assessment rates and growth in local government property tax revenue, the volume and value of oil and gas produced within Sky Ranch, which declines as wells deplete, conditions in the municipal bond market, and the rights of bondholders. Any amounts not repaid by December 31, 2058 for Phase 1 or December 31, 2060 for Phase 2 will be deemed forever discharged and satisfied in full.

Interest accrues on the outstanding balance at 6%, so the balance grows when repayments lag, and accrued interest that is not ultimately collected would reduce our income. We evaluate the collectability of the note each reporting period using estimates of the Sky Ranch CAB's future revenue and a discount rate, both of which involve significant judgment. If development at Sky Ranch is delayed or curtailed for any reason, including regulatory restrictions, an inability to construct a new interchange at I-70, an economic downturn or default by one or more homebuilders, or if our estimates change, we may be required to record a credit loss allowance, which could be material. The note receivable is not a source of near-term liquidity.

Delays in property development may extend the time it takes us to recover our property development costs and delay our revenue from water and wastewater resource development services. We incur many costs, such as the costs of preparing land, finishing and entitling lots, installing roads, sewers, water systems and other utilities, and taxes and other costs of owning the land, before we close on the sale of finished lots to homebuilders. If the rate at which we develop residential lots slows, we may incur additional costs, and it may take longer for us to recover our costs. In addition, if sales of homes on the finished lots are delayed, our revenue from water and wastewater resource development services will be delayed. A significant downturn in the housing market could cause our builders to delay building homes on their lots until market conditions improve. Builders with contracts that do not require them to purchase a lot until we deliver a finished, ready-to-build lot could walk away from the contract prior to closing without consequence other than the forfeiture of their upfront deposits, which we would keep as liquidated damages but which would not be sufficient to cover the expenses we expect to incur to finish the lots. We would not be able to recover our costs until we were able to sell the finished lots to another builder, which would be difficult in a poor housing market.

Fluctuations in real property values may require us to write down the book value of our land interests. The land development industry is subject to significant variability and fluctuations in real property values. As a result, we may be required to write down the value of our Sky Ranch single-family home rentals, or other land interests in accordance with accounting principles generally accepted in the United States of America, and some of those write-downs could be material. Indicators of impairment include soft demand for housing, pricing pressure on finished lots, sales absorption below our expectations, declines in home or land values, including because of actual or perceived risks from nearby oil and gas operations, and a decrease in projected cash flows for a project.

Our land development segment may be subject to risks related to oil and gas operations in the vicinity of our Sky Ranch development, which could have an adverse impact on the marketability and/or value of our Sky Ranch property. We have leased the minerals underlying Sky Ranch to a major exploration and production company, which may limit the location of development on the land. Oil and gas extraction is an inherently dangerous activity that can potentially lead to air and water contamination, fire, explosion, subsidence, and other hazards. The existence of oil and gas wells and drilling activity in or near our property and public concern regarding the negative health impacts from emissions near drilling and hydraulic fracturing sites may adversely impact the marketability and/or value of the lots at Sky Ranch and decrease demand for homes in proximity to oil and gas operations, negatively impacting our land development segment, which could also negatively impact our business and financial condition.

We may not realize the carrying value of our rental homes as we sell them, and we remain exposed to the risks of owning and leasing them until they are sold. We began constructing single-family homes for rent at Sky Ranch in fiscal 2021. At August 31, 2026, we owned 51 rental homes, 50 of which were leased, and had contracts with a homebuilder to construct 21 additional homes, which we are working with the homebuilder to reduce. In fiscal 2026, we reduced the planned size of the portfolio and resold, or contracted to resell, 19 lots previously reserved for rental homes, and subsequent to fiscal 2026 our Board of Directors determined that we will not invest in new rental homes beyond our existing portfolio and existing construction contracts and will sell our rental homes in an orderly manner. We may not be able to reduce the number of homes completed under those contracts, or we may incur costs to do so. All of our rental homes are located in Sky Ranch, and we may not be able to sell them at prices at or above their carrying value ($18.3 million at August 31, 2026) or on the schedule we expect. The homes will compete for buyers with new homes being built at Sky Ranch, including by our homebuilder customers, who may offer incentives that we cannot, and with other resale homes, and higher mortgage rates may reduce the number of buyers able to purchase them. When we sell a home that secures our SFR Notes or SFR Facility Agreement borrowings, we must use the proceeds to repay the related borrowings. Until the homes are sold, we remain exposed to the risks of owning and leasing them, including the failure of newly constructed homes to lease at the rents or occupancy levels we anticipate; tenant defaults, turnover and maintenance costs; competition from other rental housing in our market; and federal and state legislation affecting institutional ownership of single-family homes, as described below. A decline in rental income or home values could affect our ability to service our SFR borrowings, and our results of operations and the value we are able to realize from the portfolio could be adversely affected.

We will depend on our tenants for all of our rental home revenue. Poor tenant selection and defaults and nonrenewal by our tenants may adversely affect our reputation and financial performance. The success of our rental business depends in large part upon our ability to attract and retain qualified tenants. Tenants may default on rent payments, damage our properties beyond their security deposits, use our properties for illegal purposes, refuse to leave the property upon termination of the lease or otherwise fail to comply with their leases or local regulations, which could delay re-leasing, require expensive repairs and reduce our returns. Increases in unemployment levels and other adverse changes in the economic conditions in our market could result in substantial tenant defaults.

It would be difficult for us to quickly generate cash from sales of our properties. Real estate investments, particularly large portfolios of properties, are relatively illiquid. If we had a sudden need for significant cash, depending on market conditions it may be difficult for us to fund such need quickly through a sale of our rental properties.

Legislation restricting institutional ownership of single-family homes could reduce demand for single-family rental homes and the value we could realize on future sales of our rental portfolio. The 21st Century ROAD to Housing Act became law on July 11, 2026. Beginning January 7, 2027, the Act restricts for-profit investors that control 350 or more single-family homes from purchasing single-family homes, subject to an exception for homes acquired or constructed under a build-to-rent program, and imposes reporting requirements on those investors. Because our portfolio is well below that threshold and we develop our rental homes on a build-to-rent basis, we do not currently expect the act to restrict our development or rental operations. However, the act may reduce the number of institutional buyers for single-family rental homes and portfolios, which could reduce the price we could obtain if we sold some or all of our rental homes, and implementing regulations or future legislation could impose additional restrictions. Because we expect to sell our rental homes individually, generally as existing leases expire, we expect most buyers to be individuals rather than institutional investors.

3. Risks Related to Legal, Regulatory, and Environmental, Health and Safety Matters

Government regulations and legal challenges may delay the closing of the sale of our residential lots, increase our expenses or limit other activities, which could have a negative impact on our results of operations. The approval of numerous governmental authorities must be obtained in connection with both our water and wastewater projects and our land development activities, and these governmental authorities often have broad discretion in exercising their approval authority. We incur substantial costs to comply with local, state and federal statutes, ordinances, rules and regulations concerning health and safety, site and building design, environmental, zoning, and similar matters, and any increase in these requirements may cause us to incur substantial additional costs. Our ability to obtain or renew permits or approvals, and the continued effectiveness of permits already granted, depends on factors beyond our control, such as changes in federal, state, and local policies, rules and regulations and their interpretation. Local and state governments also have broad discretion to impose development fees and to require developers and homebuilders to construct improvements to public places such as parks and streets or to fund schools. State and local oil and gas setback rules adopted under SB 19-181, including Arapahoe County regulations adopted in 2021 and amended in 2023 and December 2024, which impose setbacks of up to one mile from existing and planned reservoirs and 3,000 feet from occupied structures (subject to variances), financial assurance, air quality monitoring and electrification requirements, and Adams County's 2,000-foot setback from residences, schools, and certain waterbodies, may restrict the use of the land we own or wish to acquire and reduce its value. New building and energy codes, including Colorado's Model Low Energy and Carbon Code, which became Colorado's minimum energy code on July 1, 2026, may also increase our costs of construction.

We must provide water that meets all federal and state regulatory water quality standards and operate our water and wastewater facilities in accordance with these standards. Changes in regulations governing the supply of drinking water and treatment of wastewater may have a material adverse impact on our business. See Item I- Business, Environmental, Health and Safety Regulations for discussion of certain changes in applicable environmental regulations that may affect us. New or changed requirements could require additional treatment and capital investment. With respect to service of customers on the Lowry Ranch, the Rangeview District's rates, which are limited by our lease, might not be sufficient to cover the cost of compliance with additional or more stringent requirements, and we may be required to reserve more water than necessary for use on the Lowry Ranch to ensure the proper level of service to Lowry Ranch customers.

Laws and regulations related to climate change, greenhouse gases, and energy may adversely affect us by directly and indirectly increasing the cost of or restricting our planned future growth activities. Colorado has enacted legislation, regulations, and policies relating to energy, climate change, greenhouse gas emissions reporting and controls, land use, and energy efficient building codes, including HB 22-1362, which requires energy efficient and low carbon building codes; HB 23-1233, which requires multifamily buildings to be solar-ready and electric vehicle-ready; and HB 23-1161 and earlier efficiency standards for appliances, plumbing fixtures, and buildings (e.g., HB 19-1231, HB 19-1260). These requirements, together with the oil and gas regulations described below, could increase our and our homebuilders' development and construction costs and the cost of operating and maintaining housing at Sky Ranch.

Our construction of water and wastewater projects and improvements at Sky Ranch may expose us to completion, performance, and financial risks. We rely on independent contractors to construct our water and wastewater facilities and Sky Ranch lot improvements. These construction activities involve risks, including shortages of materials and labor, work stoppages, labor relations disputes, injuries to third parties, damages to property, weather interference, engineering, environmental, permitting, or geological problems and unanticipated cost increases, which could cause delays, cost overruns, quality problems or equipment failures, cause us to miss deadlines under our sale and construction contracts, or result in claims against us. The sales contracts at Sky Ranch and the contracts for the water and wastewater facilities that we design and construct are fixed-price contracts, in which we bear all or a significant portion of the risk for cost overruns, and their prices are based in part on subcontractor quotes and cost and scheduling estimates that may prove inaccurate.

Our water sales are concentrated among oil and gas operators, can fluctuate significantly and may decline as a result of changes in oil and gas prices or increasing regulation. We have no long-term contractual commitments that will ensure that our water sales to oil and gas operators continue in the future. Investment in oil and gas development depends on the price of, and demand for, oil and gas, as well as drilling results and technology, and periods of low prices or reduced demand have significantly reduced the amount of water we sell to these operators. The oil and gas industry is also heavily regulated, particularly in Colorado. SB 19-181 changed the mission of the Colorado Energy and Carbon Management Commission to regulating oil and gas development to protect and minimize adverse impacts to public health, safety, welfare and the environment, and authorized local governments to regulate the siting and surface impacts of oil and gas development more stringently than the state. Existing, new or amended rules addressing emissions, chemicals and water used in production, fees on wells, permitting, setbacks of wells from homes, schools and water bodies, and greenhouse gas emissions may reduce oil and gas activity and therefore the amount of water we sell, and setback requirements may also limit the development of our mineral rights and our residential and commercial development activities at Sky Ranch.

We may be subject to significant potential liabilities because of warranty and liability claims made against us. Design, construction, or system failures related to our water and wastewater delivery systems could result in injury to third parties or damage to property, and as a property developer, we are subject in the ordinary course of our business to warranty claims and to claims for losses or injuries that occur during our property development activities. We and many of our subcontractors have general liability, property, workers' compensation, and other business insurance, subject to self-insured retentions, deductibles, and coverage limits, but this insurance may not be adequate to address all claims. Insurance for construction defects is limited, costly and often subject to exclusions, so our subcontractors may be unable to obtain it and we may have to waive our customary insurance requirements. Losses that exceed our recoveries from contractors, performance bonds and insurance could result in claims against us, and customers that dispute our performance may delay or withhold payment.

Growth limitations or moratoriums imposed by governmental authorities could adversely affect our land development activities or the land development activities of our customers, which could adversely impact both the land development and water and wastewater segments of our business. HB 23-1255, enacted in 2023, generally prohibits Colorado local governments from enacting or enforcing local housing growth-restriction laws that would limit housing supply, development applications, or building permits, but under certain circumstances permits a temporary moratorium of up to two years, and municipalities or state water agencies may restrict or place moratoriums on the availability of water and sewer taps. Because all of the property in Sky Ranch has been zoned, we do not expect future growth moratoriums to restrict Sky Ranch as currently planned; however, a temporary moratorium or restriction in the areas in which we provide services or develop land could delay, limit or halt development and reduce the number of water and wastewater service customers we expect, which would have a negative impact on our business and financial condition.

Contamination to our water supply may result in disruption in our services and litigation, which could adversely affect our business, operating results and financial condition. Our water supplies are subject to the risk of potential contamination, including contamination from naturally occurring compounds, pollution from man-made sources and intentional sabotage, and oil and gas exploration and development on Sky Ranch and a portion of the Lowry Ranch could expose us to additional contamination risks from related leaks or spills. In addition, we handle certain hazardous materials at our water treatment facilities, primarily sodium hypochlorite. Contamination of our supplies, sewage spills, noncompliance with water quality standards, hazardous materials leaks and spills, and similar events could expose us to environmental liabilities, claims and litigation costs, and we may have to interrupt the use of that water supply until

we are able to substitute the supply from another source or treat the contaminated supply. The costs to treat or decontaminate a water source, including through expansion of our treatment facilities or new treatment methods, could be significant and may not be recoverable in rates.

We may be adversely affected by any future decision by the Colorado Public Utilities Commission to regulate us as a public utility. The Colorado Public Utilities Commission (CPUC) regulates investor-owned water companies operating for the purpose of supplying water to the public, including their rates and fees. We do not believe that we are a public utility under Colorado law, because we currently provide services by contract mainly to the Rangeview District, which supplies public and quasi-municipal metropolitan districts such as the Rangeview District and the Sky Ranch Districts, are exempt by statute from regulation by the CPUC. However, the CPUC could attempt to regulate us as a public utility, or laws and regulations may be revised, reinterpreted or adopted that make us subject to regulation. If this were to occur, we might incur significant expense challenging the CPUC's assertion of jurisdiction, and if we become regulated as a public utility, our ability to generate profits could be limited, and we might incur significant costs associated with regulatory compliance.

The Rangeview District's and our rights under our lease have been challenged by third parties. In the past the Rangeview District's and our rights under our lease have been challenged by third parties, including the Land Board. In 2014, in connection with settling a lawsuit filed by us and the Rangeview District against the Land Board, the Land Board, the Rangeview District and Pure Cycle amended and restated the lease to clarify and update a number of provisions. However, there are issues still subject to disagreement and negotiation, including our rights with respect to revenue from our Export Water after 2081, and it is likely that during the remaining term (through 2081) of the lease, the parties will disagree over interpretations of provisions in the lease again. The Rangeview District's or our rights under the Lease could be challenged in the future, which could require potentially expensive litigation to enforce our rights.

Our Lowry Ranch surface water rights are "conditional decrees" and require findings of reasonable diligence. Our surface water interests and reservoir sites at the Lowry Ranch are conditionally decreed and are subject to a finding of reasonable diligence from the Colorado water court every six years, which requires the water court to determine that we continue to diligently pursue the development of these water rights. If the water court is unable to make such a finding, we could lose the water right under review. The water court entered a finding of reasonable diligence on the Lowry Ranch surface water decrees in January 2025, and our next diligence review will be in 2032. If the water court does not make a determination of reasonable diligence, the value of our interests in the Rangeview Water supply would be materially adversely impacted.

Our operations are affected by local politics and governmental procedures that are beyond our control. We operate in a highly political environment. We market our water rights to municipalities and other governmental entities run by elected or politically appointed officials, and our principal competitors are municipalities and other water districts. Various constituencies, including our competitors, developers, environmental groups, conservation groups, and agricultural interests, have competing agendas with respect to the development of water rights in Colorado, which means that decisions affecting our business are based on many factors other than economic and business considerations. Turnover of elected and appointed officials, changes in policies from election to election, and a lack of institutional history in these entities concerning their prior courses of dealing with the Company may hinder or delay our ability to enter into service agreements or develop our water rights or infrastructure to deliver our water.

The number of connections we can serve is affected by local governmental policies that are beyond our control. We market our water rights through service agreements with developers, municipalities and other governmental entities. We believe that our water rights can serve approximately 60,000 single-family connections based on standards applied to water providers in Arapahoe, Douglas, and Adams Counties. These standards are policy driven, are based on assumed life and reliability of water supplies and may become more restrictive at the discretion of the governmental entity. If these standards become more restrictive, our water supplies may not serve the number of connections that we currently estimate we can serve.

The number of homes we can construct is affected by local governmental policies relating to the construction of infrastructure. We are required to construct certain roads and drainage and other infrastructure to serve the communities in which we build. We have certain access restrictions relating to the number of homes we can construct at Sky Ranch totaling 1,400 SFEs. Through Phases 1 and 2A-E, we have permitted 1,319 of these SFEs. The Company, together with Arapahoe County and the Colorado Department of Transportation, has been working on the design, permitting and financing of a new interchange which will accommodate traffic from the full buildout of Sky Ranch and the surrounding areas and on the ratable participation in the financing of the cost of the interchange. We may have to advance funds to other parties to finance construction of the interchange and solicit reimbursement in the future. We cannot guarantee that we will be able to secure a permit to construct the interchange or finance the construction of the interchange, which may limit the number of homes we can construct at Sky Ranch, and future efforts to obtain reimbursement for funds we advance may be unsuccessful.

4. Risks Related to Our Agreements with Governmental Counterparties and Related Party Arrangements

Conflicts of interest may arise relating to the operation of the Rangeview District, the Sky Ranch Districts and the Sky Ranch CAB. Our Chief Executive Officer and two of our other employees constitute a majority of the directors of the Rangeview District, and our Chief Executive Officer, our Chief Financial Officer and one other employee serve as directors of the Sky Ranch CAB and the Sky Ranch Districts, constituting a majority of the Sky Ranch CAB's board. Our Chief Executive Officer is President of the Rangeview District and the Sky Ranch CAB, and our Chief Financial Officer is Treasurer of the Sky Ranch CAB and Sky Ranch Districts. Our Chief Executive Officer also votes the Rangeview District's interest in the South Metro WISE Authority. These officers and employees and three unrelated individuals, own certain property interests in the acres that constitute the Rangeview District and the acreage that constitutes the Sky Ranch Districts and are elected to serve as directors independent of their roles as employees or officers of the Company. We have made loans to the Rangeview District to fund its operations, and as of August 31, 2026, total principal and interest owed to us by the Rangeview District was $1.1 million. Beginning October 1, 2026, the Rangeview District leases from a third party the office and warehouse space that we previously leased and subleases that space to us. Pursuant to our water and wastewater service agreements with the Rangeview District, the Rangeview District retains two percent of the revenue from the sale of water to its end-use customers and 10% of the revenue from the provision of wastewater services to its end-use customers, net of applicable royalties. Proceeds from the fee collections will initially be used to repay the Rangeview District's obligations to us, but after these loans are repaid, the Rangeview District is not required to use the funds to benefit us.

Similarly, we have made loans to and incurred expenses reimbursable by the Sky Ranch Districts and the Sky Ranch CAB. As of August 31, 2026, the Sky Ranch CAB owed us $61.8 million related to construction of public improvements on the Sky Ranch property, including project management fees and interest on these amounts. We have received benefits from our activities undertaken in conjunction with the Rangeview and Sky Ranch Districts and the Sky Ranch CAB, but conflicts may arise between our interests and those of the Rangeview and Sky Ranch Districts and the Sky Ranch CAB and our officers and employees who are acting in dual capacities in negotiating contracts to which we and a district and/or the Sky Ranch CAB are parties. We expect that the Rangeview and Sky Ranch Districts will expand when more properties are developed and become part of the respective districts, and our officers and employees acting as directors of these districts will have fiduciary obligations to those other constituents. Conflicts may not be resolved in our best interest. In addition, other landowners coming into a district will be eligible to vote and to serve as directors of these districts. Our officers and employees may not remain as directors of these districts, or the interest of the districts may not align with ours, and the actions of elected boards could have an adverse impact on our operations. We seek to manage these conflicts through procedures that include certification of reimbursable costs by an independent engineer, independent audits of the Sky Ranch CAB and the Rangeview District, disclosure and abstention by interested directors as required by Colorado law, and review of related party transactions by the Audit Committee of our Board of Directors, but these procedures may not prevent a conflict from being resolved in a manner adverse to us.

Our water and wastewater business depends on contractual rights granted by a governmental entity and the Land Board, which we do not control and which are conditioned on our continued performance and investment. Substantially all of our water and wastewater revenue is derived from service agreements with the Rangeview District, a quasi-municipal corporation and political subdivision of the State of Colorado that is not our subsidiary, is governed by an elected board of directors, and our rights to serve Lowry Ranch customers derive from the Rangeview District's lease with the Land Board. Our exclusive right to provide service was granted in consideration of our obligation to finance, construct, operate and maintain the water and wastewater systems owned by the Rangeview District or the Land Board at our cost. If we fail to perform a material obligation and do not cure the failure within the applicable cure period, the Rangeview District may terminate our service agreements and may recover the water, our interest in the related infrastructure and the associated revenue stream free of liens. Because the Rangeview District owns the water and wastewater systems we have financed and constructed, a termination would require us to write off our investment in those systems and could require us to impair other water and wastewater assets that depend on our service agreements with the Rangeview District to generate revenue. At August 31, 2026, our net investment in water and wastewater systems totaled $72.8 million, or 39% of our total assets. A breach by us of our related agreements could result in, among other things, title to the improvements, equipment, permits and rights-of-way on the Lowry Ranch used to deliver Non-Export Water reverting automatically to the Land Board without compensation to us. Further, we may have no assured role in serving Lowry Ranch water users, who must be served under new agreements. Our Export Water is also at risk: the Land Board or the Rangeview District may terminate our rights to Export Water not yet conveyed if we fail to pay required royalties within ten business days of the due date or, after notice and an opportunity to cure, take or fail to take action that materially harms the water rights, the aquifers or the Lowry Ranch. In addition, the Rangeview District may terminate the Lowry Wastewater Agreement without cause on one year's notice by paying us a buy-out amount determined under a contractual formula, the amount and timing of which are uncertain and subject to arbitration. Any of these events could eliminate substantially all of our water and wastewater revenue, including the tap fees that support our Sky Ranch land development, and result in a material impairment charge.

Our share of revenue under our agreements with the Rangeview District is not fixed and may be reduced. The Rangeview District sets the rates and fees charged to its customers, subject, for Lowry Ranch customers, to the rate limits in the lease. Our service agreements provide that if the share of revenue retained by the Rangeview District is insufficient to cover its costs of providing service, including its general, legal, administrative, engineering, regulatory compliance and long-term planning costs and its required operating reserve, the parties must negotiate in good faith an amendment that provides the Rangeview District sufficient revenue, with disputes resolved by binding arbitration. The wastewater agreement also permits a rate increase as an alternative. Under the WISE agreement, the Rangeview District remits WISE-related receipts to us only after deducting its own WISE costs, including its reasonable general, legal and administrative costs, which are not capped. The Rangeview District also has contractual rights to cure our defaults and offset the cost against amounts it owes us. An increase in the Rangeview District's costs could increase the amounts it retains or require us to accept a lower revenue share, which would reduce our revenue and margins.

We have open-ended funding obligations to the Rangeview District, and amounts the Rangeview District owes us may never be repaid. We are obligated to advance funds to cover the Rangeview District's operating shortfalls within 15 days of its request under an operating funding agreement; to fund the Rangeview District's obligations as a member of the South Metro WISE Authority, which we assumed under an agreement that has no fixed term and may be terminated only by written agreement of the parties or as otherwise provided in that agreement; and to fund the Rangeview District's operating reserve. The Lease requires the Rangeview District to maintain a reserve equal to at least one-third of its budgeted operating expenses. If the reserve falls below that level and the Rangeview District cannot reasonably be expected to reestablish it from its own revenues within one year, we must fund the shortfall within 30 days of notice, and we must restore the reserve to that level when our service agreement terminates. The amount of these obligations depends on the Rangeview District's budgets and the WISE Authority's costs, which we do not control. Repayment of our advances under the operation funding agreement is not a debt of the Rangeview District, is subject to annual appropriation in the Rangeview District's absolute discretion, and will be forever discharged if not repaid when the lease expires. The Rangeview District's obligation to repay those advances also terminates automatically if we dissolve, wind up, cease to carry on business as a going concern or become subject to a bankruptcy or receivership proceeding. Under the WISE agreement, we and the Rangeview District have each waived the right to sue the other for damages, limiting our remedies to equitable relief. At August 31, 2026, the Rangeview District owed us $1.1 million, including accrued interest.

Restrictions on the transfer and financing of our contractual rights may limit our ability to raise capital against, sell or otherwise realize value from our water and wastewater business. Many of our agreements may not be assigned without the consent of the other party, and other agreements limit our ability to encumber related revenue. In addition, because our water supplies, including Export Water, are decreed for a specific type and place of use within our service area and Sky Ranch, the sale or transfer of these water rights may result in a breach of our obligations under the service agreements. These provisions could limit the forms of financing available to us, restrict any independent sale of our water or water and wastewater segment or limit financing sources for our water and wastewater business or particular assets.

5. Risks Related to Our Governance and Common Stock

We are the subject of a proxy contest, which has caused and may continue to cause us to incur substantial costs, divert the attention of our Board of Directors and management, and create uncertainty about our future. In January 2026, we entered into a cooperation agreement with Maran Capital Management, LLC and certain of its affiliates (collectively, Maran) under which we appointed two Maran designees to our Board of Directors and formed a Strategy and Capital Allocation Committee. On May 21, 2026, one Maran designee resigned from our Board of Directors, and on July 7, 2026, the second Maran designee resigned. The cooperation agreement has since expired in accordance with its terms, and our Board has continued the Strategy and Capital Allocation Committee as a standing committee. On August 4, 2026, Maran, which together with the other members of its reporting group has reported beneficial ownership of approximately 14.7% of our outstanding common stock, delivered notice of its intent to nominate five candidates for election to our Board of Directors at our 2027 annual meeting of shareholders, which we expect to hold on or about February 10, 2027. Our Board of Directors has nominated eight candidates for election at that meeting. The proxy contest, and any related litigation or other activism, has required and may continue to require significant time and attention from our Board of Directors and management. We expect to incur substantial legal, advisory, proxy solicitation and other costs in connection with the proxy contest, substantially all of which will be incurred in fiscal 2027 and which we expect will exceed $1 million in the aggregate. If some or all of the nominees proposed by Maran are elected, the composition of our Board of Directors would change, which could result in changes to our strategy, capital allocation priorities, management or operations. Uncertainty about our future direction could affect our relationships with homebuilders, lenders, contractors, governmental entities and other counterparties, make it more difficult to attract and retain qualified personnel, and cause the market price of our common stock to fluctuate based on temporary or speculative market perceptions that may not reflect the fundamentals of our business. In addition, a change in our Board of Directors or management could trigger change in control provisions in certain of our agreements. Under our SFR Facility Agreement, a "Change in Control" is an event of default, and no cure period

applies. The agreement defines it as a material change in the day-to-day management, including a change in officers or other senior management, of the operations of the borrowers or guarantor. Upon an event of default, the lender may terminate its commitments, declare all outstanding borrowings (approximately $11.3 million at August 31, 2026) immediately due and payable, require us to cash-collateralize the approximately $4.7 million of letters of credit issued under the Working Capital LOC, charge interest at the default rate and exercise its remedies against the collateral. If a change in the composition of our Board of Directors results in changes to our officers or senior management, we may need to seek a waiver or amendment from the lender, which may not be available on acceptable terms or at all.

We are dependent on a small number of key employees, and the loss of any of them could disrupt our operations. Our success largely depends on the continued services of our President and Chief Executive Officer, Mark W. Harding. We believe Mr. Harding possesses valuable knowledge, experience and leadership abilities that would be difficult to replace in the short term. Mr. Harding also serves on the boards of directors of the Rangeview District, the Sky Ranch Districts, the Sky Ranch CAB and SMWSA. The loss of Mr. Harding as an officer and as a director could cause a significant interruption to our operations. In addition to Mr. Harding, we operate with a lean staff and rely heavily on a small number of individuals in key roles, including our Chief Financial Officer, our Controller, our Vice President of Engineering and head of water and wastewater operations, our Vice President of Land Development and the certified Operators in Responsible Charge (ORCs) of the Rangeview District's water and wastewater systems, whose certification is required under Colorado law to operate those systems. The loss of these individuals, or our inability to attract and retain qualified replacements, could disrupt our operations and financial reporting and our ability to meet our obligations under our service agreements with the Rangeview District. Changes in the composition of our Board of Directors, including as a result of the pending proxy contest, may create uncertainty among our key employees and increase the risk that one or more of them leaves the Company.

Our stock price has been volatile in the past and may decline in the future. Our common stock has experienced significant price and volume fluctuations in the past and may experience significant fluctuations in the future depending upon several factors, some of which are beyond our control. Factors that could affect our stock price and trading volume include, among others, the perceived prospects of our business; differences between anticipated and actual operating results; changes in analysts' recommendations or projections; the commencement and/or results of litigation and other legal proceedings; and future sales of our common stock by us or by significant shareholders, officers and directors. In addition, stock markets in general have experienced price and volume volatility from time to time, which may adversely affect the market price of our common stock for reasons unrelated to our performance.

Our share repurchases may not enhance long-term shareholder value. Our Board of Directors has authorized the repurchase of up to 200,000 shares of our common stock, of which 78,474 shares remained available at August 31, 2026. Our repurchases have been temporarily suspended due to the substantial cost and uncertainty created by the Maran proxy contest.

6. General Risk Factors

Unauthorized access to confidential information and data on our information technology systems and security and data breaches could materially adversely affect our business, financial condition, and operating results. We rely on computer and information technology systems to conduct our business and communicate with our suppliers and other third parties. Our systems require continued and unimpeded access to secure network connections. We have physical, technical and procedural safeguards in place that are designed to protect information and protect against security and data breaches as well as fraudulent transactions and other activities. Despite these safeguards and our other security processes and protections, we cannot provide assurance that all of our systems and processes are free from vulnerability to security breaches. Cyber-attacks are evolving and becoming increasingly sophisticated. Cyberattacks may take various forms, including through hacking, ransomware attacks, malware, viruses and phishing scams. A successful attack could disrupt our water, wastewater or billing operations, result in the loss or misuse of customer or employee data, expose us to liability and regulatory action and require significant remediation costs, any of which could adversely affect our business.

Failure to maintain effective internal control over financial reporting could result in material misstatements in our financial statements and affect our ability to meet our reporting requirements. Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Any failure to maintain effective internal control over financial reporting, including in connection with changes to our systems and processes, could result in a material misstatement of our financial statements, cause us to fail to meet our reporting obligations and adversely affect the market price of our common stock.

Our operations could be adversely impacted by increases in material, labor and other operating costs, tariffs and trade restrictions, and supply chain delays and shortages, which could cause lower margins or delays and adversely impact our business, financial position, results of operations and cash flows. The market prices for certain materials and components we purchase, primarily concrete, asphalt, steel and PVC piping, have been volatile, and some supplies are subject to long lead times. Our development, construction, and water operations rely on materials and equipment that may be subject to U.S. and foreign tariffs, duties, quotas, sanctions, "Buy America"/local-content mandates and similar trade measures, which can raise procurement costs, lengthen lead times, limit availability, or require alternative suppliers or redesigns, and frequent changes in trade policy create pricing uncertainty. Suppliers may impose surcharges or assert force majeure tied to tariff changes or shipping constraints, and tariffs and trade restrictions affecting our homebuilding partners and oil and gas customers may also reduce demand for our residential lots and industrial water sales. Our margins may also be adversely affected by increases in labor, logistics and energy costs. Because our lot sale contracts and many of our construction contracts are fixed-price, we may be prevented, in whole or in part, from passing cost increases through to our customers, which could have a material adverse impact on our margins, business, financial position, results of operations and cash flows.

Item 1B – Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We have established processes for assessing, identifying and managing cybersecurity risks, which are built into our information technology function and are designed to safeguard our information assets and operations from internal and external cyber threats, including protecting employee information from unauthorized access to or attacks on our networks and systems. These processes include physical, procedural and technical safeguards, response plans, regular tests on our systems, incident simulations and routine reviews of our policies and procedures to identify risks and enhance our practices. We also employ processes to identify material risks from cybersecurity threats associated with our use of third-party service providers.

We have engaged external parties, including risk management consultants and computer security firms, to enhance our cybersecurity oversight. In an effort to deter and detect cyber threats, we periodically provide training programs to our employees on issues related to privacy and data protection, cybersecurity risks, and the importance of reporting all incidents immediately. Topics include identifying phishing, password protection, securing confidential data, and mobile security. In addition, we use technology-based tools to mitigate cybersecurity risks and to bolster our employee-based cybersecurity programs. We also perform annual vulnerability assessments, conducted by independent, third-party cybersecurity firms.

Additionally, as part of our overall risk mitigation strategy, the Company obtains certain insurance policies. However, such insurance may not be sufficient in type or amount to cover us fully against claims related to security breaches, cyber-attacks and other related breaches.

The Audit Committee of our Board of Directors provides direct cybersecurity risk oversight. Our Chief Financial Officer is responsible for assessing and managing cybersecurity risk, works with our third-party managed IT services provider, and reports to the Audit Committee at least annually and as needed. Our Chief Financial Officer is a certified public accountant with more than 20 years of experience in public accounting and financial leadership, including 7 years at PricewaterhouseCoopers auditing large technology companies, where his work included evaluating information technology general controls. He oversees our internal control over financial reporting, including information technology general controls over our accounting and customer billing systems, and relies on our managed IT services provider for technical expertise in security monitoring, threat detection and incident response. During fiscal 2026, we updated our Incident Response Plan, which defines roles, escalation paths and reporting procedures. Management reports to the Audit Committee on a timely basis regarding potential cybersecurity threats, incidents and general risks.

Our management periodically evaluates information provided by its consultants on evolving cybersecurity risks and, based on its assessment of the processes the Company has put in place, does not believe there are currently any known risks from cybersecurity threats that are reasonably likely to materially affect us or our business strategy, results of operations, or financial condition. We have not experienced a cybersecurity incident that has materially affected us during fiscal 2026 or through the date of this report.

Item 2 – Properties

Water Related Assets

In addition to the water rights and adjudicated reservoir sites that are described in *Item 1 – Business – Our Assets*, we own or have exclusive rights to use through the Rangeview District (which owns the water and wastewater systems we finance and construct to serve its customers) a 1.0 million-gallon and two 500,000-gallon treated water storage tanks, three storage reservoirs that can store 1.7 million barrels of water (71.4 million gallons) seven deep water wells, three alluvial wells, three pump stations, a wastewater lift station placed in service in fiscal 2026, 61 miles of water transmission and distribution lines, and more than 14 miles of wastewater collection pipelines, water treatment and wastewater treatment facilities in Arapahoe County and Elbert County, Colorado. In conjunction with Wild Pointe and the Elbert 86 District, we have exclusive rights to use, operate and maintain two water tanks with a combined capacity of 438,000 gallons, two deep water wells, a pump station, and over 11 miles of transmission lines serving customers at Wild Pointe in Elbert County. These assets are used in our water and wastewater resource development segment to provide service to our customers.

Additionally, we have seven ground water wells located in Weld County referred to as our Lost Creek Water. Subject to water court approval, our plans are to consolidate our Lost Creek Water with our Rangeview Water Supply to provide service to the Rangeview District's customers both on and off Lowry Ranch. The Lost Creek water rights secure the Lost Creek Note ($2.6 million at August 31, 2026).

Land and Mineral Interests

We own approximately 470 acres of land remaining at our Sky Ranch Master Planned Community, which is used in our land development segment, as well as approximately 634 net mineral acres at Sky Ranch. We own 40 acres of land that comprise the current boundaries of the Rangeview District (together with all the mineral rights). We own 544 acres of land in the Arkansas River Valley, and we hold 13,900 acres of mineral interests in the Arkansas River Valley in Southeast Colorado in Otero, Bent and Prowers Counties. We also own 693 acres in Weld County together with certain water shares in the Henrylyn Irrigation District and groundwater rights in the Lost Creek Designated Basin.

Single-Family Rental Homes

At August 31, 2026, we owned 51 single-family rental homes at Sky Ranch, 50 of which were leased and one of which was listed for sale, and had contracts to construct 21 additional homes. The homes are used in our single-family rental segment and secure the borrowings under our SFR Notes and SFR Facility Agreement ($15.1 million at August 31, 2026). As described in Note 16 to the accompanying consolidated financial statements, we will sell our rental homes in an orderly manner.

Offices

Our corporate offices and operations warehouse, consisting of approximately 6,460 square feet of office space and 8,400 square feet of warehouse space, are located at 34501 East Quincy Avenue, Watkins, Colorado, and are used by all of our segments. Through September 30, 2026, we leased this space directly from a third-party landlord. Beginning October 1, 2026, the Rangeview District leases the space from the same landlord, and we occupy it under a sublease from the Rangeview District at the rent payable under the Rangeview District's lease.

Item 3 – Legal Proceedings

Colorado Interstate Gas Company, L.L.C. v. Rangeview Metropolitan District, Pure Cycle Corporation, et al. On December 11, 2025, Colorado Interstate Gas Company, L.L.C. (CIG) filed a complaint against the Company, the Rangeview District and Prosper Farms Investments, LLC in the District Court of Arapahoe County, Colorado, alleging that the construction and operation of the Rangeview District's water pipeline on the Prosper Farms property encroaches upon CIG's natural gas pipeline easements and interferes with CIG's ability to comply with federal safety regulations. CIG seeks injunctive relief to prevent construction of the water pipeline within 25 feet of its pipelines, removal of related facilities within that zone, a declaratory judgment establishing a fixed 25-foot easement width, and unspecified damages for alleged trespass and breach of easement. CIG has suspended its request for injunctive relief. In November 2026, the parties reached an agreement on the terms of a settlement of the lawsuit; however, the agreement had not been signed by all parties as of the date of this report. The Company believes it is entitled to construct and operate the pipeline within the easement under the approved parameters and intends to defend the matter. Because the Company does not believe a loss is probable and cannot estimate the amount or range of any reasonably possible loss, no amount has been accrued as of August 31, 2026.

Water Court Application. As previously disclosed, the Company, the Rangeview District and the Land Board filed an application in Colorado Water Court Division 1 on December 31, 2020, seeking to adjudicate 1,635 acre-feet of water from the Box Elder Creek alluvial aquifer as a new water right and related relief. On December 9, 2025, the Water Court approved a settlement with all opposing parties that granted the new water right, subject to certain stipulated conditions, and the matter has concluded.

Item 4 – Mine Safety Disclosures

Not Applicable

PART II

Item 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on The Nasdaq Stock Market LLC (Nasdaq Capital Market) under the symbol "PCYO."

Holders

As of November 13, 2026, there were approximately 545 holders of record of our common stock. This number does not include beneficial owners whose shares are held in street name by banks, brokers and other nominees, which we estimate to be more than 12,000 accounts.

Dividends

We have never paid any dividends on our common stock and expect for the foreseeable future to retain all of our capital and earnings from operations, if any, for use in expanding and developing our water and land development businesses. Any future decision as to the payment of dividends will be at the discretion of our board of directors and will depend upon our earnings, financial position, capital requirements, plans for expansion and such other factors as our board of directors deems relevant. The terms of our Series B Preferred Stock prohibit payment of dividends on common stock unless all dividends accrued on the Series B Preferred Stock have been paid and require dividends to be paid on the Series B Preferred Stock if proceeds from the sale of Export Water exceed $36,026,232. No dividends have been accrued to date as this threshold has not been met. For further discussion, see Note 8 to the accompanying consolidated financial statements.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

On November 2, 2022, our Board of Directors approved a stock repurchase program. The program is open-ended and authorizes repurchases of up to an aggregate of 200,000 shares of common stock in the open market. As of August 31, 2026, 121,526 shares had been repurchased under the repurchase program. We have temporarily suspended repurchases under the program due to the cost and uncertainty created by the pending proxy contest. The following table presents the number and average price of shares purchased in each month of fiscal 2026:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
December 2025	4,600	10.99	4,600	99,974
January 2026	2,500	10.70	2,500	97,474
February 2026	4,000	10.75	4,000	93,474
May 2026	7,500	10.65	7,500	85,974
July 2026	5,000	10.50	5,000	80,974
August 2026	2,500	10.65	2,500	78,474
Total	26,100	$ 10.71	26,100	78,474

Item 6 – [Reserved]

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The discussion and analysis below includes certain forward-looking statements that are subject to risks, uncertainties and other factors, as described in "Risk Factors" and elsewhere in this Annual Report on Form 10-K, that could cause our actual growth, results of operations, performance, financial position and business prospects and opportunities for this fiscal year and the periods that follow to differ materially from those expressed in, or implied by, those forward-looking statements. Readers are cautioned that forward-looking statements contained in this Annual Report on Form 10-K should be read in conjunction with our disclosure under the heading "FORWARD-LOOKING STATEMENTS" on page 1.

The following Management's Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and our financial condition and should be read in conjunction with the accompanying consolidated financial statements and the notes thereto included in *Part II, Item 8* of this Annual Report on Form 10-K.

Executive Summary

Revenue increased in each of our three segments in fiscal 2026. Land development revenue increased as construction progressed on Phases 2C and 2D at Sky Ranch. Water and wastewater revenue increased primarily because of higher sales of water to oil and gas operators drilling in our service area, partially offset by lower tap fee revenue as homebuilders paced building permits to slower home sales. Single-family rental revenue increased as we placed 36 additional rental homes in service, bringing our portfolio to 51 homes. Net income increased despite a $4.7 million decrease in oil and gas royalty income. At Sky Ranch, Phases 1, 2A and 2B are complete, Phase 2C is approximately 98% complete and Phase 2D is approximately 89% complete. Our notable financial highlights from fiscal 2026 include the following:

- Total revenue was $35.7 million, up from $26.1 million in 2025 (a 37% increase), driven by higher lot sales at Sky Ranch and higher water sales to oil and gas operators, partially offset by lower tap fee revenue;
    - Revenue from commercial water sales, which includes selling water to oil and gas operators, was $5.5 million in 2026 compared to $1.6 million in 2025;
    - Revenue from water and wastewater tap sales was $6.4 million in 2026 compared to $7.3 million in 2025 (a 13% decrease);
    - Recorded lot sales revenue for 2026 was $19.8 million compared to $13.7 million in 2025 (a 45% increase), reflecting construction progress in Phases 2C and 2D;
- Pre-tax income was $18.9 million in 2026, up from $17.5 million in 2025 (an 8% increase), despite a $4.7 million decrease in oil and gas royalty income;
- Basic earnings per share increased 9% to $0.59 per share compared to $0.54 per share in 2025;
- Diluted earnings per share increased 9% to $0.59 per share compared to $0.54 per share in 2025;
- Total assets increased to $185.2 million at August 31, 2026 from $162.3 million at August 31, 2025; and
- Total equity increased to $157.1 million at August 31, 2026 from $142.7 million at August 31, 2025.

Recent Developments and Economic Conditions

Economic conditions affecting house markets. Housing market conditions weakened during fiscal 2026. After lowering interest rates in the second half of calendar 2025, the Federal Reserve held rates steady through the first half of calendar 2026 as inflation reaccelerated, driven in part by an energy price shock associated with the military conflict between the United States and Iran and by tariffs on imported goods, including construction materials. On September 16, 2026, the Federal Reserve raised the target range for the federal funds rate by 25 basis points to 3.75% to 4.00%, its first increase since 2023, citing elevated inflation. On October 28, 2026, the Federal Reserve held the target range steady, with two members dissenting in favor of a further increase. Consumer prices rose 3.7% in the twelve months ended September 2026 and rose a further 0.4% in October 2026, more than expected, and following that report interest rate futures markets reflected an expectation that the Federal Reserve will raise the target range again at its December 2026 meeting. Long-term interest rates rose with these developments, and the average 30-year fixed mortgage rate reported by Freddie Mac reached 7.4% in October 2026 and was 7.11% on November 12, 2026, compared to 6.24% a year earlier.

Higher mortgage rates and economic uncertainty have weighed on buyer demand and builder sentiment. The NAHB/Wells Fargo Housing Market Index fell to 29 in October 2026, its lowest level since 2012, well below the breakeven level of 50; 65% of builders reported using sales incentives and 43% reported cutting prices. In the Denver metropolitan area, closed sales in September 2026 were approximately 21% lower than a year earlier, active listings rose to approximately 13,600 and months of inventory rose to approximately 4.8, while the year-to-date median close price for detached homes was approximately $650,000, unchanged from the prior two years, according to the Denver Metro Association of Realtors. Colorado's unemployment rate was 4.1% in September 2026. Homebuilders at Sky Ranch, like builders nationally, have relied on mortgage rate buydowns and other incentives to sustain sales.

We continue to believe that long-term fundamentals for housing in our market are favorable, including a shortage of entry-level housing resulting from more than a decade of underproduction relative to household formation, and that Sky Ranch's entry-level lot pricing positions it to compete better than higher-priced surrounding communities in a weak market. However, Colorado's population growth has slowed, and we expect demand for new homes to remain subdued in fiscal 2027 given higher mortgage rates, persistent inflation, elevated energy costs, tariff-driven increases in construction costs and geopolitical uncertainty. We began construction of Phase 2E, the final subphase of Phase 2 at Sky Ranch, in 2026. Phase 2E was approximately 34% complete at August 31, 2026. Unlike Phases 2A through 2D, we started Phase 2E before executing lot purchase agreements with homebuilders, and as a result we have not recognized any revenue on Phase 2E and have capitalized the costs incurred to date. Costs certified as reimbursable public improvements are included in our note receivable from the Sky Ranch CAB, and the remaining costs, which relate to the individual lots, are included in land and mineral rights held for development. We are in discussions with homebuilders regarding lot purchase agreements for Phase 2E, and we are pacing construction expenditures to builder absorption and will continue to adjust the timing of construction at Sky Ranch as conditions warrant. We will begin recognizing revenue on Phase 2E lots when we execute lot purchase agreements with homebuilders. Phase 2E will complete the residential development permitted under our existing access permit to Interstate 70; further development beyond the 1,400 single-family equivalents permitted by the Colorado Department of Transportation will require further amendment to our access permit or the construction of a new I-70 interchange.

Capital allocation. During fiscal 2026, our Board of Directors formed a Strategy and Capital Allocation Committee, which continues as a standing committee of the Board. As part of a broader review of capital allocation, we reduced the planned size of our single-family rental portfolio and resold, or entered into contracts to resell, 19 lots previously reserved for rental homes to homebuilders, and we repurchased 26,100 shares of our common stock for $0.3 million under our share repurchase program, under which 78,474 shares remained available at August 31, 2026; see Item 5. We have temporarily suspended repurchases under the program due to the cost and uncertainty created by the pending proxy contest. In June 2026, we amended our SFR Facility Agreement to increase the lending capacity available for single-family rental homes from $10 million to $20 million, extend the draw period to May 29, 2028 and remove the debt service coverage covenant applicable to PCY Holdings, LLC and PCYO Home Rentals, LLC. Subsequent to fiscal 2026, our Board determined that we will not invest in new rental homes beyond our existing portfolio and existing construction contracts, and that we will sell our rental homes in an orderly manner; see Note 16 and Item 1A – Risk Factors – "We may not realize the carrying value of our rental homes as we sell them, and we remain exposed to the risks of owning and leasing them until they are sold."

Proxy contest. On August 4, 2026, Maran delivered notice of its intent to nominate five candidates for election to our Board of Directors at our 2027 annual meeting; see Item 1A – Risk Factors. Costs related to the proxy contest incurred in fiscal 2026 were not significant. We expect to incur legal, advisory and proxy solicitation costs in excess of $1 million in fiscal 2027, which will be included in general and administrative expenses and will increase those expenses significantly compared to fiscal 2026.

Results of Operations

The results of our operations for the fiscal years ended August 31, 2026 and 2025 were as follows:

(In thousands, except for water deliveries and taps sold)	Year Ended August 31, 2026	Year Ended August 31, 2025	$ Change	% Change
Water and Wastewater:				
Water and wastewater activities	$ 7,052	$ 2,997	$ 4,055	135 %
Water and wastewater tap fees	6,382	7,337	(955)	(13)%
Total water and wastewater	13,434	10,334	3,100	30 %
Land Development:				
Lot sales	19,830	13,691	6,139	45 %
Project management fees	774	781	(7)	(1)%
Special facility projects and other	799	785	14	2 %
Total land development	21,403	15,257	6,146	40 %
Single-family Rentals	858	496	362	73 %
Total revenue	35,695	26,087	9,608	37 %
Water and Wastewater	6,483	4,781	1,702	36 %
Land Development	6,823	5,100	1,723	34 %
Single-family Rentals	273	176	97	55 %
Total cost of revenue	13,579	10,057	3,522	35 %
General and administrative expense and depreciation	8,720	8,360	360	4 %
Operating income	13,396	7,670	5,726	75 %
Other income, net	5,496	9,800	(4,304)	(44)%
Income tax expense	(4,653)	(4,360)	293	7 %
Net income	$ 14,239	$ 13,110	$ 1,129	9 %
Basic EPS	$ 0.59	$ 0.54	$ 0.05	9 %
Diluted EPS	$ 0.59	$ 0.54	$ 0.05	9 %
Water delivered (acre-feet)	1,688	639	1,049	164 %
Water taps sold	181	182	(1)	(1)%
Wastewater taps sold	135	179	(44)	(25)%

Fiscal 2026 vs. Fiscal 2025

Revenue – Total revenue increased in 2026 as compared to 2025 in each of our segments. Lot sales increased as construction progressed on Phases 2C and 2D; when we transfer title to lots to homebuilders under contracts where we remain obligated to deliver finished lots, the sales of such lots are recognized using the percentage-of-completion method. Water and wastewater activities revenue increased primarily due to higher sales of water to oil and gas operators, partially offset by lower water and wastewater tap fee revenue, the timing of which depends on when builders obtain building permits. Single-family rental revenue increased as additional rental homes were placed in service. Project management revenue at Sky Ranch was $0.8 million in each of 2026 and 2025. As Sky Ranch continues to grow, we expect lot sales to generate significant revenue in the future, and water and wastewater usage and tap fees to increase as we continue to add customers.

Cost of revenue – Total cost of revenue increased in 2026 as compared to 2025, primarily due to higher water service costs associated with increased deliveries to oil and gas operators and higher land development costs as construction progressed on Phases 2C and 2D.

General and administrative expense – General and administrative expense increased 1% ($0.1 million) in 2026 as compared to 2025. Increases of $0.7 million in salary and salary-related expenses, $0.2 million in public entity-related expenses and $0.1 million in share-based compensation were largely offset by a $0.8 million decrease in professional fees, which reflects the reversal of the $0.5 million legal accrual recorded in fiscal 2025 upon the Water Court's approval in December 2025 of the settlement of the 2020 Water Court application and lower legal fees. We expect general and administrative expenses to increase significantly in fiscal 2027 due to costs related to the proxy contest; see "Recent Developments – Proxy contest."

Other income, net – Other income, net decreased in 2026 as compared to 2025, primarily due to a $4.7 million decrease in oil and gas royalty income as production from the wells at Sky Ranch declined from initial production levels, partially offset by a $0.5 million increase in interest income, primarily on the note receivable from the Sky Ranch CAB, which is described in greater detail in Notes 5 and 14 to the accompanying consolidated financial statements. Interest expense increased to $0.6 million from $0.4 million, primarily due to borrowings under our SFR Facility Agreement.

Income tax expense – Income tax expense increased in 2026 as compared to 2025 due to higher pre-tax income. Our effective tax rate was 24.6% in 2026 compared to 25.0% in 2025.

Water delivered – Water deliveries increased to 1,688 acre-feet in 2026 from 639 acre-feet in 2025, primarily due to increased sales to oil and gas operators, which purchased 1,118 acre-feet in 2026 compared to 194 acre-feet in 2025. Oil and gas operations are highly variable and dependent on oil prices, demand for gas, and timing of other leases in our service areas. As Sky Ranch continues to develop, we anticipate continued growth in our residential water and wastewater service revenue.

Water and wastewater tap sales – We sold 181 water taps and 135 wastewater taps in fiscal 2026 compared to 182 water taps and 179 wastewater taps in fiscal 2025. Tap fee revenue decreased 13% in 2026 compared to 2025 because fiscal 2026 tap sales included water-only irrigation taps for parks, open space and the grounds for the new charter high school, which do not require wastewater taps, resulting in fewer wastewater taps sold. Additionally, our tap fees are based on lot and home size, and lots in later phases at Sky Ranch are smaller because those phases are planned at higher density. Tap sales are driven by the issuance of building permits, and the timing of these sales is not contractually established with the homebuilders. During fiscal 2026, we sold two water taps at Wild Pointe, seven taps in Phase 2B, 102 taps in Phase 2C, 22 taps in Phase 2D and 48 tap equivalents for the school and parks at Sky Ranch. An additional 44 taps were allocated to our single-family rental homes, which are eliminated in consolidation. We expect to realize additional tap sales in fiscal 2027 relating to the remaining Phase 2C and 2D lots.

Lots delivered – In 2026, we recognized $0.4 million of lot sales revenue for Phase 2B, $3.8 million for Phase 2C, and $15.6 million for Phase 2D under our lot delivery agreements with homebuilders. We expect to be substantially complete with Phase 2D in fiscal 2027 and to deliver Phase 2E lots in 2027. Despite lots being transferred to the homebuilders, we still have minor construction activities to complete Phases 2C and 2D and to turn over the completed infrastructure to the applicable governmental agency for maintenance.

Water and Wastewater Services Results of Operations

	Year Ended			
(In thousands, except for water deliveries)	**August 31, 2026**	**August 31, 2025**	**$ Change**	**% Change**
Metered water usage from:				
Municipal water usage	$ 931	$ 808	$ 123	15 %
Commercial water usage	5,514	1,638	3,876	237 %
Wastewater treatment fees	531	391	140	36 %
Water and wastewater tap fees	6,382	7,337	(955)	(13)%
Other revenue	76	160	(84)	(53)%
Total segment revenue	13,434	10,334	3,100	30 %
Water service cost	3,890	2,113	1,777	84 %
Wastewater service cost	897	878	19	2 %
Depreciation	1,682	1,707	(25)	(1)%
Other	14	83	(69)	(83)%
Total expenses	6,483	4,781	1,702	36 %
Segment operating income	$ 6,951	$ 5,553	$ 1,398	25 %
Water deliveries (acre-feet)				
On Site	19	2	17	850 %
Commercial sales - export water and other	42	4	38	950 %
Sky Ranch	412	347	65	19 %
Wild Pointe	97	92	5	5 %
O&G operations	1,118	194	924	476 %
Total water deliveries	1,688	639	1,049	164 %

Municipal water usage – Municipal water usage increased 15% in 2026 compared to 2025, primarily due to new Sky Ranch customers. We anticipate that these revenues will continue to increase as more customers are added to our system as Sky Ranch continues to develop.

Commercial water usage – The main component of commercial water usage is sales to oil and gas operators for use in their drilling process. Commercial water sales increased to $5.5 million in 2026 from $1.6 million in 2025, primarily due to increased drilling activity by our oil and gas customers in our service area. Because oil and gas activity is cyclical as demand and oil prices fluctuate, it is not possible to predict whether the volume of water supplied to oil and gas operators will increase or decrease in the future.

Wastewater treatment fees – Wastewater treatment fees increased 36% in 2026 compared to 2025, primarily due to new Sky Ranch customers. We anticipate that these revenues will continue to increase as more customers are added to our system as Sky Ranch continues to develop.

Water and wastewater tap fees – Water and wastewater tap fee revenue decreased 13% in 2026 compared to 2025, primarily due to fewer wastewater taps sold. Water and wastewater taps are sold to homebuilders at the time a building permit is issued. The timing of tap sales depends on when the homebuilder constructs homes, and sales are not contractually driven; therefore, the timing of tap sales fluctuates with demand for new construction. During 2026, the combined water and wastewater tap fee for a typical Sky Ranch home was approximately $42,000, compared to approximately $40,000 in 2025. Because fiscal 2026 tap sales also included water-only irrigation taps for parks, open space and the grounds for the new charter high school, average tap fee revenue per tap sold was lower than the per-home fee.

Other revenue – Other revenue decreased in 2026 as compared to 2025, primarily due to lower revenue from inspections of infrastructure at Sky Ranch.

Water service cost – Water service costs increased 84% in 2026 as compared to 2025, primarily due to the increase in water deliveries to oil and gas operators.

Wastewater service cost – Wastewater service costs increased 2% in 2026 as compared to 2025, primarily due to serving a growing customer base.

Other costs of revenue – Other costs of revenue decreased in 2026 as compared to 2025, primarily due to lower costs associated with infrastructure inspections at Sky Ranch.

Water delivered – Water deliveries increased in 2026 as compared to 2025, primarily due to increased oil and gas operations and additional demand from new Sky Ranch customers.

Land Development Results of Operations

	Year Ended			
(In thousands)	**August 31, 2026**	**August 31, 2025**	**$ Change**	**% Change**
Lot sales	$ 19,830	$ 13,691	$ 6,139	45 %
Project management fees	774	781	(7)	(1)
Special facility projects and other	799	785	14	2
Total revenue	21,403	15,257	6,146	40 %
Land development construction and project management cost	6,823	5,100	1,723	34 %
Segment operating income	$ 14,580	$ 10,157	$ 4,423	44 %

Lot sales – Lot sales increased 45% in 2026 as compared to 2025, primarily due to construction progress in Phases 2C and 2D at our Sky Ranch Master Planned Community. Phase 2A and 2B are complete, Phase 2C is approximately 98% complete, and Phase 2D is approximately 89% complete.

Project management revenue – Project management revenue was consistent in 2026 compared to 2025. We earn a 5% project management fee on construction costs for managing the completion of public improvements at Sky Ranch.

Special facility projects and other – Special facility projects and other revenue was consistent in 2026 compared to 2025.

Land development construction and project management cost – Land development construction costs increased 34% in 2026 as compared to 2025, primarily due to development activities in Phases 2C and 2D. As Phase 2D winds down, more of our costs are anticipated to be public improvement costs.

Lots delivered – The number of lots delivered increased in 2026 compared to 2025 as we delivered lots in Phase 2C and 2D. Despite the lots being transferred to the homebuilders, we still have minor construction activities to complete Phases 2C and 2D to turn over the completed infrastructure to the applicable governmental agency that will maintain the infrastructure. Because we record lot sales as construction progresses, the timing of revenue and lot deliveries are not necessarily correlated.

Single-Family Rental Results of Operations

	Year Ended			
(In thousands)	**August 31, 2026**	**August 31, 2025**	**$ Change**	**% Change**
Single-family rentals revenue	$ 858	$ 496	$ 362	73 %
Single-family rentals cost	273	176	97	55 %
Segment operating income	$ 585	$ 320	$ 265	83 %

Single-family rentals revenue – Single-family rentals revenue increased 73% in 2026 compared to 2025 as we placed 36 additional rental homes in service during the year. At August 31, 2026, we owned 51 rental homes, 50 of which were leased and one of which was listed for sale. Each home is rented under a one-year non-cancelable lease agreement, which typically includes annual rental rate increases. We will not add rental homes beyond those under existing construction contracts, and we are working with our homebuilder to reduce the number. Subsequent to fiscal 2026, our Board of Directors determined that we will sell our rental homes in an orderly manner; see "Recent Developments and Economic Conditions – Capital Allocation" above and Note 16 to our accompanying consolidated financial statements.

Single-family rentals cost – The costs reflected as cost of sales for the rental units include a pro-rata share of the annual property taxes and insurance related specifically to the rental units as well as immaterial fees related to the operations and maintenance assessments from the Sky Ranch CAB that are assessed to every home in Sky Ranch. Our tenants are responsible for all other utilities including water and wastewater services that are paid to us through the Rangeview District.

General and Administrative Expenses

The table below details significant items and changes included in our General and Administrative Expenses (G&A Expenses) as well as the impact that share-based compensation has on our G&A Expenses for the fiscal years ended August 31, 2026 and 2025.

Summary of G&A Expenses

	Year Ended			
(in thousands)	**August 31, 2026**	**August 31, 2025**	**$ Change**	**% Change**
Significant G&A Expense items:				
Salary and salary-related expenses	$ 4,590	$ 3,923	$ 667	17 %
Share-based compensation	405	323	82	25 %
Professional fees	542	1,388	(846)	(61)%
Public entity-related expenses, including director fees	614	406	208	51 %
Corporate insurance	401	371	30	8 %
All other combined	1,334	1,359	(25)	(2)%
G&A Expenses as reported	$ 7,886	$ 7,770	$ 116	1 %

Salary and Salary-Related Expenses – Salary and salary-related expenses increased 17% in fiscal 2026 compared to fiscal 2025, primarily due to annual salary increases, higher bonuses and the related benefits and payroll taxes. Share-based compensation increased 25% ($0.1 million), primarily due to stock granted to non-employee directors and an employee and options to purchase 30,000 shares granted in fiscal 2026.

Professional fees – Professional fees consist mainly of IT, telecom, legal, consulting and accounting fees. Professional fees decreased 61% ($0.8 million) in fiscal 2026, primarily due to the reversal of the $0.5 million legal accrual recorded in fiscal 2025 upon the Water Court's approval in December 2025 of the settlement of the 2020 Water Court application and lower legal fees.

Public entity-related expenses, including director fees – Costs associated with being a publicly traded corporation consist primarily of director compensation, stock exchange and SEC filing fees, XBRL and EDGAR conversion fees, press releases and investor relations. These costs increased 51% ($0.2 million) in fiscal 2026 compared to fiscal 2025, primarily due to higher director compensation. The two directors designated by Maran under the cooperation agreement, who resigned in May and July 2026, had received their full annual retainers, and the two independent directors appointed in August 2026 received prorated retainers for the remainder of the year.

Corporate insurance – Corporate insurance costs increased 8% in fiscal 2026 as our operations continued to expand, including coverage for the rental homes placed in service during the year.

All other – All other expenses include typical operating expenses related to the maintenance of our office and equipment, business development, travel, and property taxes. These expenses were consistent with fiscal 2025.

Liquidity, Capital Resources and Financial Position

We believe we are well-positioned to navigate a weakening housing market given our financial position. At August 31, 2026, our working capital, defined as current assets less current liabilities, was $11.1 million, which included $15.4 million in cash and cash equivalents. We believe that as of August 31, 2026, and as of the date of the filing of this Annual Report on Form 10-K, we have sufficient working capital to fund our operations for the next 12 months. Our working capital does not include the note receivable from the Sky Ranch CAB, which totaled $61.8 million at August 31, 2026 ($43.8 million at August 31, 2025), including accrued interest and project management fees. The note accrues interest at 6% and is repaid only from available Sky Ranch CAB cash flow or bond proceeds. Of the $3.8 million of interest income we recognized in fiscal 2026, $3.2 million was accrued on the note and not received in cash, which is the principal reason net income of $14.2 million converted to $3.3 million of cash provided by operating activities. We received $0.7 million from the Sky Ranch CAB in fiscal 2026 compared to $15.2 million in fiscal 2025, which included proceeds from the refinancing of its bonds. The timing and amount of any repayments, including in fiscal 2027, depend on decisions of the Sky Ranch CAB board, and we do not rely on the note to fund our operations.

Phases 1, 2A and 2B at Sky Ranch are complete. Phase 2C is approximately 98% complete and Phase 2D is approximately 89% complete. Phase 2E is approximately 34% complete, primarily grading; however, we have not begun recognizing revenue on Phase 2E because we have not yet executed a lot purchase agreement with a homebuilder for that phase. We estimate total costs to complete the infrastructure (including public improvements) for the remaining lots in Phases 2C, 2D and 2E of $12.5 million, of which we expect to spend $9.5 million in the next twelve months ($8.4 million of which we estimate will be reimbursable by the Sky Ranch CAB). We anticipate receiving approximately $10 million in milestone and finished lot payments and approximately $7.5 million of water and wastewater tap fees from homebuilders over the same period. At August 31, 2026, we had contracts to construct 21 additional single-family rental homes at a remaining cost of approximately $5.6 million, which we are working with the homebuilder to reduce; we expect to fund any homes completed under those contracts primarily with borrowings under our SFR Facility Agreement and cash on hand. As described in Note 16 to the accompanying consolidated financial statements, we will sell our rental homes in an orderly manner and use the proceeds to repay the borrowings secured by those homes, and we expect to use the remaining net proceeds to fund land development at Sky Ranch, investments in our water and wastewater infrastructure, and reinforce our share repurchases.

Our other material cash requirements over the next twelve months consist of $2.2 million of scheduled debt principal, including the $0.9 million balloon payment on SFR Note 1 due December 1, 2026, which we expect to repay from cash on hand or refinance under the SFR Facility Agreement. In addition, we have $6.1 million of standby letters of credit securing our construction obligations at Sky Ranch, which expire between October 2026 and August 2027. We expect to renew these letters of credit under our Working Capital LOC as they expire, and do not expect any of them to be drawn.

We believe we can fund these capital expenditures and obligations from cash and cash equivalents on hand, phased payments from our lot sales agreements, tap fees, cash provided by operating activities, and availability under our SFR Facility Agreement ($8.7 million) and Working Capital LOC ($5.3 million, after $4.7 million of letters of credit issued under it).

Debt – At August 31, 2026, our outstanding debt totaled $17.7 million, consisting of $3.8 million of SFR Notes, $11.3 million of borrowings under our SFR Facility Agreement, and $2.6 million under the Lost Creek Note, compared to $6.8 million at August 31, 2025. The increase reflects our decision to fund our rental home segment on a standalone basis with borrowings under the SFR Facility

Agreement rather than cash on hand, and we expect to fund any homes completed under existing construction contracts primarily with borrowings under the SFR Facility Agreement, which will be repaid as homes are sold. The SFR Notes are secured by the rental homes they financed, borrowings under the SFR Facility Agreement are secured by the rental homes it financed and substantially all of our other personal property, and the Lost Creek Note is secured by the Lost Creek water rights. Stated interest rates range from 4.90% to 7.51%; $0.7 million of advances under the SFR Facility Agreement bear interest at a variable rate based on the Wall Street Journal prime rate until converted to term loans. Scheduled principal payments after fiscal 2027 total $15.5 million, including $3.3 million in fiscal 2028 (which includes the $2.9 million balloon payment on SFR Note 2 due August 2028) and balloon payments on the SFR Facility term loans due between October 2030 and August 2031; the Working Capital LOC matures in February 2029. We expect to repay or refinance these amounts from cash provided by operating activities and borrowings. Our SFR Facility Agreement requires us to maintain minimum tangible net worth of $75 million and minimum liquidity of $5 million and a debt service coverage ratio of 1.30 to 1.00, and we were in compliance with all covenants at August 31, 2026. At August 31, 2026, $8.7 million was available to finance rental homes under the SFR Facility Agreement and $5.3 million was available under the Working Capital LOC, net of letters of credit issued under it. See Note 7.

Summary of Cash Flows

	Year Ended			
(In thousands)	**August 31, 2026**	**August 31, 2025**	**$ Change**	**% Change**
Cash (used) provided by:				
Operating activities	$ 3,339	$ 13,164	$ (9,825)	(75)%
Investing activities	(25,488)	(9,652)	(15,836)	(164)%
Financing activities	10,589	(491)	11,080	2,257 %
Net change in cash, cash equivalents and restricted cash	$ (11,560)	$ 3,021	$ (14,581)	(483)%

Changes in Operating Activities – Operating activities include amounts we receive from the sale of wholesale water and wastewater services, including tap fees, and the costs incurred in delivering those services; the sale of lots and the costs incurred in completing and delivering finished lots; rental income from single-family homes and the costs of operating them; advances to and payments from the Sky Ranch CAB for reimbursable public improvements; oil and gas royalty income; and general and administrative expenses. Cash provided by operating activities was $3.3 million in fiscal 2026 compared to $13.2 million in fiscal 2025. The $9.8 million decrease was primarily due to a $14.5 million decrease in payments received from the Sky Ranch CAB and a $1.9 million increase in trade accounts receivable related to higher sales of water to oil and gas operators, partially offset by an $8.8 million decrease in additions to our note receivable from the Sky Ranch CAB ($10.6 million in fiscal 2026 compared to $19.4 million in fiscal 2025, including noncash interest and project management fees of $4.0 million and $3.1 million, respectively) and higher net income. The Sky Ranch CAB made payments to us totaling $0.7 million in fiscal 2026 from excess funds from fees and property taxes collected by the Sky Ranch CAB, compared to $15.2 million in fiscal 2025, which included proceeds from the Sky Ranch CAB's refinancing of its bonds issued in 2019.

Changes in Investing Activities – Investing activities in fiscal 2026 consisted primarily of the construction of single-family rental homes of $13.8 million, investment in our water and wastewater systems of $6.9 million (including $0.9 million related to the settlement of our and the Rangeview District's 2020 Water Court application) and investments in future development phases of Sky Ranch of $4.2 million. Investing activities in fiscal 2025 consisted primarily of investments in our water system of $8.6 million and investments in future development phases of Sky Ranch of $0.9 million. We capitalize costs associated with obtaining, defending, enhancing, and developing our water rights. We capitalize costs incurred to construct infrastructure required to deliver water and wastewater services to our customers, and we capitalize costs to develop our land assets that are not sold to homebuilders.

Changes in Financing Activities – Financing activities in fiscal 2026 consisted primarily of borrowings of $11.4 million under our SFR Facility Agreement, partially offset by payments on existing debt and $0.3 million used to repurchase our common stock. Financing activities in fiscal 2025 consisted of payments on existing debt facilities and cash used to repurchase our common stock.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Our discussion and analysis of our financial condition and results of operations are based on these consolidated financial statements. The preparation of our consolidated financial statements requires the application of these accounting principles in addition to certain estimates and judgments based on current available information, engineering estimates, historical results, and other

assumptions believed to be reasonable. These estimates, assumptions and judgments are affected by our application of accounting policies, which are discussed in Note 2 in the accompanying consolidated financial statements. Estimates are used for, but not limited to, determining the recoverability of notes receivable, measure of progress related to our land development activities, and accrued liabilities. Actual results could differ from these estimates.

Accounting estimates are considered critical if both of the following conditions are met: (1) the nature of the estimates or assumptions is material because of the levels of subjectivity and judgment needed to account for matters that are highly uncertain and susceptible to change and (2) the effect of the estimates and assumptions is material to the financial statements. The following provides a summary of the two critical estimates we identified.

Collectability of the Notes Receivable from the Sky Ranch CAB – At August 31, 2026, our note receivable from the Sky Ranch CAB, including accrued interest and project management fees, totaled $61.8 million, or 33% of our total assets. The Sky Ranch CAB's obligation to repay us is not a general obligation; it is payable only from property taxes, fees and bond proceeds generated within Sky Ranch, and any amounts not repaid by December 31, 2058 (Phase 1) or December 31, 2060 (Phase 2) are discharged. We recognize reimbursable public improvement costs, project management fees and accrued interest as a note receivable only when we conclude that collection is probable. We base that conclusion on the established and growing tax base at Sky Ranch, the mill levies the Sky Ranch Districts have imposed, and the fees the Sky Ranch CAB receives that are not pledged to its bonds.

Annually, we evaluate collectability using a discounted cash flow analysis, prepared with the assistance of a third-party valuation specialist, that projects the Sky Ranch CAB's revenues available for repayment through the contractual termination dates, less the remaining public improvement costs we expect to fund to complete Phase 2 (projected net cash flows), and compares the present value of those projected net cash flows to the carrying value of the note. The analysis includes the assessed value of the homes in Phase 2 and does not include development beyond Phase 2. Each quarter, we consider whether changes in significant assumptions affect that evaluation. The principal assumptions are the number and timing of homes closed at Sky Ranch, the assessed value of those homes and its growth rate, the applicable mill levies and the Colorado statutory limits on assessment rates and property tax revenue growth, oil and gas production within the Sky Ranch Districts, and the discount rate. At August 31, 2026, the present value of projected net cash flows exceeded the carrying value of the note. We also evaluated the effect of reasonably possible changes in our assumptions, including a 100 basis point increase in the discount rate and a one-year delay in the projected build-out of Sky Ranch; neither change, individually, would have reduced the present value of projected net cash flows below the carrying value of the note. The present value of projected net cash flows also exceeded the carrying value when we combined a 200 basis point increase in the discount rate with home values 17% lower than projected and a two-year delay in build-out. If development at Sky Ranch is delayed or curtailed, if assessed values grow more slowly than projected, or if legislation further restricts the property tax revenue available to the Sky Ranch Districts, we may be required to record an allowance, which could be material.

Revenue recognition on lot sales under the percentage-of-completion method – We recognize lot revenue over time as construction progresses for most of our lot development contracts; for lots sold as finished lots, we recognize revenue for the progress completed to date at the point in time the builder takes control of the lots and recognize the remaining revenue over time as we complete our remaining obligations. This involves an estimation of the total project costs which are incurred over several months or even years. This requires management to estimate labor and material costs which could change materially over the life of that construction project and have a material impact on the timing of revenue recognition. Under the percentage of completion method, revenue and related costs from lots sold pursuant to lot development contracts requiring milestone payments as construction occurs are recognized over the course of the construction period based on the completion progress of that project phase (e.g. Phase 2C). In relation to each phase or subphase, revenue is determined by calculating the ratio of incurred construction costs, including construction costs related to public improvements subject to reimbursement, to total estimated costs and applying that ratio to the contracted sales amounts. Current period amounts are calculated based on the difference between the life-to-date project totals and the previously recognized amounts. Cost of sales is the cost incurred related to construction of lots. Any changes in significant judgments and/or estimates used in determining construction and development revenue could significantly change the timing or amount of construction and development revenue recognized. Changes in estimated costs or losses, if any, are recognized in the period in which they are determined.

Off-Balance Sheet Arrangements

At August 31, 2026, we had 16 standby letters of credit totaling $6.1 million that secure our performance of construction obligations at Sky Ranch and our payment obligations under construction contracts for certain single-family rental homes, of which $1.4 million is secured by restricted cash and $4.7 million is issued under the Working Capital LOC. The letters of credit expire at various dates from October 2026 through August 2027.

We are obligated to fund the Rangeview District's operating costs that are not covered by its revenues. Beginning October 1, 2026, the Rangeview District leases our corporate office and operations warehouse from a third party and subleases the space to us for the rent payable under its lease. If our sublease ended before the Rangeview District's lease, the Rangeview District's remaining rent would be an operating cost we would fund under the Operation Funding Agreement (see Note 16 to the accompanying consolidated financial statements). We have no other off-balance sheet arrangements.

Recently Adopted and Issued Accounting Pronouncements

See Note 2 to the accompanying consolidated financial statements for recently adopted and issued accounting pronouncements.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8 – Financial Statements and Supplementary Data

Index to Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
Pure Cycle Corporation
Watkins, Colorado

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Pure Cycle Corporation (the "Company") as of August 31, 2026 and 2025, the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the two-year period ended August 31, 2026, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of August 31, 2026 and 2025, and the results of their operations and their cash flows for each of the years in the two-year period ended August 31, 2026, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition of Lot Sales – Over time Recognition

As described in Note 2 to the consolidated financial statements, the Company accounts for lot sales revenue either over time or at a point-in-time, depending on the contract with customers. We evaluated the Company's conclusions regarding the timing of revenue recognition, including whether the criteria for recognizing lot sale revenue over time, rather than at a point-in-time, were met. Auditing lot sales revenue recognized over time requires significant audit judgment as revenue is recognized as construction progresses, with progress measured based upon costs incurred to date compared to total expected costs for each particular construction phase. Any revenue in excess of amounts entitled to be billed is reflected on the balance sheet as a contract asset, and amounts received in excess of revenue recognized are recorded as deferred revenue. For the year ended August 31, 2026, the Company recognized approximately $11 million of lot sale revenue, over time, using the percentage of completion method.

Auditing lot sales revenue recognized under the percentage of complete method required a high degree of auditor judgment due to the use of significant assumptions developed by the management team, most notably the estimated budgeted cost for any particular phase to be developed and the estimated remaining cost to complete the phase being developed.

Our audit procedures related to the revenue recognition of lot sales using the percentage of completion method included the following procedures:

- Obtained an understanding and evaluated the design effectiveness of the Company's processes over the development of estimated budgeted and remaining cost to complete the phase being developed.
- Evaluated the reasonableness of management's estimated budgeted and remaining cost to complete the phase being developed by performing the following:
    - Inspected contracts with customers
    - Tested a sample of actual costs incurred by phase
    - Physically observed the development sites
    - Interviewed the management team to gain an understanding of the budgeting process and project status
    - Performed a lookback analysis by comparing actual costs incurred to budgeted costs on historical, completed phases for similar projects
    - Agreed the number of lots to be sold by builder to respective contracts

Collectability of Related-party Note Receivable – Reimbursable Public Improvements

As described in Note 2 and Note 5 to the consolidated financial statements, the Sky Ranch Community Authority Board (the Sky Ranch CAB) is responsible for building certain public improvements at Sky Ranch, for which the Company provided the funding to the Sky Ranch CAB and which is reimbursable to the Company. The Company has determined the reimbursement of public improvement costs, for which the Company has an enforceable right to payment, are probable of collection. The note receivable from the Sky Ranch CAB reports the balances owed by the Sky Ranch CAB to the Company for public improvements paid for by the Company, project management fees, and interest accrued on the unpaid balances related to the ongoing development of the Sky Ranch master planned community. As of August 31, 2026, the Company's related-party note receivable – reimbursable public improvements was approximately $62 million.

Management's estimate of collectability and whether the Sky Ranch CAB will have sufficient sources of liquidity to support the payment of the note receivable balance involves a long-term projection of the development of the Sky Ranch master planned community, and the future revenues that will be available for repayment of the note. Auditing this estimate requires complex auditor judgment because of the subjective and long-term nature of the estimation, and the specialized knowledge needed to address the matter.

Our audit procedures related to the collectability of the related party note receivable included the following procedures:

- Obtained an understanding and evaluated the design effectiveness of the Company's processes over the valuation analysis of the notes receivable.

- Obtained and reviewed a legal analysis of the enforceability of the Company's right to payment from the Sky Ranch CAB for the reimbursable costs.

- Obtained and reviewed the valuation analysis of note receivable report of management's outside vendor and challenged management's review of the appropriateness of the valuation; including but not limited to, testing all critical inputs, reasonableness of assumptions applied, and valuation models utilized by the outside vendor.

- Utilized internal valuation specialists to assist with testing the reasonableness of the valuation analysis of notes receivable.

We have served as the Company's auditor since 2022.

/s/ Forvis Mazars, LLP
Denver, Colorado
November 18, 2026

PURE CYCLE CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)	August 31, 2026	August 31, 2025
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 15,437	$ 21,931
Accounts receivable, net	3,453	1,330
Prepaid expenses and other assets	562	1,004
Land under development	1,737	7,388
Total current assets	21,189	31,653
Restricted cash	1,382	6,448
Investment in water and wastewater systems, net	72,823	67,523
Land and mineral rights held for development	5,962	4,168
Single-family rental units	18,320	5,240
Related party notes receivable, including accrued interest	62,966	45,002
Other assets	2,593	2,245
Total assets	$ 185,235	$ 162,279
LIABILITIES & SHAREHOLDERS' EQUITY:		
Current Liabilities:		
Accounts payable	$ 2,093	$ 3,518
Accrued and other liabilities	3,344	4,335
Deferred revenue	2,512	3,355
Debt, current portion	2,164	411
Total current liabilities	10,113	11,619
Debt, less current portion	15,455	6,380
Deferred tax liability, net	2,524	1,541
Lease obligations	—	1
Total liabilities	28,092	19,541
Series B preferred shares: par value $0.001 per share, 25 million authorized; 432,513 issued and outstanding (liquidation preference of $0.4 million)	—	—
Common shares: par value 1/3 of $.01 per share, 40.0 million authorized; 24,092,286 and 24,066,805 outstanding, respectively	80	80
Additional paid-in capital	175,893	175,448
Accumulated deficit	(18,830)	(32,790)
Total shareholders' equity	157,143	142,738
	$ 185,235	$ 162,279

See accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share information)	Year Ended August 31, 2026	Year Ended August 31, 2025
REVENUES:		
Water and Wastewater:		
Water and wastewater activities	$ 7,052	$ 2,997
Water and wastewater tap fees	6,382	7,337
Total water and wastewater	13,434	10,334
Land Development:		
Lot sales	19,830	13,691
Project management fees	774	781
Special facility projects and other	799	785
Total land development	21,403	15,257
Single-family Rentals	858	496
Total revenues	35,695	26,087
COST OF REVENUES:		
Water and Wastewater	6,483	4,781
Land Development	6,823	5,100
Single-family Rentals	273	176
Total cost of revenues	13,579	10,057
General and administrative expenses	7,886	7,770
Depreciation	834	590
Operating income	13,396	7,670
Other income (expense):		
Interest income	3,818	3,272
Interest expense	(630)	(426)
Oil and gas royalty income, net	2,003	6,654
Other, net	305	300
Income before income taxes	18,892	17,470
Income tax expense	(4,653)	(4,360)
Net income	$ 14,239	$ 13,110
Earnings per common share - basic and diluted		
Basic	$ 0.59	$ 0.54
Diluted	$ 0.59	$ 0.54
Weighted average common shares outstanding:		
Basic	24,095,734	24,076,317
Diluted	24,157,143	24,167,529

See accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Year Ended August 31, 2026						
	Preferred Stock		Common Stock		Additional	Accumulated	
(in thousands, except shares)	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Total
Balance at August 31, 2025	432,513	$ —	24,066,805	$ 80	$ 175,448	$ (32,790)	$ 142,738
Restricted stock grants, net	—	—	3,800	—	11	—	11
Stock options exercised	—	—	19,210	—	40	—	40
Stock granted for services	—	—	28,571	—	325	—	325
Share-based compensation	—	—	—	—	69	—	69
Repurchases of common stock	—	—	(26,100)	—	—	(279)	(279)
Net income	—	—	—	—	—	14,239	14,239
Balance at August 31, 2026	432,513	$ —	24,092,286	$ 80	$ 175,893	$ (18,830)	$ 157,143

	Year Ended August 31, 2025						
	Preferred Stock		Common Stock		Additional	Accumulated	
(in thousands, except shares)	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Total
Balance at August 31, 2024	432,513	$ —	24,063,894	$ 80	$ 175,125	$ (45,503)	$ 129,702
Restricted stock grants	—	—	9,200	—	21	—	21
Stock options exercised	—	—	13,815	—	—	—	—
Stock granted for services	—	—	15,396	—	180	—	180
Share-based compensation	—	—	—	—	122	—	122
Repurchases of common stock	—	—	(35,500)	—	—	(397)	(397)
Net income	—	—	—	—	—	13,110	13,110
Balance at August 31, 2025	432,513	$ —	24,066,805	$ 80	$ 175,448	$ (32,790)	$ 142,738

See accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended August 31, 2026	Year Ended August 31, 2025
Cash flows from operating activities:		
Net income	$ 14,239	$ 13,110
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and depletion	2,516	2,297
Share-based compensation expense	405	323
Deferred income taxes	983	146
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,932)	142
Net activity on note receivable - related party, other	19	54
Increase in note receivable - related party, reimbursable public improvements	(10,595)	(19,420)
Collections on note receivable - related party, reimbursable public improvements	700	15,172
Prepaid expenses	442	(474)
Other assets and liabilities	1	(170)
Accounts payable and accrued liabilities	(1,095)	934
Income taxes payable / receivable	(1,501)	(132)
Deferred revenue	(843)	1,182
Net cash provided by operating activities	3,339	13,164
Cash flows from investing activities:		
Net purchase of property and equipment	(632)	(861)
Future land development activity	(4,233)	(852)
Single-family rentals activity	(13,763)	494
Water and wastewater infrastructure activity	(6,860)	(8,612)
Sale of land held for sale	-	179
Net cash used in investing activities	(25,488)	(9,652)
Cash flows from financing activities:		
Proceeds from notes payable	11,429	—
Proceeds from option exercises	40	—
Payments on notes payable	(601)	(94)
Repurchases of common stock	(279)	(397)
Net cash provided by (used in) financing activities	10,589	(491)
Net change in cash, cash equivalents and restricted cash	(11,560)	3,021
Cash, cash equivalents and restricted cash – beginning of period	28,379	25,358
Cash, cash equivalents and restricted cash – end of period	$ 16,819	$ 28,379
Cash and cash equivalents	$ 15,437	$ 21,931
Restricted cash	1,382	6,448
Total cash, cash equivalents and restricted cash	$ 16,819	$ 28,379
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for income taxes	$ 5,170	$ 4,351
Cash paid for interest	$ 630	$ 413
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Change in reimbursable public improvements included in accounts payable and accrued liabilities	$ —	$ 209
Change in fixed assets included in accounts payable and accrued liabilities	$ 735	$ 1,141
Interest income and project management fees accrued to note receivable - related party	$ 3,955	$ 3,073
Issuance of stock for compensation	$ 336	$ 201

See accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2026 and 2025

NOTE 1 – ORGANIZATION

Pure Cycle Corporation (the Company or Pure Cycle) was incorporated in Delaware in 1976 and reincorporated in Colorado in 2008. Pure Cycle currently operates in three reportable business segments: (i) water and wastewater resource development, (ii) land development and (iii) its single-family rental business which owns and leases single-family homes in the Sky Ranch neighborhood. See Note 13.

Since its inception, Pure Cycle has accumulated valuable water and land interests and has developed wholesale water production, storage, treatment and distribution systems and wastewater collection and treatment systems which serve domestic, commercial and industrial customers in the Denver metropolitan region. Pure Cycle's land assets are located along the I-70 corridor in the Denver metropolitan region. Through its land development segment, Pure Cycle is developing Sky Ranch, a 930-acre master planned community located four miles south of Denver International Airport. Sky Ranch is planned to include a mix of 3,200 single-family and multifamily residential units and over two million square feet of commercial, retail, and industrial space. At August 31, 2026, the Company owned 51 single-family rental homes at Sky Ranch. Pure Cycle also sells water to industrial customers, including oil and gas operators, and receives royalties from oil and gas production on certain of its mineral interests; the royalties are reported in other income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Pure Cycle Corporation and its two wholly-owned and controlled subsidiaries, PCY Holdings, LLC and PCYO Home Rentals, LLC. Intercompany accounts and transactions have been eliminated in consolidation. The Rangeview District, the Sky Ranch Districts and the Sky Ranch CAB are governmental organizations and are not consolidated. The Company's maximum exposure to loss from these entities is limited to its notes receivable from them, amounts due from them included in accounts receivable, the carrying amount of its investment in water and wastewater systems owned by the Rangeview District (Note 5), and its funding commitments (Notes 5 and 14).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used to account for certain items such as revenue recognition (including the measure of progress on lot sales recognized over time), reimbursable costs and expenses, costs of revenue for lot sales, share-based compensation, deferred tax asset valuation, and the useful lives and recoverability of long-lived assets. Actual results could differ from those estimates. It is at least reasonably possible that the Company's estimates of the collectability of the note receivable from the Sky Ranch Community Authority Board (Sky Ranch CAB) (see Notes 5 and 14) and of the total costs to complete each Sky Ranch development phase will change in the near term, and the effect of any such change could be material.

The Company has determined the reimbursable public improvements, project management fees and interest income related to the Sky Ranch community being developed by Pure Cycle is probable of collectability. As a result of an established and growing tax base resulting from the success of the initial development, increases in housing values in Colorado, added mill levies, and additional unencumbered fees received by the Sky Ranch CAB, Pure Cycle believes repayment of the public improvements, payment of the project management fees, and interest income are deemed probable. Based on this, Pure Cycle recognizes these items in the consolidated financial statements as they occur. The timing and amount of potential payments have been estimated based on growth trends utilizing current assessed values and historic growth rates which have been projected to current and contracted lot sales through the contractual obligation period.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less. The Company had no cash equivalents as of August 31, 2026 or 2025. At various times during the fiscal years ended August 31, 2026 and 2025, the Company's main operating account exceeded federally insured limits. To date, the Company has never suffered a loss due to such excess balance.

Land Under Development

The land under development account primarily includes land and land improvements stated at cost which Pure Cycle is developing and plans to sell. Cost incurred on certain public improvements in the Company's development are included in the Notes Receivable for Sky Ranch CAB explained below. Pure Cycle began developing the Sky Ranch property in 2017. Pure Cycle capitalizes certain legal, engineering, design, permitting, land acquisition, and construction costs related to the development at Sky Ranch that meet the Company's capitalization criteria for improvements to a lot. These costs are capitalized as incurred. The Company uses the specific identification method for purposes of accumulating land development costs and allocates costs to each lot to determine the cost basis for each lot sold. The land under development accounts primarily contain costs directly attributable to lots to be sold, which will not be reimbursed, but will be expensed as land cost of sales as lots are being completed and sold on a lot-by-lot basis, and reimbursable public improvement costs pending certification by the independent engineer, which is generally obtained monthly, after which those costs are reclassified to the note receivable from the Sky Ranch CAB. Additionally, land under development may contain accruals related to retention on development contracts which may be eligible for reimbursement once paid.

Land under development is stated at cost and is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company assesses recoverability by comparing the carrying amount of each phase, together with estimated costs to complete, with the undiscounted cash flows expected from the sale of the related lots, based primarily on contracted lot prices with homebuilders and, for lots and land not under contract, recent sales of finished lots and land in the market area, current market conditions and market analysis studies. If the carrying amount is not recoverable, the land is written down to its estimated fair value. No impairment was recorded in fiscal 2026 or 2025.

Notes Receivable – Sky Ranch CAB

As noted above and described in greater detail in Note 5, the Sky Ranch CAB is responsible for building certain public improvements at Sky Ranch. Through various funding agreements, the Company is obligated to provide funding to the Sky Ranch CAB for public improvements, which is reimbursable to the Company. The Company has determined the reimbursement of public improvement costs, for which the Company has an enforceable right to payment, are probable of collection. Therefore, the Company recognizes the reimbursable public improvements costs incurred to date at Sky Ranch in the Notes receivable – related party, reimbursable public improvements and project management fees account on the accompanying consolidated balance sheet. Annually, the Company evaluates the note for collectability using a discounted cash flow analysis, prepared with the assistance of a third-party valuation specialist, that projects the Sky Ranch CAB's property tax, fee and bond revenues available for repayment through the contractual termination dates of December 31, 2058 (Phase 1) and December 31, 2060 (Phase 2), less the remaining public improvement costs the Company expects to fund to complete Phase 2 (projected net cash flows), discounted at 5%, and compares the present value of projected net cash flows with the carrying amount of the note. The analysis includes the assessed value of the homes in Phase 2 and does not include development beyond Phase 2. Each quarter, the Company considers whether changes in significant assumptions affect that evaluation. Significant assumptions include the number and timing of home closings at Sky Ranch, assessed values and their growth, applicable mill levies and the Colorado statutory limits on assessment rates and property tax revenue growth, oil and gas production within the Sky Ranch Districts, and the remaining cost to complete Phase 2 public improvements. These assumptions are subject to significant uncertainty, and it is reasonably possible that the estimate of projected net cash flows will change materially in the near term. The Company would record an allowance if the present value of projected net cash flows were less than the carrying amount. No allowance was required at August 31, 2026 or 2025. Public improvement costs that are not probable of reimbursement when incurred are capitalized to land under development as a cost of the lots to be sold and recognized in cost of revenues as lot sale revenue is recognized. Notes receivable – related parties are carried at amortized cost, consisting of certified costs, project management fees and accrued interest. Interest is recognized on the accrual basis at the contractual rate, and payments are applied first to accrued interest and then to principal. The Company would place a note on nonaccrual status if collection of interest were no longer probable; no notes were on nonaccrual status at August 31, 2026 or 2025.

Concentration of Credit Risk and Fair Value

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, trade receivables and the note receivable from the Sky Ranch CAB (Note 5). From time to time, the Company places its cash in money market instruments, certificates of deposit and U.S. government treasury obligations. To date, the Company has not experienced significant losses on any of these investments.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value. The Company uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of significant input to determine where within the fair value hierarchy the measurement falls. The estimated fair value of debt is based on Level 2 inputs and the estimated fair value of the note receivable from the Sky Ranch CAB is based on Level 3 inputs (see Note 3).

Cash and cash equivalents **–** The Company's cash and cash equivalents are reported using the values as reported by the financial institution where the funds are held. These securities primarily include balances in the Company's operating and savings accounts. The carrying amount of cash and cash equivalents approximate fair value.

Trade accounts receivable **–** Trade accounts receivable are reported net of an allowance for expected credit losses and the carrying values approximate fair value due to the short-term nature of the receivables.

Restricted cash **–** The Company has entered into 16 separate standby letters of credit agreements with its primary banks to provide assurance the Company will perform on various construction agreements. As of August 31, 2026, the letters of credit totaled $6.1 million, of which $1.4 million are secured by cash held in restricted accounts at the bank and the remainder by available capacity under the Working Capital LOC. The carrying amount of restricted cash approximates its fair value because the cash is held in savings accounts.

Notes receivable – related parties **–** The carrying amount of the note receivable from the Sky Ranch CAB approximates fair value because the note bears interest at a fixed rate that approximates current market rates. The carrying amount of the notes receivable from the Rangeview District approximates fair value because the notes bear interest at variable rates based on the prime rate or at fixed rates that approximate current market rates. See Note 5.

Accounts payable **–** The carrying amounts of accounts payable approximate fair value due to the relatively short period to maturity for these instruments.

Debt **–** The carrying amounts of borrowings that bear interest at variable rates based on the prime rate approximate fair value. The fair value of the Company's fixed-rate debt (the SFR Notes, the term loans under the SFR Facility Agreement and the Lost Creek Note) is estimated by discounting scheduled payments at rates currently available to the Company for debt with similar terms and collateral. At August 31, 2026, the estimated fair value of the Company's debt approximated its carrying amount of $17.7 million, because the Company's fixed-rate debt was issued or repriced at rates that approximate those currently available to the Company for similar instruments.

Trade Accounts Receivable

The Company records accounts receivable net of expected credit losses. The Company has recorded expected credit losses for uncollectible accounts receivable totaling less than $0.1 million for the periods ended August 31, 2026 and 2025. The expected credit losses for uncollectible accounts were determined based on lifetime expected credit losses using an aging schedule for each pool of trade accounts receivable. Pools are determined based on risk characteristics by the type of customer.

Recoverability of Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events could include an adverse change in the Company's contractual rights to provide water and wastewater service to the Rangeview District's customers. Recoverability is assessed by comparing the carrying amount of an asset to the undiscounted future cash flows expected to result from its use and eventual disposition. Estimates of future cash flows

and timing of events for evaluating long-lived assets for impairment are based upon management's assumptions and market conditions. If the carrying amount of an asset is not recoverable, the amount of impairment to be recognized is the excess of the carrying amount of the asset over its fair value. Assets classified as held for sale are reported at the lower of the carrying amount or fair value less costs to sell. During the years ended August 31, 2026 and 2025, the Company recognized no impairment charges and less than $0.1 million, respectively.

Capitalized Costs of Water and Wastewater Systems and Depreciation and Depletion Charges

Costs to construct water and wastewater systems that meet the Company's capitalization criteria are capitalized as incurred, including interest, if applicable, and depreciated on a straight-line basis over their estimated useful lives of up to 30 years. The Company capitalizes design and construction costs related to construction activities, and it capitalizes certain legal, engineering and permitting costs relating to the adjudication and improvement of its water assets.

The Company depletes its water assets that are being utilized based on units produced (i.e., acre-feet sold) divided by the total volume of water adjudicated pursuant to the water decrees.

Revenue Recognition

The Company disaggregates revenue by major product line as reported on the consolidated statements of income.

The Company currently generates revenues through its three business segments. Revenues are derived through its wholesale water and wastewater business, through the sale of developed land primarily for residential lots, and through the leasing of single-family rental homes, each of which is described below.

Water and Wastewater Resource Development Segment Revenue

Pure Cycle generates revenue through its wholesale water and wastewater business predominantly from the items described below. Because these items are separately delivered and distinct, Pure Cycle accounts for each of the items separately.

Monthly water usage and wastewater treatment fees – Pure Cycle provides water and wastewater services to customers, for which the customers are charged monthly usage fees. Water usage fees are assessed to customers based on actual metered usage each month plus a base monthly service fee assessed per single-family equivalent (SFE) unit served. One SFE is a customer, whether residential, commercial or industrial, that imparts a demand on the Company's water or wastewater systems similar to the demand of a family of four persons living in a single-family house on a standard-sized lot. Water usage pricing is based on a tiered pricing structure. Pure Cycle recognizes wholesale water usage revenue at a point in time upon delivering water to its governmental customers' end-use customers. Revenue recognized by Pure Cycle from the sale of "Export Water" and other portions of its "Rangeview Water Supply" off the "Lowry Ranch" are reported net of royalties to the State of Colorado Board of Land Commissioners (Land Board). Pure Cycle is the distributor of the Export Water and sets pricing for the sale of Export Water. Revenue recognized by Pure Cycle from the sale of water on the Lowry Ranch is shown net of royalties paid to the Land Board and amounts retained by the Rangeview District. For water sales on the Lowry Ranch, the Rangeview District is directly selling the water and is deemed to be the primary distributor of the water. The Rangeview District sets the price for the water sales on the Lowry Ranch. See further description of "Export Water," the "Lowry Ranch," and the "Rangeview Water Supply" in Note 4 under "Rangeview Water Supply and Water System."

Pure Cycle also sells raw water for industrial uses, mainly to oil and gas companies for use in the drilling processes (referred to as "O&G operations"). O&G operations revenue is recognized at a point in time upon delivering water to its end-use customers, unless other special arrangements are made.

During the years ended August 31, 2026 and 2025, the Company delivered 1,688 acre-feet and 639 acre-feet of water to customers. Of this, 66% and 30% was sold to O&G operators.

Pure Cycle recognizes wastewater treatment revenue monthly based on a flat monthly fee and actual usage charges. The monthly wastewater treatment fees are shown net of amounts retained by the Rangeview District. Costs of delivering water and providing wastewater service to customers are recognized as incurred.

Water and wastewater tap fees and construction fees/special facility funding – Pure Cycle has various water and wastewater service agreements, components of which may require the payment of tap fees. A tap constitutes a right to connect to the wholesale water and wastewater systems through a service line to a residential or commercial building or property, and once granted, the customer may make a physical tap into the wholesale line(s) to connect its property to Pure Cycle's water and/or wastewater systems. The right stays with the property upon sale or transfer. Pure Cycle has no obligation to physically connect the property to the lines. Once connected to the water and/or wastewater systems, the customer has live service and the ability to receive metered water deliveries from Pure Cycle's system and send wastewater into Pure Cycle's system. Thus, once the connection right is granted, the customer has full control of the connection right as it can obtain all the benefits from this right. Therefore, management has determined that tap fees are separate and distinct performance obligations that are recognized at a point in time.

Pure Cycle recognizes water and wastewater tap fee revenue when Pure Cycle grants the right for the customer to connect to the water or wastewater service line to obtain service and the customer pays the tap fee. During the years ended August 31, 2026 and 2025, Pure Cycle recognized $5.3 million and $5.9 million of water tap fee revenue. The water tap fees recognized are based on the amounts billed by the Rangeview District to customers.

During the years ended August 31, 2026 and 2025, the Company recognized $1.1 million and $1.4 million of wastewater tap fee revenue.

Pure Cycle recognizes construction fees, including fees received to construct "special facilities," over time as the construction is completed because the customer is generally able to use the property improvement to enhance the value of other assets during the construction period. Special facilities are facilities that enable water to be delivered to a single customer and are not otherwise classified as a typical wholesale facility or retail facility. Temporary infrastructure required prior to construction of permanent water and wastewater systems or transmission pipelines to transfer water from one location to another are examples of special facilities. Management has determined that special facilities are separate and distinct performance obligations because these projects are contracted to construct a specific water and wastewater system or transmission pipeline and typically do not include multiple performance obligations in a contract with a customer. For the years ended August 31, 2026 and 2025, Pure Cycle recognized less than $0.1 million of special facilities revenue.

Consulting fees – Pure Cycle can receive, typically monthly, fees from customers, including municipalities and area water providers, for contract operations services. Consulting fees are recognized monthly based on a flat monthly fee plus charges for additional work performed. For each of the years ended August 31, 2026 and 2025, Pure Cycle recognized less than $0.1 million of consulting fees. These fees are classified in Water and wastewater activities.

Land Development Segment Revenue

Pure Cycle generates revenue through its land development business predominantly from the sources described below. Because these items are separately delivered and distinct, Pure Cycle accounts for each of the items separately.

Sale of finished lots – Pure Cycle acquired approximately 930 acres of land zoned as a Master Planned Community known as Sky Ranch. Pure Cycle has entered into multiple purchase and sale agreements with homebuilders pursuant to which Pure Cycle agreed to sell, and each builder agreed to purchase, finished residential lots at Sky Ranch. Under these agreements, Pure Cycle is obligated to deliver finished lots, which the Company develops through agreements with the Sky Ranch CAB.

Pure Cycle began Phase 1 in March 2018 and Phase 2 in February 2021. Phase 1, which is complete, consists of 509 lots, of which 505 were sold to three homebuilders and four were retained by Pure Cycle for its single-family rental business. Phase 2 is planned to include 1,026 lots and is being developed in five subphases: Phase 2A (229 lots), which began in February 2021; Phase 2B (211 lots), March 2023; Phase 2C (228 lots), March 2024; Phase 2D (204 lots), February 2025; and Phase 2E (154 lots), in 2026.

As of August 31, 2026, of the 872 lots in Phases 2A through 2D, 814 have been sold or are under contract to homebuilders and 58 have been retained for the single-family rental business. No lots in Phase 2E are under contract, and the Company has not recognized any revenue on Phase 2E. In total, the Company has retained 72 lots in Phases 1 and 2 for its single-family rental business, compared to 91 lots at August 31, 2025; during fiscal 2026 the Company sold, or entered into contracts to sell, 19 lots previously reserved for rental homes to homebuilders.

The timing of cash flows from Phase 2, consistent with Phase 1, includes certain milestone deliveries, including, but not limited to, completion of governmental approvals for final plats, installation of wet utility public improvements, and final completion of lot deliveries.

Pure Cycle sells lots at Sky Ranch pursuant to distinct agreements with each builder. These agreements require the same level of construction for all lots and builders, the primary difference in the agreements being the timing of payments and timing of the transfer of ownership of the lots. Pure Cycle's lot sales agreements require payments under one of the two following structures:

(1) Upon the substantial completion of the finished lot, whereby the builder pays for a ready-to-build finished lot and the sales price is paid in a lump sum upon substantial completion of the finished lot (typically subject to completion of related public improvements by Pure Cycle, through its development agreement with the Sky Ranch CAB) that is permit ready. Depending on timing of delivery of the finished lot to the builder, Pure Cycle may still have unfulfilled contract performance obligations related to the timing of completion of public improvements and other amenities. If these unfulfilled obligations, after the finished lots are delivered, are deemed other than insignificant, the Company follows format 2 and recognizes revenue over time based on the estimated progress using overall costs incurred to date compared to total estimated costs from the period of time the lot is delivered until the remaining performance obligations are substantially completed.

(2) As certain construction milestones are achieved, which include payments due as follows pursuant to a lot development agreement with the builder: (i) a first payment upon the execution of an agreement and transfer of platted lots (which requires Pure Cycle to deliver deeded title to individual lots), (ii) a second payment upon the completion of certain infrastructure milestones, and (iii) a final payment upon the delivery of the finished lot. Typically these lots are also subject to completion of related public improvements by the Company, through its development agreement with the Sky Ranch CAB, after all three payments have been received.

Under the first payment structure, the builder (i.e., the customer) takes control/ownership of the lot at the time payment is received and the lot is substantially complete, at which point the Company recognizes revenue. Under the second payment structure, the builder takes control/ownership at the first closing, or delivery of the platted lots. Under both payment scenarios Pure Cycle has subsequent improvements to make to the lot to either improve the builder's lot and/or complete its performance obligations of managing the construction of public improvements required to complete the neighborhood, which includes items such as fencing, final utility installation, and landscaping. Under the first payment structure, Pure Cycle recognizes revenue for the progress completed to date at the point in time the builder takes control of the lots and recognizes the remaining revenue over time as it completes its remaining obligations. Under the second payment structure, Pure Cycle accounts for lot sales revenue over time as construction progresses. In both cases, progress is measured based upon costs incurred to date compared to total expected costs for a particular construction phase (e.g., Phases 2C and 2D). Any revenue in excess of amounts entitled to be billed is reflected on the balance sheet as a contract asset, and amounts received in excess of revenue recognized are recorded as deferred revenue. Pure Cycle does not have any material significant payment terms as all payments are expected to be received within a few months after invoicing. Pure Cycle adopted the practical expedient for financing components and does not need to account for a financing component of these lot sales as the delivery of lot sales is expected to occur within one year.

For the years ended August 31, 2026 and 2025, Pure Cycle recognized $19.8 million and $13.7 million, respectively, of lot sale revenue related to Phases 2B, 2C, and 2D at Sky Ranch. Of these amounts, $11.1 million and $8.4 million, respectively, was recognized over time using the percentage-of-completion method, and $8.7 million and $5.3 million, respectively, was recognized at a point in time upon the transfer of control of finished lots to homebuilders.

Since development of Sky Ranch began through August 31, 2026, Pure Cycle has received payments totaling $18.4 million for Phase 2A, $17.3 million for Phase 2B, $17.8 million for Phase 2C, and $19.5 million for Phase 2D. As of August 31, 2026, Pure Cycle has recognized as revenue $18.4 million for Phase 2A, which is complete, $17.3 million for Phase 2B, which is complete, $17.4 million for Phase 2C, which is approximately 98% complete, and $17.4 million for Phase 2D, which is approximately 89% complete. As of August 31, 2026, $2.5 million of revenue has been deferred related to Phase 2C and 2D contracts. Deferred revenue will be recognized over time as the Company completes its performance obligations of managing the completion of the public improvements in Phases 2C and 2D, which include items such as fencing, final utility installation, and landscaping. Pure Cycle anticipates substantial completion of Phases 2C and 2D by the end of fiscal 2027.

Reimbursable Costs for Public Improvements – The Sky Ranch CAB is responsible for the construction of certain public improvements at Sky Ranch. Public improvements are items that are not associated with an individual lot or home, but can be used by the public, whether living in Sky Ranch or not. Public improvements include items such as roads, curbs, sidewalks, landscaping, and parks but also includes items such as water distribution systems, sewer collection systems, storm water systems, and drainage improvements. These public improvements are constructed pursuant to design standards specified by local governmental jurisdictions including the Sky Ranch Metropolitan District Nos. 1, 3, 4, 5, 6, 7 and 8 (collectively, the Sky Ranch Districts), the Sky Ranch CAB, Arapahoe County, and the local stormwater authority and, after inspection and acceptance, are turned over to the applicable governmental entity to own, operate and maintain.

Under the Facilities Funding and Acquisition Agreements between the Company and the Sky Ranch CAB (see Note 14), the Company is obligated to advance funds to the Sky Ranch CAB for the construction of these public improvements. The Company records these advances, together with project management fees and accrued interest, as a note receivable from the Sky Ranch CAB (see Note 5). Because public improvements are utilized by more than just a single home, the costs are reimbursed by the Sky Ranch CAB from property taxes, fees and bond proceeds available to it, as provided in the Facilities Funding and Acquisition Agreements.

Although the Company is developing Sky Ranch in phases, the Sky Ranch CAB collects taxes and fees for the entire community and those funds are available to repay the Company regardless of the location of the public improvement (except for certain regional public improvements). Additional information about the amounts spent on public improvements as well as amounts repaid are further detailed in Note 5.

Project management services – Pursuant to two Service Agreements for Project Management Services (Project Management Agreements) with the Sky Ranch CAB, Pure Cycle acts as the project manager and provides the services required to deliver the Sky Ranch CAB-eligible public improvements (see discussion of reimbursable public improvements above and in Note 5), including but not limited to Sky Ranch CAB compliance; planning design and approvals; project administration; contractor agreements; and construction management and administration. Pure Cycle is responsible for all expenses it incurs in the performance of the Project Management Agreements and is not entitled to any reimbursement or compensation except as set forth in the Project Management Agreements, unless otherwise approved in advance by the Sky Ranch CAB in writing. Pure Cycle receives a project management fee of five percent (5%) of actual qualifying construction costs of Sky Ranch CAB-eligible public improvements. The project management fee is based only on the actual costs of the improvements; thus, items such as fees, permits, review fees, and land acquisition or any other costs that are not directly related to the cost of construction of Sky Ranch CAB-eligible public improvements are not included in the calculation of the project management fee. Other costs incurred by Pure Cycle that are not directly related to the construction of Sky Ranch CAB-eligible public improvements are included in the land under development account and accounted for in the same manner as construction support activities as described below. Per the Project Management Agreements, no payment is required by the Sky Ranch CAB with respect to project management fees unless and until the Sky Ranch CAB and/or the Sky Ranch Districts have sufficient funds from tax assessment, fees or the issuance of municipal bonds in an amount sufficient to reimburse Pure Cycle for all or a portion of advances provided or expenses incurred for construction of public improvements that qualify as reimbursable expenses. Additional information on the Project Management fees and treatment of the related receivables is included in Note 5.

Construction support activities – Pure Cycle performs certain construction activities at Sky Ranch. The activities performed include construction and maintenance of the grading erosion and sediment control, best management practices and other construction-related services. The Phase 2 activities are invoiced based on an agreement between Pure Cycle and the Sky Ranch CAB. The amounts are invoiced and recognized as special facility projects revenue and are a component of trade accounts receivable, net. For the years ended August 31, 2026 and 2025, the Company recognized $0.8 million and $0.8 million, respectively, related to construction support activities at Sky Ranch.

Single-Family Rental Segment Revenue

Pure Cycle generates revenue in its single-family rental segment by leasing single-family homes, paired homes and townhomes that it owns at Sky Ranch. Pure Cycle is the lessor under these leases, which are generally non-cancelable one-year operating leases that typically include annual rental rate increases. Pure Cycle recognizes rental income monthly as earned. Rental homes are recorded at cost and depreciated over periods not exceeding 30 years, and costs of the rental units, including property taxes, insurance and Sky Ranch CAB operations and maintenance fees, are recognized as single-family rental cost of revenue as incurred. Tenants pay for utilities, including water and wastewater service provided through the Rangeview District. Leases may be renewed for successive one-year terms at market rents and contain no purchase options, and no residual value guarantees are provided. The Company has elected not to separate

lease and non-lease components. During the years ended August 31, 2026 and 2025, Pure Cycle recognized $0.9 million and $0.5 million, respectively, of rental revenue. As of August 31, 2026, Pure Cycle owned 51 rental homes, 50 of which were leased and one of which was listed for sale.

Deferred Revenue

As noted above, the Company recognizes certain lot sales over time as construction activities progress for lots sold pursuant to lot development agreements and not when payment is received. Based on this, the Company will frequently receive milestone payments before revenue can be recognized (i.e. prior to the Company completing cumulative progress which faithfully represents the transfer of goods and services to the customer), which results in the Company recording deferred revenue. The Company recognizes this revenue into income as control of lots are transferred to the homebuilder, generally from the period title to a lot is transferred until all construction activities (including public improvements) for that phase or subphase are completed and turned over to the governmental agency that will maintain the asset. The progress of construction activities is measured based on the amount of costs incurred compared to total expected costs of the project (e.g., Phase 2D), which management believes is a faithful representation of the transfer of goods and services to the customer.

As of August 31, 2026 and 2025, the Company's deferred revenue along with the changes in the deferred revenue are as follows:

	Year Ended August 31, 2026		
(In thousands)	Water and Wastewater Resource Development	Land Development	Total
Balance at August 31, 2025	$ —	$ 3,355	$ 3,355
Revenue recognized	(46)	(20,188)	(20,234)
Revenue deferred	46	19,345	19,391
Balance at August 31, 2026	$ —	$ 2,512	$ 2,512

	Year Ended August 31, 2025		
(In thousands)	Water and Wastewater Resource Development	Land Development	Total
Balance at August 31, 2024	$ —	$ 2,173	$ 2,173
Revenue recognized	(23)	(13,492)	(13,515)
Revenue deferred	23	14,674	14,697
Balance at August 31, 2025	$ -	$ 3,355	$ 3,355

When recognized, the amounts reflected as unearned revenue will be recorded in lot sales, metered water usage from oil and gas operations, or Other income oil and gas lease income, net in the consolidated statements of income.

Royalty and Other Obligations

Revenue from the sale of Export Water is shown net of royalties payable to the Land Board. Revenue from the sale of water on the Lowry Ranch is invoiced directly by the Rangeview District, and a percentage of such collections is then paid to the Company by the Rangeview District net of royalties paid to the Land Board and amounts retained by the Rangeview District.

Oil and Gas Lease Payments

As further described in Note 4 below, on March 10, 2011, the Company entered a Paid-Up Oil and Gas Lease (Sky Ranch O&G Lease) and a Surface Use and Damage Agreement that have been assigned to various other oil and gas companies as a result of acquisitions. Thirteen wells have been drilled within the Company's mineral interest and placed into service and are producing oil and gas and accruing royalties to the Company. During the years ended August 31, 2026 and 2025, the Company recognized $2.0 million and $6.7 million, respectively, of royalty income attributable to these wells. The Company classifies income from lease and royalty payments as Other income in the consolidated statements of income as the Company does not consider these arrangements to be an operating business activity. Oil and gas operations, although material in certain years, are deemed a passive activity as the Chief Operating Decision Maker (CODM) does not actively allocate resources to these projects; therefore, this is not classified as a reportable segment.

Share-based Compensation

The Company maintains a stock option plan for the benefit of its employees and non-employee directors. The Company recognizes share-based compensation costs as expenses over the applicable vesting period of the stock award using the straight-line method. The compensation costs to be expensed are measured at the grant date based on the fair value of the award. Excess tax benefits and deficiencies from the vesting of restricted stock and the exercise of stock options are recognized in income tax expense in the period in which they arise and were immaterial in fiscal 2026 and 2025.

During the years ended August 31, 2026 and 2025, the Company recognized $0.4 million and $0.3 million, respectively, of share-based compensation expense.

Income Taxes

The Company uses a “more-likely-than-not” threshold for the recognition and de-recognition of tax positions, including any potential interest and penalties relating to tax positions taken by the Company. The Company’s policy is to recognize interest and penalties accrued on any unrecognized tax positions as a component of income tax expense. At August 31, 2026, the Company did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the year ended August 31, 2026. The Company does not have any significant unrecognized tax benefits as of August 31, 2026.

The Company records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating losses and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company files income tax returns with the Internal Revenue Service and the State of Colorado. The tax years that remain subject to examination are fiscal 2021 through fiscal 2026. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

Earnings per Common Share

Basic earnings per common share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised and all unvested share-based payment awards were vested. Certain outstanding options are excluded from the diluted earnings per share calculation because they are anti-dilutive (i.e., their assumed conversion into common stock would increase rather than decrease earnings per share).

New Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company’s financial reporting, the Company undertakes a study to determine the consequence of the change to its consolidated financial statements and to ensure that there are proper controls in place to ascertain that the Company’s consolidated financial statements properly reflect the change. New pronouncements assessed by the Company recently are discussed below:

Recently Adopted Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public business entities to disclose specific categories in the income tax rate reconciliation, provide additional information for reconciling items that meet a quantitative threshold, and disaggregate income taxes paid by federal and state jurisdiction, and by individual jurisdiction where significant. The Company adopted ASU 2023-09 effective September 1, 2025 on a retrospective basis. Adoption affected only the Company's income tax disclosures. See Note 10.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, as clarified by ASU 2025-01, which requires disaggregated disclosure of certain costs and expenses in the notes to the financial statements. ASU 2024-03 is effective for the Company's annual period beginning September 1, 2027 and for interim periods beginning September 1, 2028. The Company is evaluating the effect of ASU 2024-03 on its disclosures.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides a practical expedient that allows an entity, when estimating expected credit losses on current accounts receivable and contract assets arising from transactions accounted for under ASC 606, to assume that conditions as of the balance sheet date do not change over the remaining life of the asset. ASU 2025-05 is effective for the Company beginning September 1, 2026 and is applied prospectively. The Company does not expect ASU 2025-05 to have a material effect on its consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which removes the project-stage model and requires capitalization of software costs to begin when management has authorized and committed to funding the project and it is probable that the project will be completed and the software used as intended. The guidance also applies to implementation costs incurred in cloud computing arrangements. ASU 2025-06 is effective for the Company beginning September 1, 2028, with early adoption permitted. The Company is evaluating the effect of ASU 2025-06 on its consolidated financial statements.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of them will have a significant effect on the Company's consolidated financial statements and related disclosures.

Reclassifications

The Company has reclassified certain prior year information to conform to the current year presentation. Specifically, the change in the note receivable from the Sky Ranch CAB, previously presented as a single net amount in the statement of cash flows, is now presented in separate line items. These reclassifications had no impact on previously reported net income, total shareholders' equity or net cash flows.

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The Company uses a fair value hierarchy that prioritizes the inputs to valuation techniques into three levels, and classifies a measurement based on the lowest level of input that is significant to the measurement:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, or inputs derived from or corroborated by observable market data.

Level 3 — Unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use, including discounted cash flow models and similar techniques.

As of August 31, 2026 and 2025, the Company had no assets or liabilities measured at fair value on a recurring or nonrecurring basis.
The Company's financial instruments that are not measured at fair value, but for which fair value is disclosed, consist of its debt and its notes receivable – related parties. The estimated fair value of the Company's debt (SFR Note 1, SFR Note 2, the term loans under the SFR Facility Agreement and the Lost Creek Note, each defined in Note 7) is based on Level 2 inputs, determined by discounting scheduled payments at rates currently available to the Company for debt with similar terms and collateral. At August 31, 2026, the estimated fair value of the Company's debt approximated its carrying amount of $17.7 million, because the Company's fixed-rate debt

was issued or repriced at rates that approximate those currently available to the Company for similar instruments, and the remaining borrowings bear interest at variable rates.

The carrying amount of the note receivable from the Sky Ranch CAB (see Note 5) approximates its estimated fair value (Level 3) because the note bears interest at a fixed rate that approximates current market rates. The Company evaluates the collectability of the note annually using a discounted cash flow analysis of projected net cash flows and considers each quarter whether changes in significant assumptions affect that evaluation. The significant inputs to that analysis are the projected property tax, fee and bond revenues of the Sky Ranch CAB available for repayment, the remaining public improvement costs to complete Phase 2, the timing of those cash flows, and the discount rate of 5%. Because the present value of the projected cash flows available for repayment exceeded the carrying value at August 31, 2026 and 2025, no allowance was recorded in either year. The carrying amount of the notes receivable from the Rangeview District ($1.1 million at August 31, 2026) approximates fair value (Level 2).

NOTE 4 – WATER AND LAND ASSETS

Investment in Water and Water Systems

The Company's water and water systems consist of the following:

	August 31, 2026		August 31, 2025	
(In thousands)	Costs	Accumulated Depreciation and Depletion	Costs	Accumulated Depreciation and Depletion
Rangeview water supply	$ 17,569	$ (23)	$ 16,273	$ (21)
Sky Ranch water rights and other costs	7,690	(1,808)	7,690	(1,689)
Fairgrounds water and water system	2,900	(1,767)	2,900	(1,679)
Rangeview water system	37,235	(7,046)	31,421	(5,903)
Water supply – Other	1,300	(1,187)	1,300	(1,147)
Wild Pointe service rights	1,632	(1,574)	1,632	(1,475)
Sky Ranch pipeline	5,740	(1,749)	5,740	(1,558)
Lost Creek Water supply	10,846	—	10,836	—
Construction in progress - water and water systems	3,065	—	3,203	—
Totals	87,977	(15,154)	80,995	(13,472)
Net investments in water and water systems	$ 72,823		$ 67,523	

Single-Family Rental Homes

As of August 31, 2026, the Company owned 51 single-family rental homes, 50 of which were leased and one of which was listed for sale, and had contracts, which are cancelable by the Company, to construct 21 additional rental homes in Phases 2C and 2D. The costs of the homes are capitalized and, when applicable, depreciated over periods not exceeding thirty years, depending on the asset type.

As of August 31, 2026, the Company has reserved a total of 72 lots in Phases 1 and 2 of Sky Ranch for rental homes, including the lots on which the 51 completed homes are located, after reselling, or entering into contracts to resell, 19 lots previously reserved for rental homes to homebuilders.

Depletion and Depreciation

During the years ended August 31, 2026 and 2025, the Company recorded an immaterial amount of depletion charges, which related entirely to the Rangeview Water Supply (as defined below).

During the years ended August 31, 2026 and 2025, the Company recorded $2.5 million and $2.3 million, respectively, of depreciation expense, which include $0.8 million and $0.6 million, respectively, of depreciation expense for other equipment not included in the table above.

The following table presents the estimated useful lives by asset class used for calculating depreciation and depletion charges:

Asset Classes	Estimated Useful Lives
Wild Pointe	Units of production depletion
Rangeview water supply	Units of production depletion
Lost Creek water supply	Units of production depletion
Rangeview, Sky Ranch and WISE water systems	30 years
ECCV wells	10 years
Furniture and fixtures	5 years
Trucks and heavy equipment	5 years
Water system general (pumps, valves, etc.)	5 years
Computers	3 years
Water equipment	3 years
Software	1 year

Rangeview Water Supply and Water System

The "Rangeview Water Supply" consists of approximately 27,000 acre-feet and is a combination of tributary surface water and groundwater rights along with certain storage rights associated with the Lowry Ranch, a 26,000-acre property owned by the Land Board located 16 miles southeast of Denver, Colorado. As of August 31, 2026, the Company has invested $37.2 million in facilities to extend water service to customers located on and off the Lowry Ranch. The recorded costs of the Rangeview Water Supply include payments to the sellers of the Rangeview Water Supply, design and construction costs and certain direct costs related to improvements to the asset, including legal and engineering fees.

The Company acquired the Rangeview Water Supply in 1996 pursuant to the following agreements:

- 1996 Amended and Restated Lease Agreement between the Land Board and the Rangeview District, which was superseded by the 2014 Amended and Restated Lease Agreement, dated July 10, 2014 (Lease), between the Company, the Land Board, and the Rangeview District;
- The 1996 Service Agreement between the Company and the Rangeview District, which was superseded by the Amended and Restated Service Agreement, dated July 10, 2014, between the Company and the Rangeview District (Lowry Service Agreement), which allows the Company to provide water service to the Rangeview District's customers located on the Lowry Ranch;
- The Agreement for Sale of non-tributary and not non-tributary groundwater between the Company and the Rangeview District (Export Agreement), pursuant to which the Company purchased a portion of the Rangeview Water Supply referred to as the "Export Water" because the Export Agreement allows the Company to export this water from the Lowry Ranch to nearby communities; and
- The 1997 Wastewater Service Agreement between the Company and Rangeview District (Lowry Wastewater Agreement), which allows the Company to provide wastewater service to the Rangeview District's customers on the Lowry Ranch.
- The ECCV Option Agreement, dated January 30, 2024, among the Company, Rangeview District, and the Land Board (ECCV Option), which allows the Company to add the East Cherry Creek Valley (ECCV) system and 4,000 acre-feet of Arapahoe aquifer groundwater, to the Lease, subject to the payment of additional rent, effective as of July 8, 2032 (the expiration of the ECCV lease).

The Lease, the Lowry Service Agreement, the Export Agreement, and the Lowry Wastewater Agreement, and the ECCV Option are collectively referred to as the Rangeview Water Agreements.

Pursuant to the Rangeview Water Agreements, the Company owns 11,650 acre-feet of water consisting of 10,000 acre-feet of groundwater and 1,650 acre-feet of average yield surface water which can be exported off the Lowry Ranch to serve area users (referred to as Export Water). The 1,650 acre-feet of surface rights are subject to completion of documentation by the Land Board related to the Company's exercise of its right to substitute an aggregate gross volume of 165,000 acre-feet of its groundwater for 1,650 acre-feet per year of adjudicated surface water and to use this surface water as Export Water. Additionally, assuming completion of the substitution of groundwater for surface water, the Company has the exclusive right to provide water and wastewater service, through 2081, to all water users on the Lowry Ranch and the right to develop an additional 13,685 acre-feet of groundwater and 1,650 acre-feet of adjudicated surface water to serve customers either on or off the Lowry Ranch. The Rangeview Water Agreements also provide for the Company to use surface reservoir storage capacity in providing water service to customers both on and off the Lowry Ranch.

On December 9, 2025, the Water Court approved a settlement agreement among the Company, the Rangeview District, the Land Board and all opposing parties resolving the Water Court application filed on December 31, 2020. The settlement replaced the Water Court's February 7, 2025 ruling and granted the Company and the Rangeview District a new water right to 1,635 acre-feet of water from the Box Elder Creek alluvial aquifer, subject to certain stipulated conditions, and approved the remaining requests in the application. During the year ended August 31, 2026, the Company capitalized $0.9 million of costs related to the settlement to its Rangeview Water Supply.

Services on the Lowry Ranch **–** Pursuant to the Rangeview Water Agreements, the Company designs, finances, constructs, operates and maintains the Rangeview District's water and wastewater systems to provide service to the Rangeview District's customers on the Lowry Ranch. The Company will operate both the water and the wastewater systems during the contract period, and the Rangeview District owns both systems. When the Lease expires in 2081, title to the improvements, equipment, permits and rights-of-way on the Lowry Ranch used exclusively to deliver Non-Export Water, and the Company's interests in shared facilities used for that purpose, revert to the Land Board, and the Rangeview District retains ownership of the wastewater system. Improvements and rights-of-way on the Lowry Ranch used for the sale of Export Water are not affected by expiration or termination of the Lease.

Rates and charges for all water and wastewater services on the Lowry Ranch, including tap fees and usage or monthly fees, are governed by the terms of the Rangeview Water Agreements. Rates and charges cannot exceed the average of similar rates and charges of three surrounding municipal water and wastewater service providers, which are reassessed annually. Pursuant to the Rangeview Water Agreements, the Land Board receives a royalty of 10% or 12% of gross revenue from the sale or disposition of the water, depending on the nature and location of the purchaser of the water, except that the royalty on tap fees shall be 2% (other than taps sold for Sky Ranch which are exempt from royalties). The Company also is required to pay the Land Board a minimum annual water production fee of approximately $46,000 per year, which offsets earned royalties, and annual rent of $8,400, which amount is increased every five years based on the Consumer Price Index for Urban Customers. The Rangeview District retains 2% of the remaining revenue, and the Company receives 98% of the remaining revenue after the Land Board royalty. The Land Board does not receive a royalty on wastewater service fees; however, the Lease royalty applies to revenue from the reuse or successive use of treated effluent derived from the Rangeview Water Supply. The Company receives 100% of the Rangeview District's wastewater tap fees and 90% of the Rangeview District's wastewater treatment fees (the Rangeview District retains the other 10%).

Export Water **–** Pursuant to the Rangeview Water Agreements, the Company owns the Export Water and intends to use it to provide wholesale water and wastewater services to customers off the Lowry Ranch, including customers of the Rangeview District and other governmental entities and industrial and commercial customers. The Company will own all wholesale facilities required to extend water and wastewater services using its Export Water. The Company anticipates contracting with third parties for the construction of these facilities. If the Company sells Export Water, the Company is required to pay royalties to the Land Board ranging from 10% to 12% of gross revenue, except that the royalty on tap fees shall be 2% (other than taps sold for Sky Ranch which are exempt).

WISE

The WISE Partnership Agreement provides for the purchase of certain infrastructure (i.e., pipelines, water storage facilities, water treatment facilities, and other appurtenant facilities) to deliver water to and among the ten members of the SMWA, Denver Water and Aurora Water. Certain infrastructure has been constructed and other infrastructure will be constructed over the next several years. During the years ended August 31, 2026 and 2025, the Company made $0.3 million and $0.5 million, respectively, in capital investments in WISE. Capitalized terms used under this caption are defined in Note 7 below.

The Arapahoe County Fairgrounds Water and Water System

The Company owns 321 acre-feet of groundwater purchased pursuant to its agreement with Arapahoe County. The Company plans to use this water in conjunction with its Rangeview Water Supply in providing water to areas outside the Lowry Ranch. The $2.9 million of capitalized costs noted in the table "Investment in Water and Water Systems" above includes the costs to construct various wholesale and special facilities, including a new deep water well, a 500,000-gallon water tank and pipelines to transport water to the Arapahoe County fairgrounds.

The Lost Creek Water Supply

In August 2019, the Company purchased 150 acre-feet of ditch water rights, 300 acre-feet of designated groundwater rights, 70 acre-feet of deep groundwater rights and 260 acres of land in the Lost Creek Basin in Weld County, Colorado. Total consideration for the land, water and related costs was $3.5 million. The Company allocated the acquisition cost to the land and water rights based on estimates of each asset's respective fair value at the acquisition date. This transaction was accounted for as an asset acquisition.

On June 27, 2022, Pure Cycle acquired an additional 370 acre-feet of designated groundwater rights located in the Lost Creek basin in Weld County Colorado. The acquisition included three water wells and related well permits and structures. The total purchase price was $3.7 million, which was allocated entirely to the water rights as the other assets were deemed to not have determinable values. This transaction was accounted for as an asset acquisition.

In October 2024, the Company purchased an additional 378 acre-feet of ditch water rights, 300 acre-feet of designated groundwater rights, 432 acres of land, a house, barn, outbuildings and irrigation pivots in the Lost Creek Basin. Total consideration for the land, water and other purchased items was $5.4 million. The Company allocated the acquisition cost to the land, water rights, and various other assets based on estimates of each asset's respective fair value at the acquisition date. This transaction was accounted for as an asset acquisition. Of the total $12.6 million paid for the Lost Creek acquisitions, $10.8 million was allocated to water rights and is included in the table above, and the remainder was allocated to land and other assets.

Additionally, the Company may use our Lost Creek Water as an augmentation source for out-of-priority diversion of our Box Elder surface water under the Lease.

Service to Customers Not on the Lowry Ranch

Sky Ranch **–** In 2010, the Company purchased approximately 930 acres of undeveloped land known as Sky Ranch. The property includes the rights to approximately 830 acre-feet of water, which the Company is using in conjunction with its Rangeview Water Supply to provide water service to the Rangeview District's customers at Sky Ranch. The $13.5 million of capitalized costs includes the costs to acquire the water rights and to construct various facilities.

Total consideration for the land, water, and acquisition-related costs and fees was $7.6 million. The Company allocated the total acquisition cost to the land and water rights based on estimates of each asset's respective fair value at the acquisition date. The purchase of the Sky Ranch land and water was accounted for as an asset acquisition.

In June 2017, the Company completed and placed into service its Sky Ranch pipeline, which cost $5.7 million to construct, connecting its Sky Ranch water system to the Rangeview District's water system.

Wild Pointe **–** On December 15, 2016, the Rangeview District, acting by and through its water activity enterprise, and Elbert & Highway 86 Commercial Metropolitan District, a quasi-municipal corporation and political subdivision of the State of Colorado, acting by and through its water enterprise (Elbert 86 District), entered into a Water Service Agreement (Wild Pointe Service Agreement). Subject to the conditions set forth in the Wild Pointe Service Agreement and the terms of the Company's engagement by the Rangeview District as the Rangeview District's exclusive service provider, the Company acquired, among other things, the exclusive right to provide water services to residential and commercial customers in the Wild Pointe development, located in unincorporated Elbert County, Colorado, for $1.6 million in cash. Pursuant to the terms of the Wild Pointe Service Agreement, the Company, in its capacity as the Rangeview District's service provider, is responsible for providing water services to all users of water services within the boundaries and service area of the Elbert 86 District and for operating and maintaining the Elbert 86 District's water system. In exchange, the Company receives 100% of the tap fees from new customers and 98% of all other fees and charges, including monthly water service revenue, remitted to

the Rangeview District by the Elbert 86 District pursuant to the Wild Pointe Service Agreement. The Elbert 86 District's water system currently provides water service to approximately 261 SFE water connections in Wild Pointe.

O&G Leases

In 2011, the Company entered into the Sky Ranch O&G Lease. Pursuant to the Sky Ranch O&G Lease, the Company received an up-front payment for the purpose of exploring for, developing, producing, and marketing oil and gas on 634 acres of mineral estate owned by the Company at its Sky Ranch property. The Sky Ranch O&G Lease is now held by production, entitling the Company to royalties based on production.

Land and Mineral Rights

As part of the Sky Ranch acquisition, the Company acquired approximately 930 acres of land, of which approximately 397 acres have been sold to homebuilders for the purpose of building residential homes or dedicated for schools and public rights of way.

As of August 31, the costs allocated to the Company's land held for development is as follows:

	August 31, 2026	August 31, 2025
Sky Ranch land	$ 1,875	$ 1,875
Sky Ranch development costs	2,251	461
Lost Creek land	1,729	1,729
Construction in progress	107	103
Net land and mineral interests held for development	$ 5,962	$ 4,168

As of August 31, 2026 and 2025, the Company owned 544 acres of land in the Arkansas River valley which is classified as held for sale as the Company intends to sell it; its carrying value of $0.2 million is not material and is included in other assets in the consolidated balance sheets. We also own approximately 13,900 acres of mineral interests in the Arkansas River Valley, which has no carrying value on the Company's books due to an impairment charge of $1.4 million recorded in fiscal 2020. The Company currently has no plans to sell its mineral interests.

NOTE 5 – REIMBURSABLE PUBLIC IMPROVEMENTS AND NOTE RECEIVABLE FROM THE SKY RANCH CAB

The note receivable from the Sky Ranch CAB reports the balances owed by the Sky Ranch CAB to the Company for public improvements paid for by the Company which are reimbursable from the Sky Ranch CAB, project management fees, and interest accrued on the unpaid balances related to the ongoing development of the Sky Ranch master planned community. The Company has advanced funds to the Sky Ranch CAB for the cost of public improvements which the Sky Ranch CAB is responsible for constructing and the Company is obligated to fund through various funding agreements between the Sky Ranch CAB and the Company. During the year ended August 31, 2026, the Company spent $14.7 million on public improvements which were certified by a third-party engineer and are reimbursable by the Sky Ranch CAB to the Company. This amount was therefore added to the note receivable from the Sky Ranch CAB. Additionally, for the year ended August 31, 2026, project management fees owed to the Company of $0.8 million, and interest income on the outstanding note receivable of $3.2 million, were also added to the note receivable. During the year ended August 31, 2026, the Sky Ranch CAB made two payments to the Company on the note totaling $0.7 million, which were applied first to interest and then to public improvements on the note. During the year ended August 31, 2025, the Company spent $15.0 million on public improvements, project management fees of $0.8 million and interest income of $2.3 million were added to the note receivable, and the Sky Ranch CAB made seven payments totaling $15.2 million.

The following table summarizes the activity and balances associated with the note receivable from the Sky Ranch CAB:

	Year Ended	
(In thousands)	**August 31, 2026**	**August 31, 2025**
Beginning balance	$ 43,835	$ 40,964
Additions	18,683	18,043
Payments received	(700)	(15,172)
Ending balance	$ 61,818	$ 43,835

The note receivable from the Sky Ranch CAB accrues interest at 6% per annum. The Company evaluates the note receivable from the Sky Ranch CAB, which includes reimbursable public improvements, project management fees and the related interest income, for collectability each reporting period (see Notes 2 and 3). The Sky Ranch CAB has an obligation to repay the Company, but the ability of the Sky Ranch CAB to do so before the contractual termination dates is dependent upon the establishment of a tax base or other fee generating activities sufficient to fund reimbursable costs incurred. The note is not a general obligation of the Sky Ranch CAB and has no fixed repayment schedule. It is payable only from property taxes, fees and bond proceeds of the Sky Ranch CAB and the Sky Ranch Districts remaining after payment of bond debt service and operating and maintenance expenses, and the Company's right to repayment is subordinate to the Sky Ranch CAB's bonds. Amounts not repaid by December 31, 2058 (Phase 1) or December 31, 2060 (Phase 2) will be deemed discharged (see Note 14).

NOTE 6 – ACCRUED LIABILITIES

At August 31, 2026 and 2025, the Company's current accrued liabilities are:

(In thousands)	**August 31, 2026**	**August 31, 2025**
Accrued compensation	$ 912	$ 683
Other operating payables	1,460	607
Property taxes	517	742
Operating lease obligation, current	1	12
Professional fees	53	500
Rental deposits	147	38
Taxes Payable	—	1,310
Land development costs due to the Sky Ranch CAB	254	415
Due to Rangeview Metropolitan District	—	28
Total accrued and other liabilities	$ 3,344	$ 4,335

The amounts due to the Sky Ranch CAB are either included in notes receivable or land under development. The amounts recorded in land under development will be subsequently expensed through Land development construction costs. In addition, the amounts payable to the Rangeview District relate to construction costs of water infrastructure, which are included in Investments in water and water systems. The remaining items that make up accrued liabilities are generally self-explanatory.

NOTE 7 – DEBT AND OTHER LONG-TERM OBLIGATIONS

As of August 31, 2026 and 2025, the outstanding principal and deferred financing costs of the Company's loans are as follows:

(In thousands)	**August 31, 2026**	**August 31, 2025**
SFR Notes	$ 3,845	$ 3,898
SFR Facility Agreement	11,285	-
Lost Creek Note	2,569	2,940
Total outstanding principal	17,699	6,838
Deferred financing costs	(80)	(47)
Less current maturities, net of current deferred financing costs	(2,164)	(411)
Debt, less current portion	$ 15,455	$ 6,380

As of August 31, 2026, the scheduled maturities (i.e., principal payments) of the Company's loans are as follows:

(In thousands)	Scheduled principal payments August 31, 2026	Scheduled principal payments August 31, 2025
2027	$ 2,190	$ 425
2028	3,332	1,336
2029	484	3,153
2030	513	290
2031	10,173	306
Thereafter	1,007	1,328
Total principal payments	17,699	6,838
Deferred financing costs	(80)	(47)
Total principal payments, net	$ 17,619	$ 6,791

SFR Note 1

On November 29, 2021, PCY Holdings, LLC, a wholly owned subsidiary of the Company, entered a Promissory Note (SFR Note 1) with its primary bank to reimburse amounts expended for the construction of the first three single-family rental homes. SFR Note 1 has the following terms:

- Initial principal amount of $1.0 million
- Floating per annum interest rate equal to the Western Edition of the "Wall Street Journal" Prime Rate plus 0.5% (4.25% as of August 31, 2026), which has a floor of 3.75% and a ceiling of 4.25%. In the event of default, the interest rate on the SFR Note would be increased by adding an additional 2.0%
- Maturity date of December 1, 2026
- Fifty-three principal and interest payments each month which began July 1, 2022, in the amount of $4,600 each and increased to $5,000 each on November 1, 2024
- Estimated final principal and interest balloon payment of $0.9 million payable on December 1, 2026
- Secured by the three single-family rental homes
- Required minimum debt service coverage ratio of 1.10, measured annually based on audited financial statements, calculated as net operating income less distributions divided by required principal and interest payments, with net operating income defined as net income plus interest, depreciation, and amortization.

Lost Creek Note

On June 28, 2022, the Company entered a loan with a bank to fund the acquisition of 370 acre-feet of water rights the Company acquired on June 27, 2022, in the Lost Creek region of Colorado (Lost Creek Note). The Lost Creek Note has an initial principal balance of $3.0 million, a ten-year maturity, monthly interest only payments averaging $12,000 per month for thirty-six months beginning July 28, 2022, twenty-four monthly principal and interest payments of $42,000 beginning July 28, 2025, fifty-nine monthly principal and interest payments of $32,000 beginning on July 28, 2027, and a balloon payment of less than $0.8 million plus unpaid and accrued interest due on June 28, 2032. The Lost Creek Note has a thirty-year amortization period and a fixed per annum interest rate equal to 4.90%. Lost Creek Note is secured by the Lost Creek Water rights acquired with the proceeds of the note issuance and any fees derived from the use of the Lost Creek Water rights. The Lost Creek Note does not contain any financial covenants.

SFR Note 2

On August 30, 2023, PCY Holdings, LLC, a wholly owned subsidiary of the Company, entered a Promissory Note (SFR Note 2) with its primary bank to reimburse amounts expended for the construction of the next 11 single-family rental homes. The SFR Note 2 has the following terms:

- Initial principal amount of $3.0 million

- An interest rate of 7.51%. In the event of default, the interest rate on the SFR Note 2 would be increased by adding an additional 5.0%
- Maturity date of August 30, 2028
- Fifty-nine principal and interest payments each month beginning September 30, 2023 in the amount of $21,200 each
- Estimated final principal and interest balloon payment of $2.9 million payable on August 30, 2028
- Secured by 11 single-family rental homes
- Required minimum EBITDA of $3.0 million, measured annually at each fiscal year end.

SFR Note 1 and SFR Note 2 are referred to together as the SFR Notes.

SFR Facility Agreement

On September 29, 2025, the Company, as guarantor, and PCY Holdings, LLC and PCYO Home Rentals, LLC, each a wholly owned subsidiary of the Company, as borrowers, entered into a debt facility agreement (as amended, the SFR Facility Agreement). As amended and restated on February 18, 2026 and further amended on March 17, 2026 and June 15, 2026, the SFR Facility Agreement includes the Company as a co-borrower and provides up to $20 million to finance new single-family rental homes, available to be drawn through May 29, 2028, in addition to the $10 million Working Capital LOC described below. Advances bear interest at a variable per annum rate equal to the Wall Street Journal Prime Rate, with a floor of 4.55%, and may be converted into term loans bearing interest at the then-current five-year U.S. Constant Maturity Treasury rate plus 2.75%, amortized over 25 years with a five-year balloon payment. Borrowings under the SFR Facility Agreement, including the Working Capital LOC, constitute a single obligation of the borrowers and are secured by a first-priority deed of trust on the homes financed under it and a security interest in substantially all personal property of the Company and its subsidiaries, excluding the homes securing the SFR Notes and the Lost Creek water rights. As amended, the SFR Facility Agreement requires the Company to maintain a minimum tangible net worth of $75 million, minimum liquidity of $5 million and a minimum debt service coverage ratio of 1.30 to 1.00, and to maintain its primary deposit accounts with the lender. The June 2026 amendment removed the separate minimum debt service coverage ratio covenant that applied to PCYO Home Rentals, LLC. As of August 31, 2026, the Company had $10.6 million outstanding in term loans with fixed per annum interest rates ranging from 6.34% to 7.05%, monthly principal and interest payments of approximately $74,600 and balloon payments totaling $9.8 million due between October 2030 and August 2031. At August 31, 2026, $0.7 million of variable-rate advances, which require interest-only payments, had not been converted to term loans. At August 31, 2026, $8.7 million remained available to finance rental homes under the SFR Facility Agreement.

Working Capital Line of Credit

On February 18, 2026, the SFR Facility Agreement was amended to add the Company as a direct borrower and to provide an additional $10 million operating line of credit (Working Capital LOC), which replaced the Company's prior $5.0 million working capital line of credit that expired on January 31, 2026. The Working Capital LOC matures on February 18, 2029, with monthly interest-only payments on amounts drawn and unpaid principal and interest due at maturity, and bears interest at a floating per annum rate equal to the Wall Street Journal Prime Rate (6.75% as of August 31, 2026), with a floor of 4.50%. In the event of default, the interest rate would be increased by an additional 5.0%. The Working Capital LOC is subject to the same financial covenants as the SFR Facility Agreement and is secured by the same collateral. As of August 31, 2026, the Company had not drawn on the Working Capital LOC; however, $4.7 million of letters of credit had been issued under it, leaving $5.3 million available.

As of August 31, 2026, the Company was in compliance with all financial covenants under the SFR Notes and the SFR Facility Agreement, including the Working Capital LOC.

Letters of Credit

At August 31, 2026, the Company had 16 Irrevocable Letters of Credit ("LOCs") outstanding. The LOCs guarantee the Company's performance related to certain construction projects at Sky Ranch relating to the delivery of finished lots and serve as collateral for payment obligations under construction contracts for certain single-family rental homes in Phase 2. The Company has the intent and ability to perform on the contracts, after which the LOCs will expire at various dates from October 2026 through August 2027. As of August 31, 2026, the LOCs totaled $6.1 million, which are secured by cash balances maintained in restricted cash accounts at the Company's bank or by available capacity under the Working Capital LOC. LOCs issued under the Working Capital LOC have a 1.25% annual fee.

WISE Partnership

During 2014, the Company, through the Rangeview District, consented to the waiver of all contingencies set forth in the Amended and Restated WISE Partnership – Water Delivery Agreement, dated December 31, 2013 (WISE Partnership Agreement), among the City and County of Denver acting through its Board of Water Commissioners (Denver Water), the City of Aurora acting by and through its utility enterprise (Aurora Water), and the South Metro WISE Authority (SMWA). SMWA was formed by the Rangeview District and nine other governmental or quasi-governmental water providers pursuant to the South Metro WISE Authority Formation and Organizational Intergovernmental Agreement, dated December 31, 2013 (SM-IGA), to enable the members of SMWA to participate in the regional water supply project known as the Water Infrastructure Supply Efficiency partnership (WISE) created by the WISE Partnership Agreement. The SM-IGA specifies each member's pro rata share of WISE and the members' rights and obligations with respect to WISE. The WISE Partnership Agreement provides for the purchase of certain infrastructure (i.e., pipelines, water storage facilities, water treatment facilities, and other appurtenant facilities) to deliver water to and among the members of SMWA, Denver Water and Aurora Water. Certain infrastructure has been constructed and other infrastructure will be constructed over the next several years.

Pursuant to the terms of the Rangeview/Pure Cycle WISE Project Financing and Service Agreement (WISE Financing Agreement) between the Company and the Rangeview District, the Company has an agreement to fund the Rangeview District's participation in WISE effective as of November 10, 2014. During the years ended August 31, 2026 and 2025, the Company, through the Rangeview District, purchased 884 acre-feet and 156 acre-feet of WISE water for $2.0 million and $0.4 million. See further discussion in Note 14.

Lease Commitments

Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheet. For lease agreements with an initial term of more than twelve months, the Company combines the lease and non-lease components in determining the lease liabilities and right-of-use (ROU) assets. Operating lease expense is generally recognized evenly over the term of the lease.

During the year ended August 31, 2025, the Company amended its office lease twice, terminating the rental of the previous office and warehouse spaces within the same complex. The result is the rental of approximately 6,460 square feet of office space and 8,400 square feet of warehouse space for a monthly payment of roughly $11,000 which includes a certain pro-rata share of the lessor's operating costs, which are variable in nature. The Company performed its own leasehold improvements, which are credits against our monthly payments. The monthly payment increased roughly 2.5% every October 1st, and the lease term ended September 30, 2026. The Company's lease agreement does not contain any residual value guarantees or material restrictive covenants. As a result, the Company's associated right of use asset and liability decreased, as noted in the table below. For each of the years ended August 31, 2026 and 2025, payments on lease liabilities totaled less than $0.1 million.

The Company's lease agreements generally do not provide an implicit borrowing rate; therefore, an internal incremental borrowing rate is determined based on information available at lease commencement date for purposes of determining the present value of lease payments.

ROU lease assets and lease liabilities for the Company's operating leases were recorded in the consolidated balance sheet as follows:

(In thousands)	August 31, 2026	August 31, 2025
Operating leases - ROU assets	$ 1	$ 13
Operating lease liabilities, current	$ 1	$ 12
Operating lease liabilities, long term	—	1
Total lease liability	$ 1	$ 13
Weighted average remaining lease term (in years)	0.1	1.0
Weighted average discount rate	7.5 %	7.5 %

NOTE 8 – SHAREHOLDERS' EQUITY

Preferred Stock

The Company's non-voting Series B Preferred Stock has a preference in liquidation of $1.00 per share less any dividends previously paid. Additionally, the Series B Preferred Stock is redeemable at the discretion of the Company for $1.00 per share less any dividends previously paid. In the event the proceeds from the sale or disposition of Export Water rights exceed $36.0 million the Series B Preferred Shareholders will receive the next $0.4 million of proceeds in the form of a dividend. The terms of the Series B Preferred Stock prohibit payment of dividends on common stock unless all dividends accrued on the Series B Preferred Stock have been paid. To date, no dividends have been accrued as this contingency has not been met.

Share Repurchase Program

On November 2, 2022, the Company's Board of Directors authorized the repurchase of up to 200,000 shares of the Company's common stock. The program has no expiration date. During fiscal 2026 and 2025, the Company repurchased 26,100 and 35,500 shares for $0.3 million and $0.4 million, respectively, and retired the repurchased shares. At August 31, 2026, 78,474 shares remained available for repurchase under the program.

Equity Compensation Plan

The Company maintains the 2024 Equity Incentive Plan (2024 Equity Plan), which was approved by shareholders in January 2024 and became effective January 17, 2024. Executives, eligible employees, consultants, and non-employee directors are eligible to receive options and stock grants pursuant to the 2024 Equity Plan. Options to purchase shares of stock and restricted stock awards can be granted with exercise prices, vesting conditions and other performance criteria determined by the Compensation Committee of the Company's Board of Directors. The Company has reserved 2.0 million shares of common stock for issuance under the 2024 Equity Plan. As of August 31, 2026, 89,175 shares had been issued and there were 1,910,825 shares available for grant under the 2024 Equity Plan. Prior to the effective date of the 2024 Equity Plan, the Company granted stock awards to eligible participants under its 2014 Equity Incentive Plan (2014 Equity Plan), which expired April 12, 2024. As of August 31, 2026, restricted stock awards and awards to purchase 577,000 shares of the Company's common stock have been made under the 2014 Equity Plan, of which 422,500 remain outstanding. No additional awards may be granted pursuant to the 2014 Equity Plan.

The Company estimates the fair value of share-based payment awards on the date of grant using the Black-Scholes option-pricing model (Black-Scholes model). Using the Black-Scholes model, the value of the portion of the award that is ultimately expected to vest is recognized as a period expense over the requisite service period in the consolidated statements of income. Option forfeitures are to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company does not expect any forfeiture of its options; therefore, the compensation expense has not been reduced for estimated forfeitures. No options expired in either of the years ended August 31, 2026 and 2025. The Company attributes the value of share-based compensation to expense using the straight-line single option method for all options granted.

The Company's determination of the estimated fair value of share-based payment awards on the date of grant is affected by the following variables and assumptions:

- The grant date exercise price – is the closing market price of the Company's common stock on the date of grant;
- Estimated dividend rates – based on historical and anticipated dividends over the life of the option;
- Life of the option – based on historical experience, including actual and projected employee stock option exercise, option grants have lives of between five and ten years;
- Risk-free interest rates – with maturities that approximate the expected life of the options granted;
- Calculated stock price volatility – calculated over the expected life of the options granted, which is calculated based on the weekly closing price of the Company's common stock over a period equal to the expected life of the option.

The assumptions used in the fair value calculations using the Black-Scholes model are as follows:

	August 31, 2026	August 31, 2025
Expected term (years)	6.00	—
Risk-free interest rate	4.10 %	— %
Expected volatility	36.61 %	— %
Expected dividend yield	— %	— %
Weighted average grant-date fair value	$ 4.59	$ —

For the year ended August 31, 2026, the Company granted options to purchase 30,000 shares of common stock with an exercise price of $10.75 per share and a grant date fair value of $4.59 per share, which expire ten years from the date of grant. In addition, seven non-employee Board members were granted an aggregate of 18,571 unrestricted shares of common stock. The fair market value of the unrestricted shares for share-based compensation expense is equal to the closing price of the Company's common stock on the date of grant of $11.31. The Company also issued an employee 10,000 unrestricted shares of common stock with the fair market value of the shares for share-based compensation expense equal to the closing price of the Company's common stock on the date of grant of $11.43. Stock-based compensation expense includes $0.3 million of expense related to these unrestricted stock grants, which were fully expensed at the date of grant because no vesting requirements existed. The Company issued four employees a total of 5,000 shares of restricted stock. These shares vested 20% on the grant date, and 20% will vest on each anniversary of the grant date for four years subject to continued employment. The shares are eligible to vote and participate in any dividend or stock splits approved by the Company. Additionally, during the year ended August 31, 2026, 1,200 shares of restricted stock were surrendered upon the termination of employment of one former employee.

For the year ended August 31, 2025, the Company granted no stock options. In addition, six non-employee Board members were each granted 2,566 unrestricted shares of common stock. The fair market value of the unrestricted shares for share-based compensation expense is equal to the closing price of the Company's common stock on the date of grants of $11.69. Stock-based compensation expense includes $0.2 million of expense related to these unrestricted stock grants. The unrestricted stock grants were fully expensed at the date of the grant because no vesting requirements existed for the unrestricted stock grants.

During the years ended August 31, 2026 and 2025, 67,000 and 35,000 options were exercised. Of the options exercised in 2026, 10,000 were exercised for cash proceeds of less than $0.1 million and 57,000 were net settled, meaning the optionee did not pay cash for the options but instead received the number of shares equal to the difference between the exercise price and the market price on the date of exercise, resulting in 9,210 shares being issued and 47,790 options being cancelled. The options exercised in 2025 were net settled, resulting in 13,815 shares being issued and 21,185 options being cancelled in settlement of shares issued.

The following table summarizes the combined stock option activity for the 2014 Equity Plan and 2024 Equity Plan for the years ended August 31, 2026 and August 31, 2025:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Approximate Aggregate Intrinsic Value (in thousands)
Outstanding at August 31, 2025	489,500	$ 9.52	3.8	$ 616
Granted	30,000	10.75		
Exercised	(67,000)	8.98		
Forfeited / Expired	—	—		
Outstanding at August 31, 2026	452,500	9.69	3.3	813
Options exercisable at August 31, 2026	422,500	$ 9.61	2.9	$ 802
Outstanding at August 31, 2024	524,500	$ 9.42	4.7	$ 877
Granted	—	—		
Net settlement exercised	(35,000)	7.89		
Forfeited / Expired	—	—		
Outstanding at August 31, 2025	489,500	$ 9.52	3.8	$ 616

The following table summarizes the activity and value of non-vested options as of and for the years ended August 31, 2026 and August 31, 2025:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested options outstanding at August 31, 2025	17,000	$ 3.93
Granted	30,000	4.59
Vested	(17,000)	3.93
Forfeited / Expired	—	—
Non-vested options outstanding at August 31, 2026	30,000	$ 4.59
Non-vested options outstanding at August 31, 2024	59,000	$ 4.45
Granted	—	—
Vested	(42,000)	4.66
Forfeited	—	—
Non-vested options outstanding at August 31, 2025	17,000	$ 3.93

All non-vested options are expected to vest. For the years ended August 31, 2026 and 2025, the total fair value of options that vested during the year was $0.1 million and $0.2 million, respectively. During the year ended August 31, 2026, the Company granted options to purchase 30,000 shares; no options were granted during the year ended August 31, 2025.

For the years ended August 31, 2026 and 2025, share-based compensation expense was $0.4 million and $0.3 million, respectively.

As of August 31, 2026, the Company had unrecognized share-based compensation expense totaling $0.2 million relating to non-vested options and restricted stock that are expected to vest over a weighted average period of 2.2 years.

NOTE 9 – SIGNIFICANT CUSTOMERS

The Company has significant customers in its operations. The table below presents the percentage of total revenue for the reported customers for the years ended August 31, 2026 and 2025. For water and wastewater customers, the Company primarily provides services on behalf of the Rangeview District for which the significant end users include all Sky Ranch homes in the aggregate combined with the Sky Ranch CAB and two oil & gas operators. The homebuilders at Sky Ranch account for lot purchase revenue but also for water and wastewater tap fees revenue.

	Year Ended	
% of Total Revenue Generated From:	August 31, 2026	August 31, 2025
Melody (DR Horton)	35 %	30 %
Oakwood	17 %	— %
Two oil & gas operators	13 %	4 %
Pulte Group	8 %	— %
Sky Ranch CAB	7 %	8 %
Lennar	4 %	20 %
KB Home	3 %	15 %
Taylor Morrison	3 %	8 %
Challenger	1 %	5 %

NOTE 10 – INCOME TAXES

The Company's operations are conducted solely in the United States.

Income tax expense consists of the following:

(In thousands)	August 31, 2026	August 31, 2025
Current tax expense		
U.S. federal	$ 3,012	$ 3,482
U.S. state	658	733
Total current tax expense	$ 3,670	$ 4,215
Deferred tax expense		
U.S. federal	$ 806	$ 119
U.S. state	177	26
Total deferred tax expense	$ 983	$ 145
Total income tax expense		
U.S. federal	$ 3,818	$ 3,601
U.S. state	835	759
Total expense for income taxes	$ 4,653	$ 4,360

During the year ended August 31, 2026, Pure Cycle paid federal and Colorado income taxes, including amounts due for fiscal 2025, of $4.3 million and $0.9 million, respectively. During the year ended August 31, 2025, Pure Cycle paid federal and Colorado income taxes of $3.6 million and $0.8 million, respectively.

Deferred income taxes reflect the tax effects of net operating loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of August 31 are as follows:

(In thousands)	August 31, 2026	August 31, 2025
Deferred tax assets (liabilities):		
Depreciation and depletion	$ (3,336)	$ (2,361)
Non-qualified stock options	438	522
Accrued compensation	177	127
Deferred revenue	99	113
Other	98	58
Net deferred tax liability	$ (2,524)	$ (1,541)

As of August 31, 2026 and 2025, the Company had no liability for unrecognized tax benefits.

Income taxes computed using the federal statutory income tax rate differ from the Company's effective tax rate primarily due to the following for the fiscal years ended August 31:

	Year Ended			
(In thousands)	August 31, 2026		August 31, 2025	
Expected expense (benefit) from federal taxes at statutory rate of 21%	$ 3,967	21.00%	$ 3,669	21.00%
State taxes, net of federal benefit	660	3.49%	600	3.43%
Nontaxable or nondeductible items	20	0.11%	33	0.19%
Other	6	0.03%	58	0.33%
Total income tax expense	$ 4,653	24.63%	$ 4,360	24.95%

State income taxes in Colorado comprise the majority of the state income taxes, net of federal effect category for the years ended August 31, 2026 and 2025, respectively.

As of August 31, 2026 and 2025, the Company had no net operating loss carryforwards available for income tax purposes.

NOTE 11 – 401(k) PLAN

The Company maintains the Pure Cycle Corporation 401(k) Profit Sharing Plan (401(k) Plan), a defined contribution retirement plan for the benefit of its employees. The Company matches employee contributions at the rate of 50% of the first 3% up to a maximum of $2,500 per annum. The contributions vest based on years of service - first anniversary 25%, second anniversary 50%, third anniversary 75% and the fourth anniversary 100%. The Company pays the annual administrative fees of the 401(k) Plan, and the 401(k) Plan participants pay the investment fees. The 401(k) Plan is open to all employees, age 18 or older, who have been employees of the Company for at least three months.

For the years ended August 31, 2026 and 2025, the Company recorded less than $0.1 million of expenses related to the 401(k) Plan.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Company has historically been involved in various claims, litigation and other legal proceedings that arise in the ordinary course of its business. The Company records an accrual for a loss contingency when its occurrence is probable and damages can be reasonably estimated based on the anticipated most likely outcome or the minimum amount within a range of possible outcomes. The Company makes such estimates based on information known about the claims and experience in contesting, litigating and settling similar claims. Disclosures are also provided for reasonably possible losses that could have a material effect on the Company's financial position, results of operations or cash flows. Legal fees and other costs of defending claims are expensed as incurred.

On December 11, 2025, Colorado Interstate Gas Company, L.L.C. (CIG) filed a complaint against the Company, the Rangeview District and Prosper Farms Investments, LLC in the District Court of Arapahoe County, Colorado, alleging that the construction and operation of a Rangeview District water pipeline on the Prosper Farms property encroaches upon CIG's natural gas pipeline easements and interferes with CIG's ability to comply with federal pipeline safety regulations. CIG seeks injunctive relief to prevent construction of the water pipeline within 25 feet of its pipelines, removal of related facilities within that zone, a declaratory judgment establishing a fixed 25-foot easement width, and unspecified damages for alleged trespass and breach of easement. CIG has suspended its request for injunctive relief. In November 2026, the parties reached an agreement on the terms of a settlement of the lawsuit; however, the agreement had not been signed by all parties as of the date these consolidated financial statements were issued. The Company believes it is entitled to construct and operate the pipeline within the easement under the approved parameters and intends to defend the matter. Because the Company does not believe a loss is probable and cannot estimate the amount or range of any reasonably possible loss, no amount has been accrued as of August 31, 2026.

Other than the matter described above, as of August 31, 2026 the Company was not a party to any legal proceeding for which it believes a material loss is probable or reasonably possible.

NOTE 13 – SEGMENT REPORTING

An operating segment is defined as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the CODM, or decision-making group, to evaluate performance and make operating decisions. The Company has identified its CODM as its Chief Executive Officer.

Based on the methods used by the CODM to allocate resources, the Company has identified three operating segments which meet GAAP segment disclosure requirements, namely the water and wastewater resource development segment, the land development segment and single-family rental business segment.

The water and wastewater resource development segment provides water and wastewater services to customers for fees. The water is provided by the Company using water rights owned or controlled by the Company, and developing infrastructure to divert, treat and distribute that water and collect, treat, and reuse wastewater. The land development segment includes all the activities necessary to develop and sell finished lots, which as of August 31, 2026 and 2025, were done exclusively at the Sky Ranch Master Planned Community. The single-family rental business segment includes single-family homes that the Company has contracted with homebuilders to build on finished lots retained by the Company during its land development activities. The revenue for this segment includes rental income from those homes, which as of August 31, 2026 and 2025, were located exclusively at the Company's Sky Ranch Master Planned Community. See Note 16.

The Company's operating segments, as defined in ASC 280, Segment Reporting, reflect how its CODM reviews financial information, makes operating decisions and assesses business performance. In identifying operating segments, the Company also considers its annual budgeting and forecasting process, management reporting structure, and information presented to the Board of Directors. The Company only operates in one geographic region and is not able to be aggregated by geographic operating segments.

The CODM evaluates the performance of the reportable segments based on operating income. Sales, gross margins, and operating expenses are also monitored closely. This information is used to monitor operating margins, measure segment profitability, allocate resources, and make budgeting and forecasting decisions about the reportable segments. The CODM also uses these measures to monitor trends in year over year performance comparisons, sequential quarter performance comparisons, and to compare actual results to forecasts. More disaggregated information about operating expense is generally only reviewed by the CODM on a consolidated basis.

As a result of the Company's philosophy of maximizing operating efficiencies through the centralization of certain functions, operating income for the reportable segments excludes unallocated corporate overhead costs, depreciation on corporate fixed assets, other costs and other income, as they are not attributable to the individual reportable segments and are included in the corporate line item.

The tables below present the measure of profit and assets as well as the interest income and expense that the CODM uses to assess the performance of the segment for the periods presented:

	Year Ended August 31, 2026				
(In thousands)	**Water and wastewater resource development**	**Land development**	**Single-family rental**	**Corporate**	**Total**
Total revenue	$ 13,434	$ 21,403	$ 858	$ —	$ 35,695
Cost of revenue	4,801	6,823	273	—	11,897
Depreciation and depletion	1,682	—	—	—	1,682
Total cost of revenue	6,483	6,823	273	—	13,579
Segment profit	$ 6,951	$ 14,580	$ 585	$ —	$ 22,116
Interest income	$ —	$ —	$ —	$ 3,818	$ 3,818
Interest expense	$ 140	$ —	$ 477	$ 13	$ 630

	Year Ended August 31, 2025				
(In thousands)	**Water and wastewater resource development**	**Land development**	**Single-family rental**	**Corporate**	**Total**
Total revenue	$ 10,334	$ 15,257	$ 496	$ —	$ 26,087
Cost of revenue	3,074	5,100	176	—	8,350
Depreciation and depletion	1,707	—	—	—	1,707
Total cost of revenue	4,781	5,100	176	—	10,057
Segment profit	$ 5,553	$ 10,157	$ 320	$ —	$ 16,030
Interest income	$ —	$ —	$ —	$ 3,272	$ 3,272
Interest expense	$ 151	$ —	$ 273	$ 2	$ 426

The following table summarizes the Company's total assets by segment. The assets consist of water rights and water and wastewater systems in the Company's water and wastewater resource development segment; land, land development costs and deposits in the Company's land development segment; and the cost of the homes in the single-family rental line. The Company's other assets ("Corporate") primarily consist of cash, cash equivalents, restricted cash, equipment, and related party notes receivables.

(In thousands)	August 31, 2026	August 31, 2025
Water and wastewater resource development	$ 77,368	$ 69,366
Land development	6,164	11,121
Single-family rental	18,406	5,280
Corporate	83,297	76,512
Total assets	$ 185,235	$ 162,279

NOTE 14 – RELATED PARTY TRANSACTIONS

The Rangeview District

On December 16, 2009, the Company entered into a Participation Agreement with the Rangeview District, whereby the Company agreed to provide funding to the Rangeview District in connection with the Rangeview District joining the South Metro Water Supply Authority (SMWSA). During the years ended August 31, 2026 and 2025, the Company provided funding of less than $0.1 million to the Rangeview District related to this Participation Agreement.

Through the WISE Financing Agreement, to date the Company has made payments totaling $7.2 million to purchase certain rights to use existing water transmission and related infrastructure acquired by the WISE project and to construct the connection to the WISE system. At August 31, 2026, the amounts are included in Investments in water and water systems on the Company's balance sheet. During the year ended August 31, 2026, the Company, through the Rangeview District, purchased 884 acre-feet of WISE water for $2.0 million.

The cost of the water to the members is based on the water rates charged by Aurora Water and can be adjusted each January 1. As of January 1, 2026, WISE water was approximately $6.97 per thousand gallons, and such rate will remain in effect through calendar 2026. As of January 1, 2025, WISE water was $7.23 per thousand gallons, a price that was in effect through calendar 2025. In addition, the Company pays certain system operational and construction costs. If a WISE member, including the Rangeview District, does not need its WISE water each year or a member needs additional water, the members can trade and/or buy and sell water amongst themselves.

During the years ended August 31, 2026 and 2025, the Company provided $2.2 million and $0.9 million of financing to the Rangeview District to fund the Rangeview District's obligation to purchase WISE water rights and pay for operational and construction charges. Ongoing funding requirements are dependent on the WISE water subscription amount and the Rangeview District's allocated share of the operational and overhead costs of SMWA and construction activities related to delivery of WISE water.

The Rangeview District is a quasi-municipal corporation and political subdivision of Colorado formed in 1986 for the purpose of providing water and wastewater service to the Lowry Ranch and other approved areas. The Rangeview District is governed by an elected board of directors. Eligible voters and persons eligible to serve as directors of the Rangeview District must own an interest in property within the boundaries of the Rangeview District. The Company owns certain rights and real property interests which encompass the current boundaries of the Rangeview District.

The Rangeview District and the Company have entered into two loan agreements. At August 31, 2026, the balance in notes receivable - related parties, other totaled $1.1 million, which included borrowings of $1.1 million and accrued interest of less than $0.1 million. During the year ended August 31, 2026, the Rangeview District made payments totaling $0.1 million on the notes payable to the Company. The August 31, 2025 balance in notes receivable totaled $1.2 million, which included borrowings of $1.2 million and accrued interest of less than $0.1 million. In 1995, the Company extended a loan to the Rangeview District for borrowings of up to $0.3 million, which is unsecured, and bears interest based on the prevailing prime rate plus 2% (8.75% at August 31, 2026). The maturity date of the loan is December 31, 2026, at which time it automatically renews through December 31, 2027. Beginning in January 2014, the Rangeview District and the Company entered into a funding agreement that allows the Company to continue to provide funding to the Rangeview District for day-to-day operations and accrue the funding into a note that bears interest at a rate of 8% per annum and remains

in full force and effect for so long as the 2014 Amended and Restated Lease Agreement among the Rangeview District, the Company, and the State Board of Land Commissioners remains in effect.

Beginning October 1, 2026, the Company subleases its corporate office and operations warehouse from the Rangeview District; see Note 16.

Sky Ranch CAB

Pursuant to a certain Community Authority Board Establishment Agreement, as the same may be amended from time to time, Sky Ranch Metropolitan District No. 1, 3, 5 and 6 formed the Sky Ranch CAB to, among other things, design, construct, finance, operate and maintain certain public improvements for the benefit of the property within the boundaries and/or service area of the Sky Ranch Districts. In order for the public improvements to be constructed and/or acquired, it is necessary for each Sky Ranch District, directly or through the Sky Ranch CAB, to be able to fund the improvements and pay its ongoing operations and maintenance expenses related to the provision of services that benefit the property. In November 2017, but effective as of January 1, 2018, the Company entered into a Project Funding and Reimbursement Agreement (PF Agreement) with the Sky Ranch CAB for the Sky Ranch property. The PF Agreement required the Company to fund an agreed upon list of public improvements for Sky Ranch with respect to earthwork, erosion control, streets, drainage, and landscaping at an estimated cost of $13.2 million for calendar years 2018 and 2019. Each advance or reimbursable expense is certified by a third-party engineer and accrues interest at a rate of six percent (6%) per annum.

The Company and the Sky Ranch CAB entered into a Facilities Funding and Acquisition Agreement (FFAA) for Phase 1 effective November 2017 and amended on September 2024, obligating the Company to advance funding to the Sky Ranch CAB for specified public improvements. The Company and the Sky Ranch CAB entered into a Phase 2 Facilities Funding and Acquisition Agreement (FFAA2) for Phase 2 effective December 2020, obligating the Company to advance funding to the Sky Ranch CAB for specified public improvements. All amounts owed under the FFAA and FFAA2 bear interest at a rate of 6% per annum. Any advances not paid or reimbursed by the Sky Ranch CAB by December 31, 2058 for Phase 1 and December 31, 2060 for Phase 2 shall be deemed forever discharged and satisfied in full.

As of August 31, 2026, the balance of the Company's advances for improvements, including interest, net of reimbursements already received from the Sky Ranch CAB, totaled $61.8 million. The advances have been used by the Sky Ranch CAB to pay for construction of public improvements. The Company submits specific costs for reimbursement to the Sky Ranch CAB which have been certified by an independent third-party.

Sky Ranch Metropolitan District Nos. 1, 3, 4, 5, 6, 7 and 8 (Sky Ranch Districts) and the Sky Ranch CAB are quasi-municipal corporations and political subdivisions of Colorado formed for the purpose of providing service to the Company's Sky Ranch property. The board of directors of the Rangeview District consists of three employees of the Company (including the Company's CEO) and two directors who are not employees of the Company; the Company's CFO is not a director of the Rangeview District. The boards of directors of the Sky Ranch CAB and each of the Sky Ranch Districts consist of three employees of the Company (including the Company's CEO and CFO) and two directors who are not employees of the Company.

The following table summarizes the balances associated with the note receivable related party:

(In thousands)	August 31, 2026	August 31, 2025
Sky Ranch CAB reimbursable public improvements and project management fees	$ 61,818	$ 43,835
Rangeview Metro District note receivable	1,148	1,167
Related party notes receivable, including accrued interest	$ 62,966	$ 45,002

NOTE 15 – EARNINGS PER SHARE

Certain outstanding options are excluded from the diluted earnings per share calculation because they are anti-dilutive (i.e., their assumed conversion into common stock would increase rather than decrease earnings per share). The excluded options total approximately 400,000 for the fiscal years ended August 31, 2026 and 2025. Unvested restricted shares contain nonforfeitable rights to dividends and are participating securities; their effect on basic and diluted earnings per share under the two-class method was not material.

	Year Ended	
(In thousands, except share and per share amounts)	**August 31, 2026**	**August 31, 2025**
Net income	$ 14,239	$ 13,110
Basic weighted average common shares	24,095,734	24,076,317
Effect of dilutive securities	61,409	91,212
Weighted average shares applicable to diluted earnings per share	24,157,143	24,167,529
Earnings per share - basic	$ 0.59	$ 0.54
Earnings per share - diluted	$ 0.59	$ 0.54

NOTE 16 – SUBSEQUENT EVENTS

Single-family rental portfolio – Subsequent to fiscal 2026, the Company determined that it will not invest in new single-family rental homes beyond its existing portfolio of 51 homes and the homes under construction contracts at August 31, 2026, and that it will sell its rental homes in an orderly manner. The Company is working with the homebuilder to reduce the number of homes constructed under those contracts and to sell the related lots to homebuilders. Because this decision was made after August 31, 2026, the rental homes continue to be classified as held and used and are presented in single-family rental units in the accompanying consolidated balance sheet. One rental home that was listed for sale at August 31, 2026 was sold in September 2026, and the Company recognized a gain on the sale in fiscal 2027. At August 31, 2026, the carrying amount of the Company's single-family rental homes was $18.3 million, and the homes secured $15.1 million of borrowings under the SFR Notes and SFR Facility Agreement. The Company expects to sell the homes individually over the next several years, generally as existing leases expire; the timing and amount of proceeds will depend on market conditions, and proceeds from the sale of homes that secure the SFR Notes or SFR Facility Agreement borrowings will be applied to repay the related borrowings. Based on current market values, the Company does not expect to recognize a loss on the sale of the homes.

Office and warehouse sublease – related party – The Company's lease of its corporate office and operations warehouse expired on September 30, 2026. Effective October 1, 2026, the Rangeview District entered into a one-year lease of the same space with the same third-party landlord on substantially the same terms, with an option to renew for an additional year. On September 24, 2026, the Company entered into a sublease with the Rangeview District under which the Company continues to occupy the space and pays the Rangeview District the rent payable under the Rangeview District's lease, including a pro-rata share of the landlord's operating costs. Either party may terminate the sublease at any time. Under the Operation Funding Agreement, the Company funds the Rangeview District's operating costs that are not covered by its revenues (see Note 14), which would include the Rangeview District's obligations under its lease of the space if the sublease were terminated. Because the Rangeview District's lease has a term of twelve months and exercise of its renewal option is not reasonably certain, the Company will account for the sublease as a short-term lease and recognize rent expense as incurred, and will reassess the lease term if it becomes reasonably certain that the Rangeview District's renewal option will be exercised. The Rangeview District is a related party (see Note 14).

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rule 13a-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures. The President and the Chief Financial Officer evaluated the effectiveness of disclosure controls and procedures as of August 31, 2026, pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, the President and the Chief Financial Officer each concluded that, as of the end of period covered by this report, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Exchange Act defines internal control over financial reporting as a process designed by, or under the supervision of, our executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 COSO Framework). Based on that assessment, management determined that as of August 31, 2026, our internal controls over financial reporting were effective.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us, as a non-accelerated filer, to provide only management's report in this Annual Report.

Changes in Internal Controls

No changes were made to our internal control over financial reporting during the fourth quarter of our fiscal 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B – Other Information

Rule 10b5-1 Trading Arrangements. During the three months ended August 31, 2026, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 9C – Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable

PART III

Item 10 – Directors, Executive Officers and Corporate Governance

Our board of directors has adopted a Code of Business Conduct and Ethics applicable to all of our directors, officers and employees that is available on our website at www.purecyclewater.com. We intend to disclose any amendments to or waivers from the provisions of our Code of Business Conduct and Ethics that are applicable to our principal executive officer, principal financial officer or principal accounting officer and that relate to any element of the SEC's definition of code of ethics by posting such information on our website, in a press release, or on a Current Report on Form 8-K.

Information required by this item will be contained in, and is incorporated herein by reference to, our definitive Proxy Statement pursuant to Regulation 14A promulgated under the Exchange Act for the Annual Meeting of Shareholders to be held in February 2027.

Item 11 – Executive Compensation

The information required by this item will be included in, and is incorporated herein by reference to, our Proxy Statement.

Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in, and is incorporated herein by reference to, our Proxy Statement.

Item 13 – Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in, and is incorporated herein by reference to, our Proxy Statement.

Item 14 – Principal Accounting Fees and Services

The information required by this item will be included in, and is incorporated herein by reference to, our Proxy Statement.

PART IV

Item 15 – Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Annual Report on Form 10-K

(1) Financial Statements. See "Index to Consolidated Financial Statements and Supplementary Data" in *Part II, Item 8* of this Annual Report on Form 10-K.

(2) Financial Statement Schedules. All schedules are omitted either because they are not required or the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits. The exhibits listed on the accompanying "Exhibit Index" are filed or incorporated by reference as part of this Annual Report on Form 10-K, unless otherwise indicated.

Item 16 – Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Articles of Incorporation of the Company. Incorporated by reference to Appendix B to the Proxy Statement on Schedule 14A filed on December 14, 2007.
3.2	Amended and Restated Bylaws of the Company. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 5, 2023.
4.1	Specimen Stock Certificate. Incorporated by reference to Exhibit 4.1 to Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2015.
4.2	Description of Capital Stock. Incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2019.
10.1	2014 Equity Incentive Plan, effective April 12, 2014. Incorporated by reference to Appendix A to the Proxy Statement for the Annual Meeting held on January 15, 2014. **
10.2	Pure Cycle Corporation 2024 Equity Incentive Plan. Incorporated by Reference to Exhibit 10.1 to the current report on Form 8-K filed January 19, 2024. **
10.2.1	Stock Option Agreement (Non-Statutory Stock Option), dated as of November 20, 2025, between the Company and Marc Spezialy, under the Pure Cycle Corporation 2024 Equity Incentive Plan. * **
10.2.2	Stock Option Agreement (Non-Statutory Stock Option), dated as of September 16, 2026, between the Company and Marc Spezialy, under the Pure Cycle Corporation 2024 Equity Incentive Plan. * **
10.3	Wastewater Service Agreement, dated January 22, 1997, by and between the Company and the Rangeview Metropolitan District. Incorporated by reference to Exhibit 10.3 to the Annual Report on Form 10-KSB for the fiscal year ended August 31, 1998.
10.4	Agreement for Sale of Export Water dated April 11, 1996 by and between the Company and the Rangeview Metropolitan District. Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-QSB for the fiscal quarter ended May 31, 1996.
10.5	Bargain and Sale Deed among the Land Board, the Rangeview Metropolitan District and the Company dated April 11, 1996. Incorporated by reference to Exhibit 10.18 to Amendment No. 1 to Registration Statement on Form SB-2, filed on June 7, 2004.
10.6	Agreement for Water Service dated August 3, 2005 among the Company, Rangeview Metropolitan District and Arapahoe County. Incorporated by reference to Exhibit 10.24 to the Current Report on Form 8-K filed on August 4, 2005.
10.7	Amendment No. 1 to Agreement for Water Service dated August 25, 2008, between the Company and Arapahoe County. Incorporated by reference to Exhibit 10.36 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2008.
10.8	Paid-Up Oil and Gas Lease dated March 14, 2011, between the Company and Anadarko E&P Company, L.P. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 15, 2011.
10.9	2014 Amended and Restated Lease Agreement, dated July 10, 2014, by and between the Land Board, the Rangeview Metropolitan District, and the Company. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on July 14, 2014.
10.10	2014 Amended and Restated Service Agreement, dated July 10, 2014, by and between the Company and the Rangeview Metropolitan District. Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on July 14, 2014.
10.11	Rangeview/Pure Cycle WISE Project Financing and Service Agreement, effective as of November 10, 2014. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 30, 2014.
10.12	South Metro WISE Authority Formation and Organizational Intergovernmental Agreement, dated December 31, 2013. Incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2014.
10.13	Amended and Restated WISE Partnership – Water Delivery Agreement, dated December 31, 2013, among the City and County of Denver acting through its Board of Water Commissioners, the City of Aurora acting by and through its Utility Enterprise, and South Metro WISE Authority. Incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2014.
10.14	Agreement for Purchase and Sale of Western Pipeline Capacity, dated November 19, 2014, among the Rangeview Metropolitan District and certain members of the South Metro WISE Authority. Incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2014.

Exhibit Number	Description
10.15	Water Service Agreement by and between Rangeview Metropolitan District, acting by and through its Water Activity Enterprise, and Elbert & Highway 86 Commercial Metropolitan District, acting by and through its Water Enterprise, dated as of December 15, 2016. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 19, 2016.
10.16	Export Service Agreement, effective as of June 16, 2017, between the Company and the Rangeview Metropolitan District. Incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2017.
10.18	Option Agreement, dated January 30, 2024, by and among the Land Board, the Rangeview Metropolitan District, and the Company. Incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2024.
10.19	Facilities Funding and Acquisition Agreement (FFAA), effective as of November 13, 2017, between the Company and Sky Ranch CAB. Incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2025.
10.20	Phase 2 Facilities Funding and Acquisition Agreement (FFAA2), effective as of December 17, 2020, between the Company and Sky Ranch CAB. Incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2025.
10.21	Amendment No. 1 to FFAA, effective as of September 13, 2024, between the Company and Sky Ranch CAB. Incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2025.
10.22	Amended and Restated Operation Funding Agreement, dated December 17, 2021 and effective January 1, 2014, between the Company and the Rangeview Metropolitan District. *
10.23	Amended and Restated Loan and Security Agreement, dated February 18, 2026, by and among Pure Cycle Corporation, PCY Holdings, LLC and PCYO Home Rentals, LLC, as borrowers, and UMB Bank, n.a., as lender. *
10.23.1	First Amendment to Amended and Restated Loan and Security Agreement, dated March 17, 2026, by and among Pure Cycle Corporation, PCY Holdings, LLC and PCYO Home Rentals, LLC, as borrowers, and UMB Bank, n.a., as lender. *
10.23.2	Second Amendment to Amended and Restated Loan and Security Agreement, dated June 15, 2026, by and among Pure Cycle Corporation, PCY Holdings, LLC and PCYO Home Rentals, LLC, as borrowers, and UMB Bank, n.a., as lender. *
19.1	Insider Trading Policy. Incorporated by reference to Exhibit 19.1 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2025.
21.1	Subsidiaries of the Registrant *
23.1	Consent of Forvis Mazars, LLP *
24.1	Powers of Attorney (included on the Signatures page of this Annual Report on Form 10-K)*
31.1	Certification of principal executive officer under Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ***
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ***
97.1	Clawback Policy (incorporated by reference to Exhibit 97.1 to the Annual Report on Form 10-K for the year ended August 31, 2024).
101.INS	Inline XBRL Instance Document. *
101.SCH	Inline XBRL Taxonomy Extension Schema Document. *
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document. *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. *
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. *
104	Cover page formatted as inline XBRL and contained in Exhibit 101

* Filed herewith

** Indicates management contract or compensatory plan or arrangement in which directors or executive officers are eligible to participate.

*** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PURE CYCLE CORPORATION

/s/ Marc S. Spezialy
Marc S. Spezialy
Vice President and Chief Financial Officer
November 18, 2026

POWERS OF ATTORNEY

Each person whose signature appears below constitutes and appoints Mark W. Harding and Marc S. Spezialy, jointly and severally, as such person's attorneys-in-fact, each with the power of substitution, for such person in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mark W. Harding Mark W. Harding	President, Chief Executive Officer and Director (Principal Executive Officer)	November 18, 2026
/s/ Marc S. Spezialy Marc S. Spezialy	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	November 18, 2026
/s/ Patrick J. Beirne Patrick J. Beirne	Chair, Director	November 18, 2026
/s/ Wanda J. Abel Wanda J. Abel	Director	November 18, 2026
/s/ Frederick A. Fendel III Frederick A. Fendel III	Director	November 18, 2026
/s/ Susan D. Heitmann Susan D. Heitmann	Director	November 18, 2026
/s/ Christopher Fink Christopher Fink	Director	November 18, 2026
/s/ Jeffrey G. Sheets Jeffrey G. Sheets	Director	November 18, 2026
/s/ Kelly J. Haecker Kelly J. Haecker	Director	November 18, 2026

STOCK OPTION AGREEMENT
(NON-STATUTORY STOCK OPTION)

THIS STOCK OPTION AGREEMENT (this "Agreement") is made by and between PURE CYCLE CORPORATION (the "Company") and Marc Spezialy (the "Option Holder", and together with the Company, the "Parties").

RECITALS

The Pure Cycle 2024 Equity Incentive Plan (the "Plan") was adopted by the board of directors of the Company (the "Board") and approved by the shareholders of the Company, and became effective on January 17, 2024, pursuant to which certain eligible participants may receive options to purchase common stock of the Company, one-third of $0.01 par value per share ("Stock"). Capitalized terms used and not defined herein shall have the meanings set forth in the Plan.

The Option Holder has been selected to receive a Non-Statutory Option pursuant to the Plan.

The Option Holder is desirous of obtaining the Non-Statutory Option on the terms and conditions herein contained.

AGREEMENT

IT IS THEREFORE AGREED by and between the Parties, for and in consideration of the premises and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as follows:

1. Option Grant. The Company hereby confirms and acknowledges that it has granted to the Option Holder, as of November 20, 2025 (the "Grant Date"), an option (the "Option"), which shall be a Non-Statutory Option, to purchase thirty-thousand (30,000) shares of Stock (the "Shares") at the price of $10.75 per Share (the "Exercise Price"), which is the closing sales price of the Stock as quoted on NASDAQ on the date of grant, upon the terms and conditions herein set forth and subject to the terms and conditions of the Plan.

2. Exercise Period. The Option shall continue for ten (10) years after the Grant Date unless sooner terminated or modified under the provisions of this Agreement and shall automatically expire at 12:00 a.m. on the tenth anniversary of the Grant Date.

3. Vesting. The Option shall vest as follows: (i) One-third of the Shares, or 10,000 Shares, shall vest on the first anniversary of the Grant Date; (ii) One-third of the Shares, or 10,000 Shares, shall vest on the second anniversary of the Grant Date; and (iii) One-third of the Shares, or 10,000 Shares, shall vest on the third anniversary of the Grant Date.

4. Termination of Service.

(a) If the Option Holder ceases to be a Service Provider within the Exercise Period for cause, as determined by the Company, the Option shall thereafter be void for all purposes. As used in this subparagraph 4(a), "cause" shall mean (i) if applicable, "cause" as defined on a written contract between the Option Holder and the Company, or (ii) in any other case, a gross violation, as determined by the Company, of the Company's established policies and procedures. The effect of this subparagraph 4(a) shall be limited to determining the consequences of a termination, and nothing in this subparagraph 4(a) shall restrict or otherwise interfere with the Company's discretion with respect to the termination of the Option Holder.

(b) If the Option Holder ceases to be a Service Provider with the Company in a manner determined by the Board, in its sole discretion, to constitute retirement (which determination shall be communicated to the Option Holder within ten days of such termination), the Option may be exercised by the Option Holder, or in the case of death, by the persons specified in subparagraph (c) below, within twelve months following the Option Holder's retirement (provided that such exercise must occur within the Exercise Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date the Option Holder ceased to be a Service Provider.

(c) If the Option Holder dies (i) while the Option Holder is a Service Provider, (ii) within the three-month period referred to in subparagraph (e) below, or (iii) within the twelve-month period referred to in subparagraph (b) above, the Option may be exercised by those entitled to do so under the Option Holder's will or by the laws of descent and distribution within twelve months following the Option Holder's death (provided that such exercise must occur within the Exercise Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date the Option Holder ceased to be a Service Provider.

(d) If the Option Holder becomes disabled (within the meaning of Section 22(e) of the Internal Revenue Code) while a Service Provider or within the three-month period referred to in subparagraph (e) below or within the twelve-month period following the Option Holder's retirement as provided in subparagraph (b) above, the Option may be exercised by the Option Holder within twelve months following the date of the Option Holder's disability (provided that such exercise must occur within the Exercise Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date the Option Holder ceased to be a Service Provider.

(e) If the Option Holder ceases to be a Service Provider within the Exercise Period for any reason other than cause, retirement as provided in subparagraph (b) above, disability as provided in subparagraph (d) above, or the Option Holder's death, the Option may be exercised by the Option Holder within three months following the date of such cessation (provided that such exercise must occur within the Exercise Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date that the Option Holder ceases to be a Service Provider

5. Transferability. The Option may not be exercised by anyone other than the Option Holder during the Option Holder's lifetime, except in the event of the Option Holder's disability or incapacity, in which case the Option may be exercised by the Option Holder's guardian or legal representative. In the event of the Option Holder's death, the Option may be exercised by the personal representative of the Option Holder's estate or, if no personal representative has been appointed, by the successor or successors in interest determined under the Option Holder's will or under the applicable laws of descent and distribution. The Option may not be assigned or transferred during the lifetime of the Option Holder, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy, except pursuant to a domestic relations order or if permitted by the Administrator pursuant to Section 12.3 of the Plan.

6. Exercise Payments, etc. The Option may be exercised in whole or in part by delivering to the Corporate Secretary of the Company or a designated agent written notice of exercise specifying the particular Option and the number of Shares to be exercised, together with payment in full of the Exercise Price, to be paid by any of the following methods:

(a) cash;

(b) certified or cashier's check payable to the order of the Company;

(c) if authorized by the Administrator, by delivery to the Company of certificates representing the number of Shares then owned by the Option Holder, the Fair Market Value of which equals the purchase price of the Stock purchased pursuant to the Option, properly endorsed for transfer to the Company; provided, however, that the Shares used for this purpose have been held by the Option Holder for more than six months; and provided further that the Fair Market Value of any Shares delivered in payment of the purchase price upon exercise of the Option shall be the Fair Market Value as of the exercise date, which shall be the date of delivery of the certificates for the Stock used as payment of the Exercise Price;

(d) if authorized by the Administrator, by requesting to receive the number of Shares being exercised less the number of Shares having a Fair Market Value as of the exercise date equal to the aggregate Exercise Price for all Shares being exercised at the time; or

(e) if authorized by the Administrator, any combination of those methods.

7. Withholding.

(a) The Company's obligations to deliver Shares upon the exercise of the Option shall be subject to the Option Holder's satisfaction of all applicable federal, state and local income and other tax withholding requirements. The Company may defer exercise of the Option unless indemnified by the Option Holder to the Administrator's satisfaction against the payment of any such amount. Further, the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind due to the Option Holder by the Company.

(b) The Option Holder may elect to pay all such amounts of tax withholding, or any part thereof, by transferring to the Company, or having the Company withhold from Shares otherwise issuable to the Option Holder, Shares having a value equal to the amount required to be

withheld or such lesser amount as may be elected by the Option Holder. All elections shall be subject to the approval or disapproval of the Administrator. The value of Shares to be withheld shall be based on the Fair Market Value of the Stock on the date that the amount of tax to be withheld is to be determined (the "Tax Date"). Any such elections by the Option Holder to have Shares withheld for this purpose will be subject to the following restrictions:

(i) All elections must be made prior to the Tax Date;

(ii) All elections shall be irrevocable; and

(iii) The Option Holder must satisfy the requirements of Section 16 of the Exchange Act and any applicable rules thereunder with respect to the use of Stock to satisfy such tax withholding obligation.

8. Securities Law Limitation. Option Holder represents and agrees that (i) the Option shall not be exercisable unless the purchase of Shares upon the exercise of the Option is pursuant to an applicable effective registration statement under the Securities Act of 1933, as amended (the "Act"), or unless in the opinion of counsel for the Company, the proposed purchase of such Shares would be exempt from the registration requirements of the Act and from the qualification requirements of any state securities law; and (ii) the Option Holder will not sell or transfer the Shares, unless they are registered under the Act, except in a transaction that is exempt from registration under the Act, and each certificate issued to represent any unregistered Shares may bear a legend calling attention to the foregoing restrictions and agreements. The Company may require, as a condition of the exercise of the Option, that the Option Holder sign such further representations and agreements as it reasonably determines to be necessary or appropriate to assure and to evidence compliance with the requirements of the Act.

9. Shareholder Privileges. The Option Holder shall have no rights as a shareholder with respect to the Shares covered by the Option until the Option Holder becomes the holder of record of such Shares, and no adjustments shall be made for dividends or other distributions or rights as to which there is a record date preceding the date the Option Holder becomes the holder of record of such Stock, except as provided in Section 4 of the Plan.

10. Adjustment of Option. Subject to the limitations contained in Sections 6 and 15 of the Plan, the Administrator may make any adjustment in the Exercise Price, the number of shares subject to, or the terms of, the Option (to the extent the Option is then outstanding) by a regrant, amendment or by substitution of the Option, provided that if the regrant, amendment or substitution affects a repricing (which shall not include adjustments contemplated by Sections 4 and 11 of the Plan), shareholder approval shall be required before repricing is effective. Such regrant, amendment or substitution may result in terms and conditions (including Exercise Price, number of shares covered, vesting schedule or exercise period) that differ from the terms and conditions of the Option as set forth in this Agreement. The Administrator may not, however, adversely affect the rights of the Option Holder without the consent of the Option Holder.

11. Governing Law. THIS AGREEMENT IS ENTERED INTO AND SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO.

12. Plan Incorporated by Reference. The terms and conditions contained in the Plan, and as it may be amended from time to time hereafter, are incorporated into and made a part of this Agreement by reference, as if the same were set forth herein in full, and all provisions of the Option are made subject to any and all terms of the Plan.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures in acknowledgment and acceptance of the above terms and conditions as of the Grant Date.

PURE CYCLE CORPORATION

By: /s/ Mark Harding
Title: CEO

OPTION HOLDER

/s/ Marc Spezialy
Marc Spezialy

STOCK OPTION AGREEMENT
(NON-STATUTORY STOCK OPTION)

THIS STOCK OPTION AGREEMENT (this "Agreement") is made by and between PURE CYCLE CORPORATION (the "Company") and Marc Spezialy (the "Option Holder", and together with the Company, the "Parties").

RECITALS

The Pure Cycle 2024 Equity Incentive Plan (the "Plan") was adopted by the board of directors of the Company (the "Board") and approved by the shareholders of the Company, and became effective on January 17, 2024, pursuant to which certain eligible participants may receive options to purchase common stock of the Company, one-third of $0.01 par value per share ("Stock"). Capitalized terms used and not defined herein shall have the meanings set forth in the Plan.

The Option Holder has been selected to receive a Non-Statutory Option pursuant to the Plan.

The Option Holder is desirous of obtaining the Non-Statutory Option on the terms and conditions herein contained.

AGREEMENT

IT IS THEREFORE AGREED by and between the Parties, for and in consideration of the premises and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as follows:

1. Option Grant. The Company hereby confirms and acknowledges that it has granted to the Option Holder, as of September 16, 2026 (the "Grant Date"), an option (the "Option"), which shall be a Non-Statutory Option, to purchase thirty-thousand (30,000) shares of Stock (the "Shares") at the price of $11.13 per Share (the "Exercise Price"), which is the closing sales price of the Stock as quoted on NASDAQ on the date of grant, upon the terms and conditions herein set forth and subject to the terms and conditions of the Plan.

2. Exercise Period. The Option shall continue for ten (10) years after the Grant Date unless sooner terminated or modified under the provisions of this Agreement and shall automatically expire at 12:00 a.m. on the tenth anniversary of the Grant Date.

3. Vesting. The Option shall vest as follows: (i) One-third of the Shares, or 10,000 Shares, shall vest on the first anniversary of the Grant Date; (ii) One-third of the Shares, or 10,000 Shares, shall vest on the second anniversary of the Grant Date; and (iii) One-third of the Shares, or 10,000 Shares, shall vest on the third anniversary of the Grant Date.

4. Termination of Service.

(a) If the Option Holder ceases to be a Service Provider within the Exercise Period for cause, as determined by the Company, the Option shall thereafter be void for all purposes. As used in this subparagraph 4(a), "cause" shall mean (i) if applicable, "cause" as defined on a written contract between the Option Holder and the Company, or (ii) in any other case, a gross violation, as determined by the Company, of the Company's established policies and procedures. The effect of this subparagraph 4(a) shall be limited to determining the consequences of a termination, and nothing in this subparagraph 4(a) shall restrict or otherwise interfere with the Company's discretion with respect to the termination of the Option Holder.

(b) If the Option Holder ceases to be a Service Provider with the Company in a manner determined by the Board, in its sole discretion, to constitute retirement (which determination shall be communicated to the Option Holder within ten days of such termination), the Option may be exercised by the Option Holder, or in the case of death, by the persons specified in subparagraph (c) below, within twelve months following the Option Holder's retirement (provided that such exercise must occur within the Exercise Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date the Option Holder ceased to be a Service Provider.

(c) If the Option Holder dies (i) while the Option Holder is a Service Provider, (ii) within the three-month period referred to in subparagraph (e) below, or (iii) within the twelve-month period referred to in subparagraph (b) above, the Option may be exercised by those entitled to do so under the Option Holder's will or by the laws of descent and distribution within twelve months following the Option Holder's death (provided that such exercise must occur within the Exercise Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date the Option Holder ceased to be a Service Provider.

(d) If the Option Holder becomes disabled (within the meaning of Section 22(e) of the Internal Revenue Code) while a Service Provider or within the three-month period referred to in subparagraph (e) below or within the twelve-month period following the Option Holder's retirement as provided in subparagraph (b) above, the Option may be exercised by the Option Holder within twelve months following the date of the Option Holder's disability (provided that such exercise must occur within the Exercise Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date the Option Holder ceased to be a Service Provider.

(e) If the Option Holder ceases to be a Service Provider within the Exercise Period for any reason other than cause, retirement as provided in subparagraph (b) above, disability as provided in subparagraph (d) above, or the Option Holder's death, the Option may be exercised by the Option Holder within three months following the date of such cessation (provided that such exercise must occur within the Exercise Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date that the Option Holder ceases to be a Service Provider

5. Transferability. The Option may not be exercised by anyone other than the Option Holder during the Option Holder's lifetime, except in the event of the Option Holder's disability or incapacity, in which case the Option may be exercised by the Option Holder's guardian or legal representative. In the event of the Option Holder's death, the Option may be exercised by the personal representative of the Option Holder's estate or, if no personal representative has been appointed, by the successor or successors in interest determined under the Option Holder's will or under the applicable laws of descent and distribution. The Option may not be assigned or transferred during the lifetime of the Option Holder, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy, except pursuant to a domestic relations order or if permitted by the Administrator pursuant to Section 12.3 of the Plan.

6. Exercise Payments, etc. The Option may be exercised in whole or in part by delivering to the Corporate Secretary of the Company or a designated agent written notice of exercise specifying the particular Option and the number of Shares to be exercised, together with payment in full of the Exercise Price, to be paid by any of the following methods:

(a) cash;

(b) certified or cashier's check payable to the order of the Company;

(c) if authorized by the Administrator, by delivery to the Company of certificates representing the number of Shares then owned by the Option Holder, the Fair Market Value of which equals the purchase price of the Stock purchased pursuant to the Option, properly endorsed for transfer to the Company; provided, however, that the Shares used for this purpose have been held by the Option Holder for more than six months; and provided further that the Fair Market Value of any Shares delivered in payment of the purchase price upon exercise of the Option shall be the Fair Market Value as of the exercise date, which shall be the date of delivery of the certificates for the Stock used as payment of the Exercise Price;

(d) if authorized by the Administrator, by requesting to receive the number of Shares being exercised less the number of Shares having a Fair Market Value as of the exercise date equal to the aggregate Exercise Price for all Shares being exercised at the time; or

(e) if authorized by the Administrator, any combination of those methods.

7. Withholding.

(a) The Company's obligations to deliver Shares upon the exercise of the Option shall be subject to the Option Holder's satisfaction of all applicable federal, state and local income and other tax withholding requirements. The Company may defer exercise of the Option unless indemnified by the Option Holder to the Administrator's satisfaction against the payment of any such amount. Further, the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind due to the Option Holder by the Company.

(b) The Option Holder may elect to pay all such amounts of tax withholding, or any part thereof, by transferring to the Company, or having the Company withhold from Shares otherwise issuable to the Option Holder, Shares having a value equal to the amount required to be

withheld or such lesser amount as may be elected by the Option Holder. All elections shall be subject to the approval or disapproval of the Administrator. The value of Shares to be withheld shall be based on the Fair Market Value of the Stock on the date that the amount of tax to be withheld is to be determined (the "Tax Date"). Any such elections by the Option Holder to have Shares withheld for this purpose will be subject to the following restrictions:

(i) All elections must be made prior to the Tax Date;

(ii) All elections shall be irrevocable; and

(iii) The Option Holder must satisfy the requirements of Section 16 of the Exchange Act and any applicable rules thereunder with respect to the use of Stock to satisfy such tax withholding obligation.

8. Securities Law Limitation. Option Holder represents and agrees that (i) the Option shall not be exercisable unless the purchase of Shares upon the exercise of the Option is pursuant to an applicable effective registration statement under the Securities Act of 1933, as amended (the "Act"), or unless in the opinion of counsel for the Company, the proposed purchase of such Shares would be exempt from the registration requirements of the Act and from the qualification requirements of any state securities law; and (ii) the Option Holder will not sell or transfer the Shares, unless they are registered under the Act, except in a transaction that is exempt from registration under the Act, and each certificate issued to represent any unregistered Shares may bear a legend calling attention to the foregoing restrictions and agreements. The Company may require, as a condition of the exercise of the Option, that the Option Holder sign such further representations and agreements as it reasonably determines to be necessary or appropriate to assure and to evidence compliance with the requirements of the Act.

9. Shareholder Privileges. The Option Holder shall have no rights as a shareholder with respect to the Shares covered by the Option until the Option Holder becomes the holder of record of such Shares, and no adjustments shall be made for dividends or other distributions or rights as to which there is a record date preceding the date the Option Holder becomes the holder of record of such Stock, except as provided in Section 4 of the Plan.

10. Adjustment of Option. Subject to the limitations contained in Sections 6 and 15 of the Plan, the Administrator may make any adjustment in the Exercise Price, the number of shares subject to, or the terms of, the Option (to the extent the Option is then outstanding) by a regrant, amendment or by substitution of the Option, provided that if the regrant, amendment or substitution affects a repricing (which shall not include adjustments contemplated by Sections 4 and 11 of the Plan), shareholder approval shall be required before repricing is effective. Such regrant, amendment or substitution may result in terms and conditions (including Exercise Price, number of shares covered, vesting schedule or exercise period) that differ from the terms and conditions of the Option as set forth in this Agreement. The Administrator may not, however, adversely affect the rights of the Option Holder without the consent of the Option Holder.

11. Governing Law. THIS AGREEMENT IS ENTERED INTO AND SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO.

12. Plan Incorporated by Reference. The terms and conditions contained in the Plan, and as it may be amended from time to time hereafter, are incorporated into and made a part of this Agreement by reference, as if the same were set forth herein in full, and all provisions of the Option are made subject to any and all terms of the Plan.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures in acknowledgment and acceptance of the above terms and conditions as of the Grant Date.

PURE CYCLE CORPORATION

By: /s/ Mark Harding
Title: CEO

OPTION HOLDER

/s/ Marc Spezialy
Marc Spezialy

EXHIBIT 10.22

AMENDED AND RESTATED
OPERATION FUNDING AGREEMENT

This **OPERATION FUNDING AGREEMENT** ("Agreement") is made and entered into this 17 day of December 2021, with an effective date of January 1, 2014, by and between **RANGEVIEW METROPOLITAN DISTRICT,** a quasi-municipal corporation and political subdivision of the State of Colorado (the "District") and **PURE CYCLE CORPORATION,** a Colorado corporation (the "Pure Cycle") (individually, each a "Party" and collectively the "Parties").

WHEREAS, pursuant to the authority granted to the District by Title 32 of the Colorado Revised Statutes and its Service Plan, the District owns ce1iain public improvements and assets, provides ce1iain services to benefit properties within and without its boundaries and service area (the "District Services"); and

WHEREAS, Pure Cycle is the owner and/or lessee of real property within the District's boundaries or service area located in Arapahoe County, Colorado. For purposes of this Agreement, those properties shall include, but shall not necessarily be limited to the properties known as the "Lowry Range" and the "Sky Ranch Prope1iy" (all property owned or leased by Pure Cycle shall be referred to as the "Property" unless specifically referred to by separate description); and

WHEREAS, the District Services benefit the Property; and

WHEREAS, in order for the public improvements to be constructed and/or acquired it is necessary for the District to be able to pay its ongoing operations and maintenance expenses which enable it to provide the District Services; and

WHEREAS, in order to enable the District to provide District Services, Pure Cycle is willing to advance funds to the District or to pay consultants directly for operations and maintenance expenses pursuant to the terms of this Agreement; and

WHEREAS, the District and Pure Cycle desire to set forth the rights, obligations and procedures for Pure Cycle to advance funds and for the District to reimburse Pure Cycle for the advances made hereunder.

NOW, THEREFORE, in consideration of the terms and conditions of this Agreement, the sufficiency of which are mutually acknowledged, the Parties agree as follows:

1. Payment of Shortfall. Pure Cycle shall advance funds necessary to fund the District's operations and maintenance expenses on a periodic basis as needed for the District to operate and provided the District's Services as budgeted. The District shall, from time to time but no less than annually as part of the District's budget process, provide written notice to Pure Cycle that an advance of funds is required. The District shall provide Pure Cycle with all accounting and financial information necessary to support the required advance of funds. Pure Cycle shall make an advance of funds to the District within fifteen (15) days of receipt from the District of any such written notice that an advance of funds is required ("Advance").

2. Accounting. Pure Cycle shall provide the District with written documentation

relative to any expenses paid directly to consultants. The District shall keep an accounting of each advance made by Pure Cycle, including the accrued and unpaid interest on such advances,and shall provide unaudited financial statements reflecting this accounting to Pure Cycle as requested by Pure Cycle, but no less frequently than on an annual basis during the District's budgetary processes.

3. Repayment. The District agrees that it is its intention to repay the amounts PureCycle has advanced pursuant to this Agreement, to the extent it has funds available from the imposition of its taxes, fees, rates, tolls, penalties, and charges and from any other revenue legally available, after the payment of its annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. Interest shall compound monthly and accrue on each Advance from the date of deposit into the District's account, until paid, at the rate of eight percent (8.0%) per annum. The Parties agree and acknowledge that this Agreement evidences intent to reimburse Pure Cycle, but that this Agreement shall not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, norshall it constitute a multiple fiscal year financial obligation. The making of any reimbursement under this Agreement shall be at all times subject to annual appropriation by the District in its absolute discretion. By acceptance of this Agreement, Pure Cycle agrees and consents to all of the limitations in respect of the payment of the principal and interest due. Payments to reimburse Pure Cycle shall be applied first to the accrued and unpaid interest and then to the principal amount due pursuant to this Agreement.

4. Representations. PureCycle represents and warrants to and for the benefit of the District as follows:

(a) Pure Cycle is a Colorado corporation in good standing under the laws ofthe State of Colorado.

(b) Pure Cycle has the full power and legal authority to enter into this Agreement. Neither the execution and delivery of this Agreement nor the compliance by Pure Cycle with ai1y of its terms, covenants or conditions is or shall become a default under any other agreement or contract to which Pure Cycle is a party or by which Pure Cycle is or may be bound.Pure Cycle has taken or performed all requisite acts or actions which may be required by its orgat1izational or operational documents to confirm its authority to execute, deliver and perform each of its obligations under this Agreement.

(c) Pure Cycle represents that it has sufficient available funds to fulfill itsobligations under this Agreement.

The foregoing representations and warranties ai-e made as of the date of this Agreementand shall be deemed continually made by Pure Cycle to the District for the entire term of this Agreement.

5. Term/Repose. The term of this Agreement shall commence on the date hereof and shall remain in full force and effect for so long as the 2014 Amended and Restated Lease Agreement between the Parties and the State of Colorado, Acting by and through the State Boardof Land Commissioners ("Land Board Lease") shall remain in effect. In the event the District has not reimbursed Pure Cycle for any Advance made pursuant to this Agreement on or before the expiration of the Land Board Lease, any an10unt of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

6. Termination of Reimbursement Obligations. Notwithstanding any provision herein to the contrary, the District's obligations to reimburse Pure Cycle for any and all funds advanced or otherwise payable to Pure Cycle under and pursuant to this Agreement (whether Pure Cycle has already advanced or otherwise paid such funds or intends to make such advancesor payments in the future) shall terminate automatically and be of no further force or effect uponthe occurrence of (a) Pure Cycle's voluntary dissolution, liquidation, winding up, or cessation tocarry on business activities as a going concern; (b) administrative dissolution (or other legal process not initiated by Pure Cycle dissolving it as a legal entity) that is not remedied or cured within 60 days of the effective date of such dissolution or other process; or (c) the initiation of bankruptcy, receivership or similar process or actions regarding Pure Cycle (whether voluntary or involuntary). The termination of the District's reimbursement obligations as set fo1ih in this Section shall be absolute and binding upon Pure Cycle, its successors and assigns. Pure Cycle, by its execution of this Agreement, waives and releases any and all claims and rights, whether existing now or in the future, against the District relating to or arising out of the District's reimbursement obligations under this Agreement in the event that any of the occurrences described in this Section occur.

7. Notices. All notices, demands, requests or other communications to be sent by one Party to the other or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by courier delivery, byelectronically-confirmed transmission, or by depositing same in the United States mail, postageprepaid, addressed as follows:

To District:

Rangeview Metropolitan District
c/o Special District Management Services, Inc.141 Union Blvd.,
Suite 150
Lakewood, CO 80228

To Developer:

Pure Cycle Corporation 1490 Lafayette St.,
Suite 203
Denver, CO 80218

The Parties shall have the right from time to time to change its address and shall promptlynotify the other Party of any such change.

8. Assignment. Pure Cycle shall not assign any of its rights or delegate any of itsduties to any person or entity. Any purported assignment or delegation shall be void and ineffectual.

9. Parties Interested Herein. All covenants, terms, conditions, and provisions in thisAgreement by and on behalf of the Parties shall be for the sole and exclusive benefit of the District and Pure Cycle. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person other than the Parties any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions.

10. Default/Remedies. In the event of a breach or default of this Agreement by eitherParty, the non-defaulting Party shall be entitled to exercise all remedies available at law or in equity. In the event of any litigation, arbitration or other proceeding to enforce the terms, covenants or conditions hereof, the prevailing Party in such litigation, arbitration or other proceeding shall obtain as pa1i of its judgment or award its reasonable costs, including attorneys'fees.

11. Governing Law and Jurisdiction. This Agreement shall be governed and construed under the laws of the State of Colorado. Venue for any legal action relating to thisAgreement shall be exclusive to the Arapahoe County District Court, Colorado.

12. Inurement. Each of the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns.

13. Integration. This Agreement constitutes the entire agreement between the Partieswith respect to the subject matter. All prior discussions and negotiations regarding the subject matter are merged as part of this Agreement.

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

15. Counterparts. This Agreement may be executed in one or more counterparts, eachof which shall constitute an original and all of which shall constitute one and the same docun1ent.

16. Amendment. This Agreement may be amended from time to time by agreementbetween the Parties, provided, however, that no amendment, modification, or alteration of the terms or provisions shall be binding upon the Parties unless the same is in writing and duly executed by both Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day andyear first set forth above.

RANGEVIEW METROPOLITAN DISTRICT, a quasi-municipal corporation andpolitical subdivision of the State of Colorado

By: /s/ Mark Harding

Attest:

/s/ Scott Lehman

Assistant Secretary

PURE CYCLE CORPORATION, a Colorado Corporation

By: /s/ Mark Harding

/s/ Kevin McNeill

Secretary

EXHIBIT 10.23

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT dated as of February 18, 2026 (the "Agreement"), is executed by and among PCY HOLDINGS, LLC, a Colorado limited liability company ("PCY"), PCYO HOME RENTALS, LLC, a Colorado limited liability company ("Rentals"), and PURE CYCLE CORPORATION, a Colorado corporation ("Pure Cycle"), each of which has its chief executive office located at 34501 E. Quincy Avenue, Building 1, Suite D, Watkins, Colorado 80137, and UMB BANK, N.A., national banking association (the "Lender"), whose address is 1670 Broadway, Denver, Colorado 80202.

A. PCY and Rentals, as borrowers, are parties to that certain Loan and Security Agreement dated September 29, 2025 with Lender (the "Prior Loan Agreement"). Pure Cycle is a guarantor of the credit facility under the Prior Loan Agreement.

B. Lender, PCY, Rentals, and Pure Cycle desire to amend and restate the Prior Loan Agreement to, among other things, include Pure Cycle as a borrower and provide a new revolving credit facility.

NOW THEREFORE, in consideration of the premises, and the mutual covenants and agreements set forth herein, the Borrower agrees to borrow from the Lender, and the Lender agrees to lend to the Borrower, subject to and upon the following terms and conditions:

Section 1. DEFINITIONS.

1.1 Defined Terms. For the purposes of this Agreement, the following capitalized words and phrases shall have the meanings set forth below.

"Affiliate" of any Person shall mean (a) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person, (b) any officer or director of such Person, and (c) with respect to the Lender, any entity administered or managed by the Lender, or an Affiliate or investment advisor thereof and which is engaged in making, purchasing, holding or otherwise investing in commercial loans. A Person shall be deemed to be "controlled by" any other Person if such Person possesses, directly or indirectly, power to direct or cause the direction of the management and policies of such Person whether by contract, ownership of voting securities, membership interests or otherwise.

"Acquired Real Estate" shall mean all real estate Collateral acquired with a Loan advance or advances under this Agreement.

"Bank Product Agreements" shall mean those certain agreements entered into from time to time by the Borrower or any Subsidiary with the Lender or any Affiliate of the Lender concerning Bank Products.

"Bank Product Obligations" shall mean all obligations, liabilities, contingent reimbursement obligations, fees, and expenses owing by the Borrower or any Subsidiary to the

Lender or any Affiliate of the Lender pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

"Bank Products" shall mean any service or facility extended to the Borrower or any Subsidiary by the Lender or any Affiliate of the Lender, including: (a) credit cards, (b) credit card and other payment processing services, (c) debit cards, (d) purchase cards, (e) ACH Transactions, (f) deposit accounts or other cash management, including controlled disbursement, accounts or services, or (g) Hedging Agreements.

"Bankruptcy Code" shall mean the United States Bankruptcy Code, as now existing or hereafter amended.

"Borrower" shall mean each of PCY, Rentals, and Pure Cycle individually, and all of them together collectively.

"Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday on which banks are authorized or required to be closed for the conduct of commercial banking business in Denver, Colorado.

"Capital Securities" shall mean, with respect to any Person, all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital, whether now outstanding or issued or acquired after the date hereof, including common shares, preferred shares, membership interests in a limited liability company, limited or general partnership interests in a partnership or any other equivalent of such ownership interest.

"Change in Control" shall mean a material change in the day-to-day management, including but not limited to a change in officers or other senior management, of the operations of the Borrower or Guarantor.

"Collateral" shall have the meaning set forth in Section 6.1 hereof.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Debt" shall mean, as to any Person, without duplication, (a) all indebtedness of such Person; (b) all borrowed money of such Person (including principal, interest, fees and charges), whether or not evidenced by bonds, debentures, notes or similar instruments; (c) all obligations to pay the deferred purchase price of property or services; (d) all obligations, contingent or otherwise, with respect to the maximum face amount of all letters of credit (whether or not drawn), bankers' acceptances and similar obligations issued for the account of such Person (including the Letters of Credit), and all unpaid drawings in respect of such letters of credit, bankers' acceptances and similar obligations; (e) all indebtedness secured by any Lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person (provided, however, if such Person has not assumed or otherwise become liable in respect of such indebtedness, such indebtedness shall be deemed to be in an amount equal to the fair market value of the property subject to such Lien at the time of determination); (f) the aggregate amount of all capitalized lease obligations of such Person; (g) all contingent liabilities of such Person, whether or not reflected on

its balance sheet; (h) all Bank Product Obligations of such Person; (i) all Debt of any partnership of which such Person is a general partner; and (j) all monetary obligations of such Person under (i) a so-called synthetic, off-balance sheet or tax retention lease, or (ii) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment). Notwithstanding the foregoing, Debt shall not include trade payables and accrued expenses incurred by such Person in accordance with customary practices and in the ordinary course of business of such Person.

"Default Rate" shall mean a per annum rate of interest on each of the Loans plus five percent (5.0%).

"Effective Date" shall mean the date of this Agreement.

"Employee Plan" includes any pension, stock bonus, employee stock ownership plan, retirement, profit sharing, deferred compensation, stock option, bonus or other incentive plan, whether qualified or nonqualified, or any disability, medical, dental or other health plan, life insurance or other death benefit plan, vacation benefit plan, severance plan or other employee benefit plan or arrangement, including, without limitation, those pension, profit-sharing and retirement plans of the Borrower described from time to time in the financial statements of the Borrower and any pension plan, welfare plan, Defined Benefit Pension Plans (as defined in ERISA) or any multi-employer plan, maintained or administered by the Borrower or to which the Borrower is a party or may have any liability or by which the Borrower is bound.

"Environmental Laws" shall mean all present or future federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, consent agreements, directed duties, requests, licenses, authorizations and permits of, and agreements with, any governmental authority, in each case relating to any matter arising out of or relating to public health and safety, or pollution or protection of the environment or workplace, including any of the foregoing relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, emission, release, threatened release, control or cleanup of any Hazardous Substance.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default" shall mean any of the events or conditions which are set forth in Section 11 hereof.

"Excluded Swap Obligation" means, with respect to any Obligor, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Obligor of, or the grant by such Obligor of a security interest to secure, such Swap Obligation (or a Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Obligor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the Guaranty of such Obligor or the grant of such security interests becomes effective with respect to such Swap

Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guaranty or security interests is or becomes illegal.

"GAAP" shall mean generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination, provided, however, that interim financial statements or reports shall be deemed in compliance with GAAP despite the absence of footnotes and fiscal year-end adjustments as required by GAAP.

"Guarantor" and "Guarantors" shall mean any Person entering into a Guaranty of the Obligations.

"Guaranty" and "Guarantees" shall mean the Continuing Unconditional Guaranty executed by the Guarantor in favor of Lender dated of even date herewith, as may be amended, restated, or otherwise modified from time to time, together with such other guarantees of the Loan as may be executed and delivered in favor of Lender from time-to-time.

"Hazardous Substances" shall mean (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, dielectric fluid containing levels of polychlorinated biphenyls, radon gas and mold; (b) any chemicals, materials, pollutant or substances defined as or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", "extremely hazardous substances", "restricted hazardous waste", "toxic substances", "toxic pollutants", "contaminants", "pollutants" or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, the exposure to, or release of which is prohibited, limited or regulated by any governmental authority or for which any duty or standard of care is imposed pursuant to, any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, currency options, spot contracts, collar transactions, commodity price protection agreement, rate swap transactions, basis swaps, forward rate transactions, or other interest rate, currency exchange rate, or commodity price hedging arrangement, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), designed to provide protection against fluctuations in interest rates, currency exchange rates, or commodity prices, whether or not any such transaction is governed by or subject to any master agreement.

"Indemnified Party" and "Indemnified Parties" shall mean, respectively, each of the Lenders and any parent corporation, Affiliate or Subsidiary of the Lender, and each of their respective officers, directors, employees, attorneys and agents, and all of such parties and entities.

"Interest Charges" shall mean, for any period, the sum of: (a) all interest, charges and related expenses payable with respect to that fiscal period to a lender in connection with borrowed money or the deferred purchase price of assets that are treated as interest in accordance with

GAAP, plus (b) the portion of Capitalized Lease Obligations with respect to that fiscal period that should be treated as interest in accordance with GAAP, plus (c) all charges paid or payable (without duplication) during that period with respect to any Hedging Agreements.

"Letter of Credit" and "Letters of Credit" shall mean, respectively, a letter of credit and all such letters of credit issued by the Lender, in its sole discretion, upon the execution and delivery by the Borrower and the acceptance by the Lender of a Letter of Credit Agreement, as set forth in Section 2.4 of this Agreement.

"Letter of Credit Agreement" shall mean, at any time, with respect to the issuance of Letters of Credit, Lender's form of Application and Agreement for Standby Letter of Credit or similar form being used by the Lender at such time.

"Letter of Credit Obligations" shall mean, at any time, an amount equal to the aggregate of the original face amounts of all Letters of Credit minus the sum of (i) the amount of any reductions in the original face amount of any Letter of Credit which did not result from a draw thereunder, (ii) the amount of any payments made by the Lender with respect to any draws made under a Letter of Credit for which the Borrower has reimbursed the Lender, (iii) the amount of any payments made by the Lender with respect to any draws made under a Letter of Credit which have been converted to a Revolving Loan as set forth in Section 2.4, and (iv) the portion of any issued but expired Letter of Credit which has not been drawn by the beneficiary thereunder. For purposes of determining the outstanding Letter of Credit Obligations at any time, the Lender's acceptance of a draft drawn on the Lender pursuant to a Letter of Credit shall constitute a draw on the applicable Letter of Credit at the time of such acceptance.

"Liabilities" shall mean at all times all liabilities of the Guarantor that would be shown as such on a balance sheet of the Guarantor prepared in accordance with GAAP.

"Lien" shall mean, with respect to any Person, any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person (including, without limitation, an interest in respect of a capital lease) which secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, title retention lien, charge or other security interest of any kind, whether arising by contract, as a matter of law, by judicial process or otherwise but excluding residential real property leases entered into with tenants in the ordinary course of Borrower's business.

"Loan Documents" shall mean each of the agreements, documents, instruments and certificates set forth in Section 3.1 hereof, and any and all such other instruments, documents, certificates and agreements from time to time executed and delivered by the Borrower, or any of its Subsidiaries for the benefit of the Lender pursuant to any of the foregoing, and all amendments, restatements, supplements and other modifications thereto.

"Loans" shall mean, collectively, all Revolving Loans and each Real Estate Purchase Loan made by the Lender to the Borrower, and all Letter of Credit Obligations under and pursuant to this Agreement.

"Material Adverse Effect" shall mean (a) a material adverse change in, or a material adverse effect upon, the assets, business, properties, prospects, condition (financial or otherwise)

or results of operations of the Borrower taken as a whole, (b) a material impairment of the ability of the Borrower to perform any of the Obligations under any of the Loan Documents, or (c) a material adverse effect on (i) any substantial portion of the Collateral, (ii) the legality, validity, binding effect or enforceability against the Borrower of any of the Loan Documents, (iii) the perfection or priority of any Lien granted to the Lender under any Loan Document, or (iv) the rights or remedies of the Lender under any Loan Document.

"Net Operating Income" shall mean Borrower's (i) gross annual revenues derived from the Acquired Real Estate, less (ii) its recurring annual operating expenses, including fully assessed taxes related to the Collateral, and a deduction equal to market/reasonable management fees paid to Rentals, attributable to the Acquired Real Estate, but excluding depreciation, amortization and principal and interest payments on Debt.

"Note" and "Notes" shall mean, respectively, each of and collectively, the Revolving Note, the Real Estate Purchase Master Note and each Real Estate Purchase Note, issued pursuant to the terms of this Agreement.

"Obligations" shall mean the Loans, as evidenced by any Note, and each and every other loan made by Lender in favor of Borrower, whether under this Agreement or otherwise, together with all interest accrued thereon (including interest which would be payable as post-petition in connection with any bankruptcy or similar proceeding, whether or not permitted as a claim thereunder), any fees due the Lender hereunder, any expenses incurred by the Lender hereunder and any and all other liabilities and obligations of the Borrower to the Lender under this Agreement and any other Loan Document, including any reimbursement obligations of the Borrower in respect of Letters of Credit and surety bonds, and all other Bank Product Obligations of the Borrower owed to the Lender or an Affiliate of the Lender, all in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, together with any and all renewals or extensions thereof.

"Obligor" shall mean the Borrower, any Guarantor, accommodation endorser, third party pledgor, or any other party liable with respect to the Obligations.

"Organizational Certificates" means, with respect to any Person that is a corporation, limited partnership or limited liability company, a certificate of the appropriate official(s) of the jurisdiction of organization of such Person and each jurisdiction of foreign qualification in which such Person is required to maintain foreign qualification to lawfully transact business in such jurisdiction, certifying as to (i) the subsistence in good standing of, (ii) the authority to transact business by and (iii) the payment of taxes by, such Person in such jurisdiction(s).

"Organizational Documents" means (i) with respect to any Person that is a corporation, the articles of incorporation and bylaws of such corporation, (ii) with respect to any Person that is a limited partnership, the articles of formation and partnership agreement of such limited partnership, (iii) with respect to any Person that is a limited liability company, the articles of organization or certificate of formation and operating agreement or limited liability company agreement of such limited liability company, (iv) with respect to any Person that is a trust, the trust agreement governing such trust, and (iv) with respect to any Person that is a general partnership, the partnership agreement of such general partnership.

"Organizational Identification Number" means, with respect to Borrower, the organizational identification number assigned to Borrower by the applicable governmental unit or agency of the jurisdiction of organization of the Borrower.

"Other Taxes" shall mean any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from the execution, delivery, enforcement or registration of, or otherwise with respect to, this Agreement or any of the other Loan Documents.

"Permitted Liens" shall mean (a) Liens for Taxes, assessments or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and, in each case, for which it maintains adequate reserves in accordance with sound accounting practices and in respect of which no Lien has been filed; (b) Liens arising in the ordinary course of business (such as (i) Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by law, and (ii) Liens in the form of deposits or pledges incurred in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate proceedings and not involving any advances or borrowed money or the deferred purchase price of property or services, which do not in the aggregate materially detract from the value of the property or assets of the Borrower or materially impair the use thereof in the operation of the Borrower's business and, in each case, for which it maintains adequate reserves in accordance with sound accounting practices and in respect of which no Lien has been filed; (c) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens not interfering in any material respect with the ordinary conduct of the business of the Borrower; and (d) liens of CrossFirst Bank on property of the Borrower other than the Collateral.

"Person" shall mean any natural person, partnership, limited liability company, corporation, trust, joint venture, joint stock company, association, unincorporated organization, government or agency or political subdivision thereof, or other entity, whether acting in an individual, fiduciary or other capacity.

"Prime Rate" shall mean the floating per annum rate of interest which at any time, and from time to time, shall be most recently announced by the Lender as its Prime Rate, which is not intended to be the Lender's lowest or most favorable rate of interest at any one time. The effective date of any change in the Prime Rate shall for purposes hereof be the date the Prime Rate is changed by the Lender. The Lender shall not be obligated to give notice of any change in the Prime Rate.

"Real Estate Purchase Loan Commitment" shall mean Five Million and 00/100 Dollars ($5,000,000.00).

"Real Estate Purchase Loan" shall mean a loan made by Lender to Borrower to facilitate the purchase of real estate, as further described in Section 2.1 of this Agreement.

"Real Estate Purchase Loan Interest Rate" shall mean a floating per annum rate equal to the Prime Rate; however, in no instance shall the rate be less than 4.50%.

"Real Estate Purchase Loan Maturity Date" shall mean September 29, 2026, unless extended by the Lender pursuant to any modification, extension or renewal executed by the Borrower and accepted by the Lender in its sole and absolute discretion.

"Real Estate Purchase Master Note" shall mean a master note in the form prepared by and acceptable to the Lender, dated as of the date hereof, in the amount of the Real Estate Purchase Loan Commitment and maturing on the Real Estate Purchase Loan Maturity Date, duly executed by the Borrower and payable to the order of the Lender, together with any and all renewal, extension, modification or replacement notes executed by the Borrower and delivered to the Lender and given in substitution therefor.

"Real Estate Purchase Note" shall mean, one or more note or notes, evidencing the amortizing Real Estate Purchase Loans, which shall accrue interest, amortize and mature in accordance with the respective terms each such note (each based on a five year term, twenty-five year amortization and a fixed interest rate equal to the then applicable weekly average of the 5-year Constant Maturity Treasury plus 2.75%).

"Regulatory Change" shall mean the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any governmental authority or any central bank or other fiscal, monetary or other authority having jurisdiction over the Lender or its lending office.

"Revolving Interest Rate" shall mean a floating per annum rate of interest equal to the greater of (a) the Prime Rate and (b) 4.50%.

"Revolving Loan" and "Revolving Loans" shall mean, respectively, each direct advance and the aggregate of all such direct advances made by the Lender to the Borrower under and pursuant to this Agreement, as set forth in Section 2.1 of this Agreement.

"Revolving Loan Availability" shall mean, at any time, an amount equal to the Revolving Loan Commitment minus the Letter of Credit Obligations.

"Revolving Loan Commitment" shall mean Ten Million and 00/100 Dollars ($10,000,000.00).

"Revolving Loan Maturity Date" shall mean February 18, 2029, unless extended by the Lender pursuant to any modification, extension or renewal note executed by the Borrower and accepted by the Lender in its sole and absolute discretion in substitution for the Revolving Note.

"Revolving Note" shall mean a revolving note in the form prepared by and acceptable to the Lender, dated as of the date hereof, in the amount of the Revolving Loan Commitment and maturing on the Revolving Loan Maturity Date, duly executed by the Borrower and payable to the order of the Lender, together with any and all renewal, extension, modification or replacement notes executed by the Borrower and delivered to the Lender and given in substitution therefor.

"Subordinated Debt" shall mean that portion of the Debt of the Borrower which is subordinated to the Obligations in a manner satisfactory to the Lender, including, but not limited to, right and time of payment of principal and interest.

"Subsidiary" and "Subsidiaries" shall mean, respectively, with respect to any Person, each and all such corporations, partnerships, limited partnerships, limited liability companies, limited liability partnerships, joint ventures or other entities of which or in which such Person owns, directly or indirectly, such number of outstanding Capital Securities as have more than fifty percent (50.00%) of the ordinary voting power for the election of directors or other managers of such corporation, partnership, limited liability company or other entity. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of the Borrower.

"Swap Obligation" means, with respect to any Obligor, any obligation to pay or perform under any agreement, contract, or transaction, that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

"Tangible Assets" shall mean the total of all assets appearing on a balance sheet of the Guarantor prepared in accordance with GAAP (with Inventory being valued at the lower of cost or market), after deducting all proper reserves minus the sum of (i) goodwill, patents, trademarks, prepaid expenses, deposits, deferred charges and other personal property which is classified as intangible property in accordance with GAAP, and (ii) any amounts due from shareholders, Affiliates, officers or employees of the Guarantor.

"Tangible Net Worth" shall mean at any time the total of Tangible Assets minus Liabilities plus Subordinated Debt.

"Taxes" shall mean any and all present and future taxes, duties, levies, imposts, deductions, assessments, charges or withholdings, and any and all liabilities (including interest and penalties and other additions to taxes) with respect to the foregoing.

"UCC" shall mean the Uniform Commercial Code in effect in the state of Colorado from time to time.

"Unmatured Event of Default" shall mean any event which, with the giving of notice, the passage of time or both, would constitute an Event of Default.

"Voidable Transfer" shall have the meaning set forth in Section 13.21 hereof.

"Wholly-Owned Subsidiary" shall mean any Subsidiary of which or in which the Borrower owns, directly or indirectly, one hundred percent (100%) of the Capital Securities of such Subsidiary.

1.2 Accounting Terms. Any accounting terms used in this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with GAAP. Calculations and determinations of financial and accounting terms used and not otherwise specifically defined hereunder and the preparation of financial statements to be furnished to the Lender pursuant hereto shall be made and prepared, both as to classification of items and as to amount, in accordance with sound accounting practices, consistently applied, as used in the preparation of the financial statements of the Borrower on the date of this Agreement. If any changes in accounting principles or practices from those used in the preparation of the financial statements are hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of

Certified Public Accountants (or any successor thereto or agencies with similar functions), which results in a material change in the method of accounting in the financial statements required to be furnished to the Lender hereunder or in the calculation of financial covenants, standards or terms contained in this Agreement, the parties hereto agree to enter into good faith negotiations to amend such provisions so as equitably to reflect such changes to the end that the criteria for evaluating the financial condition and performance of the Borrower will be the same after such changes as they were before such changes; and if the parties fail to agree on the amendment of such provisions, the Borrower will furnish financial statements in accordance with such changes, but shall provide calculations for all financial covenants, perform all financial covenants and otherwise observe all financial standards and terms in accordance with applicable accounting principles and practices in effect immediately prior to such changes. Calculations with respect to financial covenants required to be stated in accordance with applicable accounting principles and practices in effect immediately prior to such changes shall be certified as true and correct by the Borrower's treasurer or chief financial officer.

1.3 Other Terms Defined in UCC. All other capitalized words and phrases used herein and not otherwise specifically defined herein shall have the respective meanings assigned to such terms in the UCC, to the extent the same are used or defined therein.

1.4 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms. Whenever the context so requires, the neuter gender includes the masculine and feminine, the single number includes the plural, and vice versa, and in particular the word "Borrower" shall be so construed.

(b) Section and Schedule references are to this Agreement unless otherwise specified. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement

(c) The term "including" is not limiting, and means "including, without limitation".

(d) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including".

(e) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement and the other Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, supplements and other modifications thereto, but only to the extent such amendments, restatements, supplements and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation shall be construed as including all statutory and regulatory provisions amending, replacing, supplementing or interpreting such statute or regulation.

(f) To the extent any of the provisions of the other Loan Documents are inconsistent with the terms of this Loan Agreement, the provisions of this Loan Agreement shall govern.

(g) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and each shall be performed in accordance with its terms.

SECTION 2. COMMITMENT OF THE LENDER.

2.1 Real Estate Purchase Loans.

(a) Real Estate Purchase Loan Commitment; Availability. The Real Estate Purchase Loan Commitment shall be available to Borrower in multiple principal advances. Borrower may request advances up to the Real Estate Purchase Loan Commitment. Upon conversion of Real Estate Purchase Loans to an amortizing Loans under a Real Estate Purchase Note (as set forth in Section 2.1(d) below), the amount converted shall be available to Borrower under the Real Estate Purchase Loan Commitment for readvance. However, the total aggregate advances (including advances made under the Prior Agreement) under the Real Estate Purchase Loan Commitment, including both non-converted and converted to amortizing Real Estate Purchase Notes, shall not exceed $10,000,000.00. Under the Prior Loan Agreement, Lender made advances under the Real Estate Purchase Loan Commitment in the aggregate amount of $1,304,398.00, which were converted to an amortizing Real Estate Purchase Note on or about October 21, 2025. Therefore, the remaining available amount to be advanced under the Real Estate Purchase Loan Commitment as of the date of this Agreement, is $8,695,602.00.

(b) Real Estate Purchase Loans / Advances. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Borrower contained herein, the Lender may, from time to time, make Real Estate Purchase Loans available to Borrower. Any Real Estate Purchase Loans made available by the Lender shall:

(i) be limited to a loan-to-value the lesser of (A) 70% of the appraised of the market value of the target real estate by a qualified independent appraiser or (B) 100% of the documented construction costs acceptable to Lender;

(ii) secured by the granting of a first lien deed of trust by the Borrower on the target real estate to be purchased;

(iii) meet the requirements of a title insurance company, acceptable to Lender, for the purposes of Lender obtaining a title insurance policy reflecting Lender's first priority deed of trust, subject only to exceptions reasonably acceptable to Lender;

(iv) have received a certificate of occupancy in a form reasonably acceptable to Lender; and

(v) be evidenced by the Real Estate Purchase Master Note until such time as the associated Loan is transitioned to an amortizing Loan evidenced by a Real Estate Purchase Note.

Should the Lender make a Real Estate Purchase Loan available to the Borrower, such Real Estate Purchase Loan shall be used to finance the purchase of real estate. Any Real Estate Purchase Loans made by the Lender shall be subject to this Agreement.

(c) Real Estate Purchase Loan Interest and Payments.

(i) Prior to being termed out under the terms of an amortizing Real Estate Purchase Note, the principal amount of any Real Estate Purchase Loans outstanding under the Real Estate Purchase Master Note, from time to time shall bear interest at the interest at the Real Estate Purchase Loan Interest Rate. Accrued and unpaid interest on the unpaid principal balance outstanding from time to time under the Real Estate Purchase Master Note, shall be due and payable monthly, in arrears, commencing on October 29, 2025 and continuing on the 29th day of each calendar month thereafter, and on the Real Estate Purchase Loan Maturity Date (unless previously converted to an amortizing Loan under a Real Estate Purchase Note, in which case the terms of the Real Estate Purchase Note shall govern).

(ii) After the conversion from interest only to amortizing payments under a Real Estate Purchase Note, principal and interest payments shall be made in accordance with the terms of each Real Estate Purchase Note. Any amount of principal or interest on the Real Estate Purchase Loans which is not paid when due in accordance with the applicable Real Estate Loan Purchase Note, whether at stated maturity, by acceleration or otherwise, shall bear interest payable on demand at the Default Rate.

(d) Conversion of Real Estate Purchase Loans and Payments. Upon the earlier of (i) the request of Borrower or (ii) every six (6) months after the Effective Date through, and including, the Real Estate Purchase Loan Maturity Date, the principal balance due under the Real Estate Purchase Master Note shall be termed out under a Real Estate Purchase Note. Each such Real Estate Purchase Note shall contain the terms and conditions related to the applicable tranche of Loans being consolidated. Thereafter, such Loans shall bear interest and otherwise be payable in accordance with the terms of the applicable Real Estate Purchase Note.

(e) Real Estate Purchase Loan Prepayment. The Borrower may from time to time prepay the Real Estate Purchase Loans, in whole or in part, without any prepayment penalty (except for such prepayment is due to a refinancing by another lender as set forth below), provided that any prepayment of the entire principal balance of the Real Estate Purchase Loans shall include accrued interest on such Real Estate Purchase Loans to the date of such prepayment. If Borrower desires to sell, transfer or assign the underlying real estate purchased with the proceeds of Real Estate Purchase Loan, Borrower shall be required to pay off the Real Estate Purchase Loan associated with the purchase of the related real estate. Notwithstanding the forgoing, if a prepayment is due to the refinancing,

whether in whole or in part, of the Loans with another lender, Borrower shall pay to Lender a 1% fee on any such amount be refinanced / paid off.

2.2 Revolving Loans.

(a) Revolving Loan Commitment. Subject to the terms and conditions of this Agreement and the other Loan Documents, and in reliance upon the representations and warranties of the Borrower set forth herein and in the other Loan Documents, the Lender agrees to make such Revolving Loans at such times as the Borrower may from time to time request until, but not including, the Revolving Loan Maturity Date, and in such amounts as the Borrower may from time to time request, provided, however, that the aggregate principal balance of all Revolving Loans outstanding at any time shall not exceed the Revolving Loan Availability. Revolving Loans made by the Lender may be repaid and, subject to the terms and conditions hereof, borrowed again up to, but not including the Revolving Loan Maturity Date unless the Revolving Loans are otherwise accelerated, terminated or extended as provided in this Agreement. The Revolving Loans shall be used by the Borrower for the purpose of working capital and the issuance of Letters of Credit.

(b) Revolving Loan Interest and Payments. The principal amount of the Revolving Loans outstanding from time to time shall bear interest at the applicable Revolving Interest Rate. Accrued and unpaid interest on the unpaid principal balance of all Revolving Loans outstanding from time to time, shall be due and payable monthly, in arrears, commencing on March 29, 2026 and continuing on the 29th day of each calendar month thereafter, and on the Revolving Loan Maturity Date. Any amount of principal or interest on the Revolving Loans which is not paid when due, whether at stated maturity, by acceleration or otherwise, shall bear interest payable on demand at the Default Rate.

(c) Revolving Loan Principal Payments.

(i) Revolving Loan Mandatory Payments. All Revolving Loans hereunder shall be repaid by the Borrower on the Revolving Loan Maturity Date, unless payable sooner pursuant to the provisions of this Agreement. In the event the aggregate outstanding principal balance of all Revolving Loans and Letter of Credit Obligations hereunder exceeds the Revolving Loan Availability, the Borrower shall, without notice or demand of any kind, immediately make such repayments of the Revolving Loans or take such other actions as are satisfactory to the Lender as shall be necessary to eliminate such excess, all without further demand, presentment, protest or notice of any kind, all of which are hereby waived by the Borrower.

(ii) Optional Prepayments. The Borrower may from time to time prepay the Revolving Loans, in whole or in part, without any prepayment penalty whatsoever, provided that any prepayment of the entire principal balance of the Revolving Loans shall include accrued interest on such Revolving Loans to the date of such prepayment.

2.3 Interest and Fee Computation; Collection of Funds. Except as otherwise set forth herein, all interest and fees shall be calculated on the basis of a year consisting of 360 days and shall be paid for the actual number of days elapsed. Principal payments submitted in funds not immediately available shall continue to bear interest until collected. If any payment to be made by the Borrower hereunder or under any Note shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment. Notwithstanding anything to the contrary contained herein, the final payment due under any of the Loans must be made by wire transfer or other immediately available funds. All payments made by the Borrower hereunder or under any of the Loan Documents shall be made without setoff, counterclaim, or other defense. To the extent permitted by applicable law, all payments hereunder or under any of the Loan Documents (including any payment of principal, interest, or fees) to, or for the benefit, of any Person shall be made by the Borrower free and clear of, and without deduction or withholding for, or account of, any taxes now or hereinafter imposed by any taxing authority.

2.4 Letters of Credit. Subject to the terms and conditions of this Agreement and upon (i) the execution by the Borrower and the Lender of a Letter of Credit Agreement in form and substance acceptable to the Lender (together with all amendments, modifications and restatements thereof, the "Letter of Credit Agreement"), and (ii) the execution and delivery by the Borrower, and the acceptance by the Lender, in its sole and absolute discretion, of a Letter of Credit Agreement, the Lender agrees to issue for the account of the Borrower such Letters of Credit in the standard form of the Lender and otherwise in form and substance acceptable to the Lender, from time to time during the term of this Agreement. The amount of any payments made by the Lender with respect to draws made by a beneficiary under a Letter of Credit for which the Borrower has failed to reimburse the Lender upon the earlier of (i) the Lender's demand for repayment, or (ii) five (5) days from the date of such payment to such beneficiary by the Lender, shall be deemed to have been converted to a Revolving Loan as of the date such payment was made by the Lender to such beneficiary. Upon the occurrence of an Event of a Default and at the option of the Lender, all Letter of Credit Obligations shall be converted to Revolving Loans consisting of Prime Loans, all without demand, presentment, protest or notice of any kind, all of which are hereby waived by the Borrower. To the extent the provisions of the Letter of Credit Agreement differ from, or are inconsistent with, the terms of this Agreement, the provisions of this Agreement shall govern.

2.5 Taxes.

(a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any governmental authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Lender as a result of a present or former connection between the Lender and the jurisdiction of the governmental authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document).

2.6 All Loans to Constitute Single Obligation. The Loans shall constitute one general obligation of the Borrower, and shall be secured by Lender's priority security interest in and Lien upon all of the Collateral and by all other security interests, Liens, claims and encumbrances heretofore, now or at any time or times hereafter granted by the Borrower to Lender.

SECTION 3. CONDITIONS OF BORROWING.

Notwithstanding any other provision of this Agreement, the Lender shall not be required to disburse, make or continue all or any portion of the Loans, if any of the following conditions shall have occurred.

3.1 Loan Documents. The Borrower shall have failed to execute and deliver to the Lender any of the following Loan Documents, all of which must be satisfactory to the Lender and the Lender's counsel in form, substance and execution:

(a) Loan Agreement. Two copies of this Agreement duly executed by the Borrower.

(b) Real Estate Purchase Master Note. A Real Estate Purchase Master Note duly executed by the Borrower, in the form prepared by and acceptable to the Lender.

(c) Revolving Note. A Revolving Note duly executed by the Borrower, in the form prepared by and acceptable to the Lender.

(d) Reserved.

(e) Search Results; Lien Terminations. Copies of UCC search reports dated such a date as is reasonably acceptable to the Lender, listing all effective financing statements which name the Borrower, under its present names and any previous names, as debtors, together with (i) copies of such financing statements, (ii) payoff letters evidencing repayment in full of all existing Debt to be repaid with the Loans, the termination of all agreements relating thereto and the release of all Liens granted in connection therewith, with UCC or other appropriate termination statements and documents effective to evidence the foregoing (other than Permitted Liens), and (iii) such other UCC termination statements as the Lender may reasonably request.

(f) Organizational and Authorization Document. Copies of (i) the Organizational Documents of the Borrower; (ii) resolutions for the Borrower approving and authorizing such Person's execution, delivery and performance of the Loan Documents to which it is party and the transactions contemplated thereby; (iii) signature and incumbency certificates for the Borrower, for any Person executing any of the Loan Documents, each of which the Borrower hereby certifies to be true and complete, and in full force and effect without modification, it being understood that the Lender may conclusively rely on each such document and certificate until formally advised by the Borrower of any changes therein; and (iv) Organizational Certificate of the Borrower and in each other state requested by the Lender.

(g) Insurance. Evidence satisfactory to the Lender of the existence of insurance required to be maintained pursuant to Section 8.6, together with evidence that the Lender has been named as a lender's loss payee on all related insurance policies.

(h) Additional Documents. Such other certificates, financial statements, schedules, resolutions, opinions of counsel, notes and other documents which are provided for hereunder or which the Lender shall require.

3.2 Event of Default. Any Event of Default, or Unmatured Event of Default shall have occurred and be continuing.

3.3 Material Adverse Effect. The occurrence of any event having a Material Adverse Effect upon the Borrower.

3.4 Litigation. Any litigation or governmental proceeding shall have been instituted against the Borrower or any of its officers or shareholders which has a Material Adverse Effect upon the Borrower.

3.5 Representations and Warranties. Any representation or warranty of the Borrower contained herein or in any Loan Document shall be untrue or incorrect as of the date of any Loan as though made on such date, except to the extent such representation or warranty expressly relates to an earlier date.

SECTION 4. NOTES EVIDENCING LOANS.

4.1 Real Estate Purchase Master Note. The Real Estate Purchase Loans, until they are converted to amortizing under the terms and conditions of Section 2.1, Loans shall be evidenced by the Real Estate Purchase Master Note. At the time of the initial disbursement of a Real Estate Purchase Loan and at each time any additional Real Estate Purchase Loan shall be requested hereunder or a repayment made in whole or in part thereon, a notation thereof shall be made on the books and records of the Lender. All amounts recorded shall be, absent manifest error, conclusive and binding evidence of (i) the principal amount of the Real Estate Purchase Loans advanced hereunder, (ii) any accrued and unpaid interest owing on the Real Estate Purchase Loans, and (iii) all amounts repaid on the Real Estate Purchase Loans, whether converted to an amortizing loan under the terms and conditions of Section 2.1 or otherwise. The failure to record any such amount or any error in recording such amounts shall not, however, limit or otherwise affect the obligations of the Borrower under the Real Estate Purchase Master Note to repay the principal amount of the Real Estate Purchase Loans, together with all interest accruing thereon.

4.2 Real Estate Purchase Notes. Any Real Estate Purchase Loan made by Lender, which has been converted to an amortizing loan under the terms and conditions of Section 2.1, shall be evidenced by a Real Estate Purchase Note. At the time of the conversion of any Real Estate Purchase Loan to an amortizing loan or a repayment made in whole or in part thereon, a notation thereof shall be made on the books and records of the Lender. All amounts recorded shall be, absent demonstrable error, conclusive and binding evidence of (i) the principal amount of each Real Estate Purchase Loan converted hereunder, (ii) any accrued and unpaid interest owing on each Real Estate Purchase Loan converted hereunder and (iii) all amounts repaid on each Real Estate Purchase Loan converted hereunder. The failure to record any such amount or any error in

recording such amounts shall not, however, limit or otherwise affect the obligations of the Borrower under each Real Estate Purchase Note to repay the principal amount of the related Real Estate Purchase Loan, together with all interest accruing thereon.

4.3 Revolving Note. The Revolving Loans and the Letter of Credit Obligations shall be evidenced by the Revolving Note. At the time of the initial disbursement of a Revolving Loan and at each time any additional Revolving Loan shall be requested hereunder or a repayment made in whole or in part thereon, a notation thereof shall be made on the books and records of the Lender. All amounts recorded shall be, absent manifest error, conclusive and binding evidence of (i) the principal amount of the Revolving Loans advanced hereunder and the amount of all Letter of Credit Obligations, (ii) any accrued and unpaid interest owing on the Revolving Loans, and (iii) all amounts repaid on the Revolving Loans or the Letter of Credit Obligations. The failure to record any such amount or any error in recording such amounts shall not, however, limit or otherwise affect the obligations of the Borrower under the Revolving Note to repay the principal amount of the Revolving Loans, together with all interest accruing thereon.

SECTION 5. MANNER OF BORROWING.

5.1 Borrowing Procedures. Each Loan shall be made available to the Borrower upon any written, verbal, electronic, telephonic or telecopy loan request which the Lender in good faith believes to emanate from a properly authorized representative of the Borrower, whether or not that is in fact the case. Each such notice shall be effective upon receipt by the Lender, shall be irrevocable, and shall specify the date, amount and type of borrowing. A request for a direct advance must be received by the Lender no later than 11:00 a.m. Denver, Colorado time, on the day it is to be funded. The proceeds of each direct advance shall be made available at the office of the Lender by credit to the account of the Borrower or by other means requested by the Borrower and acceptable to the Lender. The Borrower does hereby irrevocably confirm, ratify and approve all such advances by the Lender and does hereby indemnify the Lender against losses and expenses (including court costs, attorneys' and paralegals' fees) and shall hold the Lender harmless with respect thereto.

5.2 Letters of Credit. All Letters of Credit shall bear such application, issuance, renewal, negotiation and other fees and charges, and bear such interest as charged by the Lender or otherwise payable pursuant to the Letter of Credit Agreement. In addition to the foregoing, all standby Letters of Credit issued under and pursuant to this Agreement shall bear an annual issuance fee equal to one and one-quarter percent (1.25%) of the face amount of such standby Letter of Credit, payable by the Borrower quarterly, in arrears, until (i) such Letter of Credit has expired or has been returned to the Lender, or (ii) the Lender has paid the beneficiary thereunder the full face amount of such Letter of Credit.

5.3 Automatic Debit. In order to effectuate the timely payment of any of the Obligations when due, the Borrower hereby authorizes and directs the Lender, at the Lender's option, to debit the amount of the Obligations due to any ordinary deposit account of the Borrower.

5.4 Discretionary Disbursements. The Lender, in its sole and absolute discretion, may immediately upon notice to the Borrower, disburse any or all proceeds of the Loans made or available to the Borrower pursuant to this Agreement to pay any fees, costs, expenses or other

amounts required to be paid by the Borrower hereunder and not so paid. All monies so disbursed shall be a part of the Obligations, payable by the Borrower on demand from the Lender.

SECTION 6. SECURITY FOR THE OBLIGATIONS.

6.1 Security for Obligations. As security for the payment and performance of the Obligations, the Borrower does hereby pledge, assign, transfer and deliver to the Lender and does hereby grant to the Lender a continuing and unconditional security interest in and to any and all property of the Borrower, of any kind or description, tangible or intangible, wheresoever located and whether now existing or hereafter arising or acquired, including, but not limited to, the following (all of which property, along with the products and proceeds therefrom, are individually and collectively referred to as the "Collateral"):

(a) all property of, or for the account of, the Borrower now or hereafter coming into the possession, control or custody of, or in transit to, the Lender or any agent or bailee for the Lender or any parent, Affiliate or Subsidiary of the Lender or any participant with the Lender in the Loans (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise), including all earnings, dividends, interest, or other rights in connection therewith and the products and proceeds therefrom, including the proceeds of insurance thereon; and

(b) the additional property of the Borrower, whether now existing or hereafter arising or acquired, and wherever now or hereafter located, together with all additions and accessions thereto, substitutions, betterments and replacements therefor, products and Proceeds therefrom, and all of the Borrower's books and records and recorded data relating thereto (regardless of the medium of recording or storage), together with all of the Borrower's right, title and interest in and to all computer software required to utilize, create, maintain and process any such records or data on electronic media, identified and set forth as follows:

(i) All Accounts and all Goods whose sale, lease or other disposition by the Borrower has given rise to Accounts and have been returned to, or repossessed or stopped in transit by, the Borrower, or rejected or refused by an Account Debtor;

(ii) All Inventory, including, without limitation, raw materials, work-in-process and finished goods;

(iii) All Goods (other than Inventory), including, without limitation, embedded software, Equipment, vehicles, furniture and Fixtures;

(iv) All Software and computer programs;

(v) All Securities, Investment Property, Financial Assets and Deposit Accounts;

(vi) All Chattel Paper, Electronic Chattel Paper, Instruments, Documents, Letter of Credit Rights, all proceeds of letters of credit, Health-Care-

Insurance Receivables, Supporting Obligations, notes secured by real estate, Commercial Tort Claims and General Intangibles, including Payment Intangibles; and

(vii) All Proceeds (whether Cash Proceeds or Noncash Proceeds) of the foregoing property, including, without limitation, all insurance policies and proceeds of insurance payable by reason of loss or damage to the foregoing property, including unearned premiums, and of eminent domain or condemnation awards.

Notwithstanding anything to the contrary in clauses (a) and (b) above, the security interest created by this Agreement shall not extend to, and the term "Collateral" shall not include, any of the property described on Schedule 6.1 (the "Excluded Property").

6.2 Real Estate Collateral. As security for the payment and performance of the Obligations, the Borrower shall grant to the Lender a continuing and unconditional first priority mortgage or deed of trust on any and all real property of Borrower acquired with proceeds of the Loans after the Effective Date ("Real Estate Collateral"). The Real Estate Collateral being collectively referred to herein with any and all other collateral pledged in support of the Obligations as the "Collateral".

6.3 Possession and Transfer of Collateral. Unless an Event of Default exists hereunder, the Borrower shall be entitled to possession or use of the Collateral (other than Instruments or Documents, Tangible Chattel Paper, Investment Property consisting of certificated securities and other Collateral required to be delivered to the Lender pursuant to this Section 6). The cancellation or surrender of any Note, upon payment or otherwise, shall not affect the right of the Lender to retain the Collateral for any other of the Obligations. The Borrower shall not sell, assign (by operation of law or otherwise), license, lease or otherwise dispose of, or grant any option with respect to any of the Collateral, except that the Borrower may sell Inventory in the ordinary course of business.

6.4 Financing Statements. The Borrower shall, at the Lender's request, at any time and from time to time, execute and deliver to the Lender such financing statements, amendments and other documents and do such acts as the Lender deems necessary in order to establish and maintain valid, attached and perfected first priority security interests in the Collateral in favor of the Lender, free and clear of all Liens and claims and rights of third parties whatsoever, except Permitted Liens. The Borrower hereby irrevocably authorizes the Lender at any time, and from time to time, to file in any jurisdiction any initial financing statements and amendments thereto without the signature of the Borrower that (a) indicate the Collateral (i) is comprised of all assets of the Borrower or words of similar effect, regardless of whether any particular asset comprising a part of the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed, or (ii) as being of an equal or lesser scope or within greater detail as the grant of the security interest set forth herein, and (b) contain any other information required by Section 5 of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed regarding the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the Borrower is an organization, the type of organization and any Organizational Identification

Number issued to the Borrower, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of the real property to which the Collateral relates. The Borrower agrees to furnish any such information to the Lender promptly upon request. The Borrower further ratifies and affirms its authorization for any financing statements and/or amendments thereto, executed and filed by the Lender in any jurisdiction prior to the date of this Agreement. In addition, the Borrower shall make appropriate entries on its books and records disclosing the Lender's security interests in the Collateral.

6.5 Preservation of the Collateral. The Lender may, but is not required, to take such actions from time to time as the Lender deems appropriate to maintain or protect the Collateral. The Lender shall have exercised reasonable care in the custody and preservation of the Collateral if the Lender takes such action as the Borrower shall reasonably request in writing which is not inconsistent with the Lender's status as a secured party, but the failure of the Lender to comply with any such request shall not be deemed a failure to exercise reasonable care; provided, however, the Lender's responsibility for the safekeeping of the Collateral shall (i) be deemed reasonable if such Collateral is accorded treatment substantially equal to that which the Lender accords its own property, and (ii) not extend to matters beyond the control of the Lender, including, without limitation, acts of God, war, insurrection, riot or governmental actions. In addition, any failure of the Lender to preserve or protect any rights with respect to the Collateral against prior or third parties, or to do any act with respect to preservation of the Collateral, not so requested by the Borrower, shall not be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral. The Borrower shall have the sole responsibility for taking such action as may be necessary, from time to time, to preserve all rights of the Borrower and the Lender in the Collateral against prior or third parties. Without limiting the generality of the foregoing, where Collateral consists in whole or in part of securities, the Borrower represents to, and covenants with, the Lender that the Borrower has made arrangements for keeping informed of changes or potential changes affecting the securities (including, but not limited to, rights to convert or subscribe, payment of dividends, reorganization or other exchanges, tender offers and voting rights), and the Borrower agrees that the Lender shall have no responsibility or liability for informing the Borrower of any such or other changes or potential changes or for taking any action or omitting to take any action with respect thereto.

6.6 Other Actions as to any and all Collateral. The Borrower further agrees to take any other action reasonably requested by the Lender to ensure the attachment, perfection and first priority of, and the ability of the Lender to enforce, the Lender's security interest in any and all of the Collateral including, without limitation, (a) causing the Lender's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Lender to enforce, the Lender's security interest in such Collateral, (b) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Lender to enforce, the Lender's security interest in such Collateral, (c) obtaining governmental and other third party consents and approvals, including without limitation any consent of any licensor, lessor or other Person obligated on Collateral, (d) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Lender, and (e) taking all actions required by the UCC in effect from time to time or by other law, as applicable in any relevant UCC jurisdiction, or by other law as applicable in any foreign jurisdiction. The Borrower

further agrees to indemnify and hold the Lender harmless against claims of any Persons not a party to this Agreement concerning disputes arising over the Collateral.

6.7 Collateral in the Possession of a Warehouseman or Bailee. If any of the Collateral at any time is in the possession of a warehouseman or bailee, the Borrower shall promptly notify the Lender thereof, and shall promptly obtain a Collateral Access Agreement. The Lender agrees with the Borrower that the Lender shall not give any such instructions unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the Borrower with respect to the warehouseman or bailee.

6.8 Letter-of-Credit Rights. If the Borrower at any time is a beneficiary under a letter of credit now or hereafter issued in favor of the Borrower, the Borrower shall promptly notify the Lender thereof and, at the request and option of the Lender, the Borrower shall, pursuant to an agreement in form and substance satisfactory to the Lender, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Lender of the proceeds of any drawing under the letter of credit, or (ii) arrange for the Lender to become the transferee beneficiary of the letter of credit, with the Lender agreeing, in each case, that the proceeds of any drawing under the letter to credit are to be applied as provided in this Agreement.

6.9 Commercial Tort Claims. If the Borrower shall at any time hold or acquire a Commercial Tort Claim, the Borrower shall immediately notify the Lender in writing signed by the Borrower of the details thereof and grant to the Lender in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, in each case in form and substance satisfactory to the Lender, and shall execute any amendments hereto deemed reasonably necessary by the Lender to perfect its security interest in such Commercial Tort Claim.

6.10 Electronic Chattel Paper and Transferable Records. If the Borrower at any time holds or acquires an interest in any electronic chattel paper or any "transferable record", as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, the Borrower shall promptly notify the Lender thereof and, at the request of the Lender, shall take such action as the Lender may reasonably request to vest in the Lender control under Section 9-105 of the UCC of such electronic chattel paper or control under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Lender agrees with the Borrower that the Lender will arrange, pursuant to procedures satisfactory to the Lender and so long as such procedures will not result in the Lender's loss of control, for the Borrower to make alterations to the electronic chattel paper or transferable record permitted under Section 9-105 of the UCC or, as the case may be, Section 201 of the federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to make without loss of control.

SECTION 7. REPRESENTATIONS AND WARRANTIES.

To induce the Lender to make the Loans, the Borrower makes the following representations and warranties to the Lender, each of which shall survive the execution and delivery of this Agreement:

7.1 Borrower Organization and Name. The Borrower is duly organized, existing and in good standing under the laws of the state of reflected in its Organizational Documents, with full and adequate power to carry on and conduct its business as presently conducted. The Borrower is duly licensed or qualified in all foreign jurisdictions wherein the nature of its activities require such qualification or licensing, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect. The exact legal name of the Borrower is as set forth in the first paragraph of this Agreement, and the Borrower currently does not conduct, nor has it during the last five (5) years conducted, business under any other name or trade name.

7.2 Authorization. The Borrower has full right, power and authority to enter into this Agreement, to make the borrowings and execute and deliver the Loan Documents as provided herein and to perform all of its duties and obligations under this Agreement and the other Loan Documents. The execution and delivery of this Agreement and the other Loan Documents will not, nor will the observance or performance of any of the matters and things herein or therein set forth, violate or contravene any provision of law or of the Organizational Documents or Organizational Certificates of the Borrower. All necessary and appropriate action has been taken on the part of the Borrower to authorize the execution and delivery of this Agreement and the Loan Documents.

7.3 Validity and Binding Nature. This Agreement and the other Loan Documents are the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity.

7.4 Consent; Absence of Breach. To the best of Borrower's knowledge, the execution, delivery and performance of this Agreement, the other Loan Documents and any other documents or instruments to be executed and delivered by the Borrower in connection with the Loans, and the borrowings by the Borrower hereunder, do not and will not (a) require any consent, approval, authorization of, or filings with, notice to or other act by or in respect of, any governmental authority or any other Person (other than any consent or approval which has been obtained and is in full force and effect); (b) conflict with (i) any provision of law or any applicable regulation, order, writ, injunction or decree of any court or governmental authority, (ii) the Organizational Documents of the Borrower, or (iii) any material agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon the Borrower or any of their properties or assets; or (c) require, or result in, the creation or imposition of any Lien on any asset of Borrower, other than Liens in favor of the Lender created pursuant to this Agreement.

7.5 Ownership of Properties; Liens. The Borrower is the sole owner all of its properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, trade names, service marks and copyrights), free and clear of all Liens, charges and claims (including infringement claims with respect to patents, trademarks, service marks, copyrights and the like), other than Permitted Liens.

7.6 Equity Ownership. All issued and outstanding Capital Securities of PCY, Rentals, and each other Subsidiary of Pure Cycle are duly authorized and validly issued, fully paid, non-assessable, and free and clear of all Liens other than those in favor of the Lender, if any, and such securities were issued in compliance with all applicable state and federal laws concerning the

issuance of securities. As of the date hereof, there are no pre-emptive or other outstanding rights, options, warrants, conversion rights or other similar agreements or understandings for the purchase or acquisition of any Capital Securities of any of PCY, Rentals, and each other Subsidiary of Pure Cycle.

7.7 Financial Statements. All financial statements submitted to the Lender have been prepared in accordance with sound accounting practices, except as otherwise noted therein, consistent with the previous fiscal year and present fairly the financial condition of the Borrower and the results of the operations for the Borrower as of such date and for the periods indicated. Since the date of the most recent financial statement submitted by the Borrower to the Lender, there has been no change in the financial condition or in the assets or liabilities of the Borrower having a Material Adverse Effect on the Borrower.

7.8 Litigation and Contingent Liabilities. There is no litigation, arbitration proceeding, demand, charge, claim, petition or governmental investigation or proceeding pending, or, threatened, against the Borrower, which, if adversely determined, which might reasonably be expected to have a Material Adverse Effect upon the Borrower. Other than any liability incident to such litigation or proceedings, the Borrower has no material guarantee obligations, contingent liabilities, liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not fully-reflected or fully reserved for in the most recent audited financial statements or fully-reflected or fully reserved for in the most recent quarterly financial statements.

7.9 Event of Default. No Event of Default or Unmatured Event of Default exists or would result from the incurrence by the Borrower of any of the Obligations hereunder or under any of the other Loan Document, and the Borrower is not in default (without regard to grace or cure periods) under any other contract or agreement to which it is a party, the effect of which would have a Material Adverse Effect upon the Borrower.

7.10 Adverse Circumstances. No condition, circumstance, event, agreement, document, instrument, restriction, litigation or proceeding (or threatened litigation or proceeding or basis therefor) exists which (a) would have a Material Adverse Effect upon the Borrower, or (b) would constitute an Event of Default or an Unmatured Event of Default.

7.11 Environmental Laws and Hazardous Substances. The Borrower has not generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Substances, on or off any of the premises of the Borrower (whether or not owned by it) in any manner which at any time violates any Environmental Law or any license, permit, certificate, approval or similar authorization thereunder. The Borrower complies in all material respects with all Environmental Laws and all licenses, permits certificates, approvals and similar authorizations thereunder. There has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any governmental authority or any other Person, nor is any pending or, to the best of the Borrower's knowledge, threatened, and the Borrower shall immediately notify the Lender upon becoming aware of any such investigation, proceeding, complaint, order, directive, claim, citation or notice, and shall take prompt and appropriate actions to respond thereto, with respect to any non-compliance with, or violation of, the requirements of any Environmental Law

by the Borrower or the release, spill or discharge, threatened or actual, of any Hazardous Substances or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Substances or any other environmental, health or safety matter, which affects the Borrower or its business, operations or assets or any properties at which the Borrower has transported, stored or disposed of any Hazardous Substances. The Borrower has no material liability, contingent or otherwise, in connection with a release, spill or discharge, threatened or actual, of any Hazardous Substances or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Substances. The Borrower further agrees to allow the Lender or its agent access to the properties of the Borrower to confirm compliance with all Environmental Laws, and the Borrower shall, following determination by the Lender that there is non-compliance, or any condition which requires any action by or on behalf of the Borrower in order to avoid any non-compliance, with any Environmental Law, at the Borrower's sole expense, cause an independent environmental engineer acceptable to the Lender to conduct such tests of the relevant site as are appropriate, and prepare and deliver a report setting forth the result of such tests, a proposed plan for remediation and an estimate of the costs thereof.

7.12 Solvency, etc. As of the date hereof, and immediately prior to and after giving effect to the advance of each Loan hereunder and the use of the proceeds thereof, (a) the fair value of the Borrower's assets is greater than the amount of its liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated as required under the Section 548 of the Bankruptcy Code, (b) the present fair saleable value of the Borrower's assets is not less than the amount that will be required to pay the probable liability on its debts as they become absolute and matured, (c) the Borrower is able to realize upon its assets and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) the Borrower does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay as such debts and liabilities mature, and (e) the Borrower is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which its property would constitute unreasonably small capital.

7.13 ERISA Obligations. All Employee Plans of the Borrower meet the minimum funding standards of Section 302 of ERISA and 412 of the Internal Revenue Code where applicable, and each such Employee Plan that is intended to be qualified within the meaning of Section 401 of the Internal Revenue Code of 1986 is qualified. No withdrawal liability has been incurred under any such Employee Plans and no "Reportable Event" or "Prohibited Transaction" (as such terms are defined in ERISA), has occurred with respect to any such Employee Plans, unless approved by the appropriate governmental agencies. The Borrower has promptly paid and discharged all obligations and liabilities arising under the Employee Retirement Income Security Act of 1974 ("ERISA") of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets.

7.14 Labor Relations. Except as could not reasonably be expected to have a Material Adverse Effect, (i) there are no strikes, lockouts or other labor disputes against the Borrower or threatened, (ii) hours worked by and payment made to employees of the Borrower have not been in violation of the Fair Labor Standards Act or any other applicable law, and (iii) no unfair labor practice complaint is pending against the Borrower or threatened before any governmental authority.

7.15 Security Interest. This Agreement creates a valid security interest in favor of the Lender in the Collateral and, when properly perfected by filing in the appropriate jurisdictions, or by possession or Control of such Collateral by the Lender or delivery of such Collateral to the Lender, shall constitute a valid, perfected, first-priority security interest in such Collateral.

7.16 Lending Relationship. The relationship hereby created between the Borrower and the Lender is and has been conducted on an open and arm's length basis in which no fiduciary relationship exists, and the Borrower has not relied and is not relying on any such fiduciary relationship in executing this Agreement and in consummating the Loans. The Lender represents that it will receive any Note payable to its order as evidence of a bank loan.

7.17 Business Loan. The Loans, including interest rate, fees and charges as contemplated hereby, (i) are business loans, and (ii) do not, and when disbursed shall not, violate the provisions of the Colorado usury laws, any consumer credit laws or the usury laws of any state which may have jurisdiction over this transaction, the Borrower or any property securing the Loans.

7.18 Taxes. The Borrower has timely filed all tax returns and reports required by law to have been filed by it and has paid all taxes, governmental charges and assessments due and payable with respect to such returns, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with sound accounting practices shall have been set aside on its books, are insured against or bonded over to the satisfaction of the Lender and the contesting of such payment does not create a Lien on the Collateral which is not a Permitted Lien. There is no controversy or objection pending, or threatened in respect of any tax returns of the Borrower. The Borrower has made adequate reserves on its books and records in accordance with sound accounting practices for all taxes that have accrued but which are not yet due and payable.

7.19 Compliance with Regulation U. No portion of the proceeds of the Loans shall be used by the Borrower, or any Affiliate of the Borrower, either directly or indirectly, for the purpose of purchasing or carrying any margin stock, within the meaning of Regulation U as adopted by the Board of Governors of the Federal Reserve System or any successor thereto.

7.20 Governmental Regulation. The Borrower is not, or after giving effect to any loan, will not be, subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the ICC Termination Act of 1995 or the Investment Company Act of 1940 or to any federal or state statute or regulation limiting its ability to incur indebtedness for borrowed money.

7.21 Bank Accounts. All Deposit Accounts and operating bank accounts of the Borrower and its Subsidiaries are located at the Lender and the Borrower has no other Deposit Accounts except those listed on Schedule 7.21 attached hereto.

7.22 Place of Business. The principal place of business and books and records of the Borrower is set forth in the preamble to this Agreement, and the Borrower shall promptly notify the Lender of any change in such location(s).

7.23 Complete Information. This Agreement and all financial statements, schedules, certificates, confirmations, agreements, contracts, and other materials and information heretofore or contemporaneously herewith furnished in writing by the Borrower to the Lender for purposes of, or in connection with, this Agreement and the transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of the Borrower to the Lender pursuant hereto or in connection herewith will be, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which made (it being recognized by the Lender that any projections and forecasts provided by the Borrower are based on good faith estimates and assumptions believed by the Borrower to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

SECTION 8. AFFIRMATIVE COVENANTS.

8.1 Compliance with Bank Regulatory Requirements; Increased Costs. If the Lender shall reasonably determine that any Regulatory Change, or compliance by the Lender or any Person controlling the Lender with any request or directive (whether or not having the force of law) of any governmental authority, central bank or comparable agency has or would have the effect of reducing the rate of return on the Lender's or such controlling Person's capital as a consequence of the Lender's obligations hereunder to a level below that which the Lender or such controlling Person could have achieved but for such Regulatory Change or compliance (taking into consideration the Lender's or such controlling Person's policies with respect to capital adequacy) by an amount deemed by the Lender or such controlling Person to be material or would otherwise reduce the amount of any sum received or receivable by the Lender under this Agreement or under any Note with respect thereto, then from time to time, upon demand by the Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail), the Borrower shall pay directly to the Lender or such controlling Person such additional amount as will compensate the Lender for such increased cost or such reduction, so long as such amounts have accrued on or after the day which is one hundred eighty days (180) days prior to the date on which the Lender first made demand therefor.

8.2 Borrower Existence. The Borrower shall at all times preserve and maintain its (a) its existence and good standing in the jurisdiction of its organization, and (b) its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary (other than such jurisdictions in which the failure to be qualified or in good standing could not reasonably be expected to have a Material Adverse Effect), and shall at all times continue as a going concern in the business which the Borrower is presently conducting. If the Borrower does not have an Organizational Identification Number and later obtains one, the Borrower shall promptly notify the Lender of such Organizational Identification Number.

8.3 Compliance With Laws. The Borrower shall use the proceeds of the Loans for working capital and other general corporate or business purposes not in contravention of any requirements of law and not in violation of this Agreement, and shall comply in all respects, including the conduct of its business and operations and the use of its properties and assets, with all applicable laws, rules, regulations, decrees, orders, judgments, licenses and permits, except

where failure to comply could not reasonably be expected to have a Material Adverse Effect. In addition, and without limiting the foregoing sentence, the Borrower shall (a) ensure, and cause each Subsidiary to ensure, that no person who owns a controlling interest in or otherwise controls the Borrower or any Subsidiary is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, (b) not use or permit the use of the proceeds of the Loans to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto, and (c) comply, and cause each Subsidiary to comply, with all applicable Bank Secrecy Act ("BSA") laws and regulations, as amended.

8.4 Payment of Taxes and Liabilities. The Borrower shall pay and discharge, prior to delinquency and before penalties accrue thereon, all property and other taxes, and all governmental charges or levies against it or any of the Real Estate Collateral, as well as claims of any kind which, if unpaid, could become a Lien on any of its property; provided that the foregoing shall not require the Borrower to pay any such tax or charge so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall set aside on its books adequate reserves with respect thereto in accordance with sound accounting practices and, in the case of a claim which could become a Lien on any of the Real Estate Collateral, such contest proceedings stay the foreclosure of such Lien or the sale of any portion of the Real Estate Collateral to satisfy such claim.

8.5 Maintain Property. The Borrower shall at all times maintain, preserve and keep its plant, properties and equipment, including, but not limited to, any Real Estate Collateral, in good repair, working order and condition, normal wear and tear excepted, and shall from time to time make all needful and proper repairs, renewals, replacements, and additions thereto so that at all times the efficiency thereof shall be fully preserved and maintained. The Borrower shall permit the Lender to examine and inspect such properties and equipment, including, but not limited to, any Real Estate Collateral, at all reasonable times.

8.6 Maintain Insurance. The Borrower shall at all times maintain with insurance companies reasonably acceptable to the Lender, such insurance coverage as may be required by any law or governmental regulation or court decree or order applicable to it and such other insurance, to such extent and against such hazards and liabilities, including employers', public and professional liability risks, as is customarily maintained by companies similarly situated, and shall have insured amounts no less than, and deductibles no higher than, are reasonably acceptable to the Lender. The Borrower shall furnish to the Lender a certificate setting forth in reasonable detail the nature and extent of all insurance maintained by the Borrower, which shall be reasonably acceptable in all respects to the Lender. The Borrower shall cause each issuer of an insurance policy to provide the Lender with an endorsement (i) showing the Lender as lender loss payee with respect to each policy of property or casualty insurance; and (ii) providing that thirty (30) days notice will be given to the Lender prior to any cancellation of, material reduction or change in coverage provided by or other material modification to such policy. The Borrower shall execute and deliver to the Lender a collateral assignment, in form and substance satisfactory to the Lender, of each business interruption insurance policy maintained by the Borrower.

In the event the Borrower either fails to provide the Lender with evidence of the insurance coverage required by this Section or at any time hereafter shall fail to obtain or maintain any of

the policies of insurance required above, or to pay any premium in whole or in part relating thereto, then the Lender, without waiving or releasing any obligation or default by the Borrower hereunder, may at any time (but shall be under no obligation to so act), obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto, which the Lender deems advisable. This insurance coverage (a) may, but need not, protect the Borrower's interests in such property, including, but not limited to, the Real Estate Collateral, and (b) may not pay any claim made by, or against, the Borrower in connection with such property, including, but not limited to, the Real Estate Collateral. The Borrower may later cancel any such insurance purchased by the Lender, but only after providing the Lender with evidence that the Borrower has obtained the insurance coverage required by this Section. If the Lender purchases insurance for the Real Estate Collateral, the Borrower will be responsible for the costs of that insurance, including interest and any other charges that may be imposed with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the principal amount of the Loans owing hereunder. The costs of the insurance may be more than the cost of the insurance the Borrower may be able to obtain on its own.

8.7 ERISA Liabilities; Employee Plans. The Borrower shall (i) keep in full force and effect any and all Employee Plans which are presently in existence or may, from time to time, come into existence under ERISA, and not withdraw from any such Employee Plans, unless such withdrawal can be effected or such Employee Plans can be terminated without liability to the Borrower; (ii) make contributions to all of such Employee Plans in a timely manner and in a sufficient amount to comply with the standards of ERISA; including the minimum funding standards of ERISA; (iii) comply with all material requirements of ERISA which relate to such Employee Plans; (iv) notify the Lender immediately upon receipt by the Borrower of any notice concerning the imposition of any withdrawal liability or of the institution of any proceeding or other action which may result in the termination of any such Employee Plans or the appointment of a trustee to administer such Employee Plans; (v) promptly advise the Lender of the occurrence of any "Reportable Event" or "Prohibited Transaction" (as such terms are defined in ERISA), with respect to any such Employee Plans; and (vi) amend any Employee Plan that is intended to be qualified within the meaning of Section 401 of the Internal Revenue Code of 1986 to the extent necessary to keep the Employee Plan qualified, and to cause the Employee Plan to be administered and operated in a manner that does not cause the Employee Plan to lose its qualified status.

8.8 Pure Cycle Financial Statements. Pure Cycle shall at all times maintain a standard and modern system of accounting, on the accrual basis of accounting and in all respects in accordance with sound accounting practices, consistently applied, and shall furnish to the Lender or its authorized representatives such information regarding the business affairs, operations and financial condition of Pure Cycle, including, but not limited to:

(a) promptly when available, and in any event, within ninety (90) days after the close of each of its fiscal years, a copy of CPA audited financial statements of Pure Cycle, including balance sheet, statement of income and retained earnings, statement of cash flows for the fiscal year then ended and such other information (including nonfinancial information) as the Lender may reasonably request;

(b) promptly when available, and in any event, within forty five (45) days following after the close of each of its fiscal quarters, a copy of the financial statements of

Pure Cycle regarding such fiscal quarter, including balance sheet and statement of profit and for the fiscal quarter then ended and such other information (including nonfinancial information) as the Lender may request, in reasonable detail, prepared and certified as true and correct by Pure Cycle's treasurer or chief financial officer.

8.9 Rent Roll. Promptly when available, and in any event, within forty-five (45) days following the close of each of its fiscal quarters, Borrower will provide to Lender an annual report concerning the Acquired Real Estate, including all property addresses, vacancy status, the rent paid on each property and the expiration for each lease ("Rent Roll").

8.10 Supplemental Financial Statements. The Borrower shall immediately upon receipt thereof, provide to the Lender copies of interim and supplemental reports if any, submitted to the Borrower by independent accountants in connection with any interim audit or review of the books of the Borrower.

8.11 Covenant Compliance Certificate. The Borrower shall, contemporaneously with the furnishing of the Rent Roll pursuant to Section 8.9 for the period ending August 31st of each year, deliver to the Lender a duly completed compliance certificate, dated the date of such financial statements and certified as true and correct by an appropriate officer of the Borrower, containing a computation of each of the financial covenants set forth in Section 10 and stating that the Borrower has not become aware of any Event of Default or Unmatured Event of Default that has occurred and is continuing or, if there is any such Event of Default or Unmatured Event of Default describing it and the steps, if any, being taken to cure it.

8.12 Other Reports. The Borrower shall, within such period of time as the Lender may specify, deliver to the Lender such other schedules and reports as the Lender may reasonably require.

8.13 Field Audits. The Borrower shall permit the Lender to inspect the Inventory, other tangible assets and/or other business operations of the Borrower and each Subsidiary, to perform appraisals of the Equipment of the Borrower and each Subsidiary, and to inspect, audit, check and make copies of, and extracts from, the books, records, computer data, computer programs, journals, orders, receipts, correspondence and other data relating to Inventory, Accounts and any other Collateral, the results of which must be satisfactory to the Lender in the Lender's sole and absolute discretion. All such inspections or audits by the Lender shall be at the Borrower's sole expense, provided, however, that so long as no Event of Default or Unmatured Event of Default exists, the Borrower shall not be required to reimburse the Lender for inspections or audits more frequently than once each fiscal year.

8.14 Collateral Records. The Borrower shall keep full and accurate books and records relating to the Collateral and shall mark such books and records to indicate the Lender's Lien in the Collateral.

8.15 Intellectual Property. The Borrower shall maintain, preserve and renew all Intellectual Property necessary for the conduct of its business as and where the same is currently located as heretofore or as hereafter conducted by it.

8.16 Notice of Proceedings. The Borrower, promptly upon becoming aware, shall give written notice to the Lender of any litigation, arbitration or governmental investigation or proceeding not previously disclosed by the Borrower to the Lender which has been instituted or, to the knowledge of the Borrower, is threatened against the Borrower or to which any of its respective properties is subject which might reasonably be expected to have a Material Adverse Effect.

8.17 Notice of Event of Default or Material Adverse Effect. The Borrower shall, immediately after the commencement thereof, give notice to the Lender in writing of the occurrence of any Event of Default or any Unmatured Event of Default, or the occurrence of any condition or event having a Material Adverse Effect.

8.18 Environmental Matters. If any release or threatened release or other disposal of Hazardous Substances shall occur or shall have occurred on any real property or any other assets of the Borrower, the Borrower shall cause the prompt containment and removal of such Hazardous Substances and the remediation of such real property or other assets as necessary to comply with all Environmental Laws and to preserve the value of such real property or other assets. Without limiting the generality of the foregoing, the Borrower shall comply with any Federal or state judicial or administrative order requiring the performance at any real property of the Borrower of activities in response to the release or threatened release of a Hazardous Substance. To the extent that the transportation of Hazardous Substances is permitted by this Agreement, the Borrower shall dispose of such Hazardous Substances, or of any other wastes, only at licensed disposal facilities operating in compliance with Environmental Laws.

8.19 Further Assurances. The Borrower shall take such actions as are necessary or as the Lender may reasonably request from time to time to ensure that the Obligations under the Loan Documents are secured by substantially all of the assets of the Borrower, in each case as the Lender may determine, including (a) the execution and delivery of security agreements, pledge agreements, mortgages, deeds of trust, financing statements and other documents, and the filing or recording of any of the foregoing, and (b) the delivery of certificated securities and other collateral with respect to which perfection is obtained by possession.

8.20 Errors and Omissions. The Borrower agrees, if requested by Lender, in consideration of Lender agreeing to enter into this Agreement and make Loan advances, to fully cooperate with the correction of any Loan Documents, related documents, or issues related to the perfection of the Lender's security interest.

8.21 Revenues from Acquired Real Estate. The Borrower agrees to cause all revenues derived from the Acquired Real Estate to be deposited with Lender.

8.22 Banking Relationship. The Borrower covenants and agrees, at all times during the term of this Agreement, to utilize the Lender for depository and treasury management services and other related services. On or before the date which is 120 days after the date of this Agreement, Borrower will close the deposit accounts marked to be closed on Schedule 7.21.

8.23 Commitment Fee/Issuance Fee. The Borrower agrees to pay to the Lender a commitment fee equal to $37,500.00 in connection with Lender's execution of this Agreement. In

addition, Borrower agrees to pay to Lender an issuance fee equal to $500.00 in connection with the issuance of each Real Estate Purchase Note.

SECTION 9. NEGATIVE COVENANTS.

9.1 Debt. The Borrower shall not, either directly or indirectly, create, assume, incur or have outstanding any Debt (including purchase money indebtedness), or become liable, whether as endorser, guarantor, surety or otherwise, for any debt or obligation of any other Person, except:

(a) the Obligations under this Agreement and the other Loan Documents;

(b) obligations of the Borrower for Taxes, assessments, municipal or other governmental charges;

(c) obligations of the Borrower for accounts payable, other than for money borrowed, incurred in the ordinary course of business;

(d) Subordinated Debt;

(e) Bank Product Obligations under a Hedging Agreement incurred in favor of the Lender or an Affiliate thereof for bona fide hedging purposes and not for speculation;

(f) Capitalized Lease Obligations and Debt for Capital Expenditures, provided that the aggregate amount of all such Debt outstanding at any time shall not exceed $500,000.00 in the aggregate;

(g) Debt described on Schedule 9.1 and any extension, renewal or refinancing thereof so long as the principal amount thereof is not increased;

(h) other unsecured Debt, in addition to the Debt listed above, in an aggregate amount outstanding at any time not to exceed $500,000.00.

9.2 Encumbrances. The Borrower shall not, either directly or indirectly, create, assume, incur or suffer or permit to exist any Lien or charge of any kind or character upon any of the Collateral, whether owned at the date hereof or hereafter acquired, except for Permitted Liens.

9.3 Investments. The Borrower shall not, either directly or indirectly, make or have outstanding any Investment, except:

(a) contributions by the Borrower to the capital of any Wholly-Owned Subsidiary which has granted a first perfected security interest in all of its assets in favor of the Lender, or by any Subsidiary to the capital of any other domestic Wholly-Owned Subsidiary;

(b) Investments constituting Debt permitted by Section 9.1;

(c) Contingent Liabilities constituting Debt permitted by Section 9.1 or Liens permitted by Section 9.2;

(d) bank deposits in the ordinary course of business;

(e) Investments in securities of Account Debtors received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such account debtors; and

(f) Investments permitted by Pure Cycle's Investment Policy approved by Pure Cycle's board of directors, a copy of which is attached as Schedule 9.3 to this Agreement.

9.4 Transfer; Merger; Sales. The Borrower shall not, whether in one transaction or a series of related transactions, (a) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any Capital Securities of any class of, or any partnership or joint venture interest in, any other Person, except for (i) any such merger, consolidation, sale, transfer, conveyance, lease or assignment of or by any Wholly-Owned Subsidiary into the Borrower or into any other domestic Wholly-Owned Subsidiary; (ii) any such purchase or other acquisition by the Borrower or any domestic Wholly-Owned Subsidiary of the assets or equity interests of any Wholly-Owned Subsidiary, (b) sell, transfer, convey or lease all or any substantial part of its assets or Capital Securities (including the sale of Capital Securities of any Subsidiary), except for sales of Inventory in the ordinary course of business and for sales of the Capital Securities of Pure Cycle, or (c) sell or assign, with or without recourse, any receivables.

9.5 Distributions. If an Event of Default has occurred, the Borrower shall not, (a) make any distribution or dividend (other than stock dividends), whether in cash or otherwise, to any of its equity holders, (b) purchase or redeem any of its equity interests or any warrants, options or other rights in respect thereof, (c) pay any management fees or similar fees to any of its equity holders or any Affiliate thereof, (d) pay or prepay interest on, principal of, premium, if any, redemption, conversion, exchange, purchase, retirement, defeasance, sinking fund or any other payment in respect of any Subordinated Debt, or (e) set aside funds for any of the foregoing. Notwithstanding the foregoing, (i) any Subsidiary may pay dividends or make other distributions to the Borrower or to a domestic Wholly-Owned Subsidiary.

9.6 Transactions with Affiliates. Except for distributions made in accordance with Section 9.3, the Borrower shall not, directly or indirectly, enter into or permit to exist any transaction with any of its Affiliates or with any director, officer or employee of the Borrower other than transactions in the ordinary course of, and pursuant to the reasonable requirements of, the business of the Borrower and upon fair and reasonable terms which are fully disclosed to the Lender and are no less favorable to the Borrower than would be obtained in a comparable arm's length transaction with a Person that is not an Affiliate of the Borrower.

9.7 Cancellation of Debt. The Borrower shall not cancel any claim or debt owing to it, except for reasonable consideration or in the ordinary course of business.

9.8 Use of Proceeds. Neither the Borrower nor any of its Subsidiaries or Affiliates shall use any portion of the proceeds of the Loans, either directly or indirectly, for the purpose of purchasing any securities.

9.9 Business Activities; Change of Legal Status and Organizational Documents. The Borrower shall not (a) engage in any line of business other than the businesses engaged in on the

date hereof and businesses reasonably related thereto, (b) change its name, its Organizational Identification Number, if it has one, its type of organization, its jurisdiction of organization or other legal structure, or (c) permit its charter, bylaws or other organizational documents to be amended or modified in any way which could reasonably be expected to materially adversely affect the interests of the Lender.

SECTION 10. FINANCIAL COVENANTS.

10.1 Debt Service Coverage (PYC & Rentals). As of the end of each fiscal year of the Borrower, PYC and Rentals shall maintain a ratio of Net Operating Income derived from the Acquired Real Estate, divided by scheduled principal and interest payments on the Real Estate Purchase Loans of not less than 1.00 to 1.00, for the then ended fiscal year.

10.2 Debt Service Coverage (Consolidated). As of the end of each fiscal year of the Borrower, the Borrower shall maintain a consolidated ratio of (a) income from the Borrower's operations, after subtracting for taxes and distributions, for such period, plus Interest Charges for such period, plus the amount of depreciation, amortization and all other noncash charges, to (b) Interest Charges for such period plus the aggregate amount of principal payments on Debt for such period, of not less than 1.30 to 1.00.

10.3 Liquidity (Consolidated). At all times, Borrower, on a consolidated basis, shall maintain cash and liquid securities (reasonably acceptable to Lender) in an amount of not less than $5,000,000.00, measured quarterly.

10.4 Tangible Net Worth (Consolidated). At all times, Borrower, on a consolidated basis, shall maintain consolidated Tangible Net Worth in an amount not less than $75,000,000.00, measured quarterly

10.5 Equity Cure of Financial Covenant. Notwithstanding anything to the contrary contained in this Section 10 or Section 11, in the event the Borrower fails to comply with the financial covenant set forth in this Section 10.1 and until the expiration of the fifth (5th) Business Day after the earlier of (a) the date financial statements are received by Lender or are available, or (b) the date on which financial statements are required to be delivered with respect to the applicable fiscal year hereunder, Borrower may issue additional Capital Securities in exchange for cash proceeds and such cash proceeds may be deemed for purposes of compliance with Section 10.1 to be reflected as income on the balance sheet with respect to the applicable fiscal year (an "Equity Cure"); provided that (i) such cash proceeds are actually received by Borrower no later than five (5) Business Days after the date on which financial statements are required to be delivered with respect to such applicable fiscal year, and (ii) no more than three (3) Equity Cures may be used to satisfy the financial covenant requirements in Section 10.1.

SECTION 11. EVENTS OF DEFAULT.

The Borrower, without notice or demand of any kind, shall be in default under this Agreement upon the occurrence of any of the following events (each an "Event of Default").

11.1 Nonpayment of Obligations. Any amount due and owing on any Note or any of the Obligations, whether by its terms or as otherwise provided herein, is not paid when due.

11.2 Misrepresentation. Any oral or written warranty, representation, certificate or statement of any Obligor in this Agreement, the other Loan Documents or any other agreement with the Lender shall be false in any material respect when made or at any time thereafter, or if any financial data or any other information now or hereafter furnished to the Lender by or on behalf of any Obligor shall prove to be false, inaccurate or misleading in any material respect.

11.3 Nonperformance. Any failure to perform or default in the performance of any covenant, condition or agreement contained in this Agreement, or in the other Loan Documents or any other agreement with the Lender which is not cured within ten (10) days of written notice of same; provided, however, that if such failure or default cannot reasonably cured within such ten (10) day period, Borrower shall have such additional time as reasonably necessary to cure such default or failure, not to exceed thirty (30) days in the aggregate.

11.4 Default under Loan Documents. A default beyond any applicable period of grace under any of the other Loan Documents, all of which covenants, conditions and agreements contained therein are hereby incorporated in this Agreement by express reference, shall be and constitute an Event of Default under this Agreement and any other of the Obligations.

11.5 Default under Other Debt. Any default by any Obligor in the payment of any material Debt for any other obligation beyond any period of grace provided with respect thereto or in the performance of any other material term, condition or covenant contained in any agreement (including, but not limited to any capital or operating lease or any agreement in connection with the deferred purchase price of property) under which any such obligation is created, the effect of which default is to cause or permit the holder of such obligation (or the other party to such other agreement) to cause such obligation to become due prior to its stated maturity or terminate such other agreement and which acceleration or termination would reasonably be expected to have a Material Adverse Effect on such Obligor's ability to perform any material obligations of such Obligor in favor of Lender, including under any Guaranty in favor of Lender.

11.6 Other Material Obligations. Any default in the payment when due, or in the performance or observance of, any material obligation of, or condition agreed to by, any Obligor with respect to any material purchase or lease of goods or services where such default, singly or in the aggregate with all other such defaults, would reasonably be expected to have a Material Adverse Effect.

11.7 Bankruptcy, Insolvency, etc. Any Obligor becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay, debts as they become due; or any Obligor applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for such Obligor or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for any Obligor or for a substantial part of the property of any thereof and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of any Obligor, and if such case or proceeding is not commenced by such Obligor, it is consented to or acquiesced in by such Obligor, or remains undismissed for sixty (60) days; or any Obligor takes any action to authorize, or in furtherance of, any of the foregoing.

11.8 Judgments. The entry of any final judgment, decree, levy, attachment, garnishment or other process for the payment of money in excess of $50,000, or the filing of any Lien against any Obligor which is not fully covered by insurance, and (a) which judgment or other process would have a Material Adverse Effect on the Borrower or any Obligor, or (b) such judgment or other process shall not have been, within thirty (30) days from the entry thereof, (i) bonded over to the satisfaction of the Lender and appealed, (ii) vacated, or (iii) discharged.

11.9 Change in Control. The occurrence of any Change in Control.

11.10 Collateral Impairment. The entry of any judgment, decree, levy, attachment, garnishment or other process, or the filing of any material Lien against, any of the Collateral or any collateral under a separate security agreement securing any of the Obligations, or the loss, theft, destruction, seizure or forfeiture, or the occurrence of any material deterioration or impairment of any of the Collateral or any of the collateral under any security agreement securing any of the Obligations, which causes the Collateral, in the aggregate, in the sole opinion of the Lender acting in good faith, to become unsatisfactory as to value or character, or which causes the Lender to reasonably believe that it is insecure and that the likelihood for repayment of the Obligations is or will soon be impaired, time being of the essence. The cause of such deterioration, impairment, decline or depreciation shall include, but is not limited to, the failure by the Borrower to do any act deemed necessary by the Lender to preserve and maintain the value and collectability of the Collateral.

11.11 Material Adverse Effect. The occurrence of any development, condition or event which has a Material Adverse Effect on the Borrower.

SECTION 12. REMEDIES.

Upon the occurrence of an Event of Default, the Lender shall have all rights, powers and remedies set forth in the Loan Documents, in any written agreement or instrument (other than this Agreement or the Loan Documents) relating to any of the Obligations or any security therefor, as a secured party under the UCC or as otherwise provided at law or in equity. Without limiting the generality of the foregoing, the Lender may, at its option upon the occurrence of an Event of Default, declare its commitments to the Borrower to be terminated and all Obligations to be immediately due and payable, provided, however, that upon the occurrence of an Event of Default under Section 11.7, all commitments of the Lender to the Borrower shall immediately terminate and all Obligations shall be automatically due and payable, all without demand, notice or further action of any kind required on the part of the Lender. The Borrower hereby waives any and all presentment, demand, notice of dishonor, protest, and all other notices and demands in connection with the enforcement of Lender's rights under the Loan Documents, and hereby consents to, and waives notice of release, with or without consideration, of any Collateral, notwithstanding anything contained herein or in the Loan Documents to the contrary. In addition to the foregoing:

12.1 Possession and Assembly of Collateral. The Lender may, without notice, demand or legal process of any kind, take possession of any or all of the Collateral (in addition to Collateral of which the Lender already has possession), wherever it may be found, and for that purpose may pursue the same wherever it may be found, and may at any time enter into any of the Borrower's premises where any of the Collateral may be or is supposed to be, and search for, take possession

of, remove, keep and store any of the Collateral until the same shall be sold or otherwise disposed of and the Lender shall have the right to store and conduct a sale of the same in any of the Borrower's premises without cost to the Lender. At the Lender's request, the Borrower will, at the Borrower's sole expense, assemble the Collateral and make it available to the Lender at a place or places to be designated by the Lender which is reasonably convenient to the Lender and the Borrower.

12.2 Sale of Collateral. The Lender may sell any or all of the Collateral in accordance with applicable law.

12.3 Standards for Exercising Remedies. To the extent that applicable law imposes duties on the Lender to exercise remedies in a commercially reasonable manner, the Borrower acknowledges and agrees that it is not commercially unreasonable for the Lender (a) to fail to incur expenses reasonably deemed significant by the Lender to prepare Collateral for disposition or otherwise to complete raw material or work-in-process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other Persons, whether or not in the same business as the Borrower, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, including, without limitation, any warranties of title, (k) to purchase insurance or credit enhancements to insure the Lender against risks of loss, collection or disposition of Collateral or to provide to the Lender a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by the Lender, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Lender in the collection or disposition of any of the Collateral. The Borrower acknowledges that the purpose of this section is to provide non-exhaustive indications of what actions or omissions by the Lender would not be commercially unreasonable in the Lender's exercise of remedies against the Collateral and that other actions or omissions by the Lender shall not be deemed commercially unreasonable solely on account of not being indicated in this section. Without limitation upon the foregoing, nothing contained in this section shall be construed to grant any rights to the Borrower or to impose any duties on the Lender that would not have been granted or imposed by this Agreement or by applicable law in the absence of this section.

12.4 UCC and Offset Rights. The Lender may exercise, from time to time, any and all rights and remedies available to it under the UCC or under any other applicable law in addition to, and not in lieu of, any rights and remedies expressly granted in this Agreement or in any other

agreements between any Obligor and the Lender, and may, without demand or notice of any kind, appropriate and apply toward the payment of such of the Obligations, whether matured or unmatured, including costs of collection and attorneys' and paralegals' fees, and in such order of application as the Lender may, from time to time, elect, any indebtedness of the Lender to any Obligor, however created or arising, including, but not limited to, balances, credits, deposits, accounts or moneys of such Obligor in the possession, control or custody of, or in transit to the Lender. The Borrower, on behalf of itself and each Obligor, hereby waives the benefit of any law that would otherwise restrict or limit the Lender in the exercise of its right, which is hereby acknowledged, to appropriate at any time hereafter any such indebtedness owing from the Lender to any Obligor.

12.5 Additional Remedies. The Lender shall have the right and power to:

(a) enforce collection of any of the Collateral, including, but not limited to, any Accounts, by suit or otherwise, or make any compromise or settlement with respect to any of the Collateral, or surrender, release or exchange all or any part thereof, or compromise, extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder;

(b) take possession or control of any proceeds and products of any of the Collateral (incl. rents and leases), including the proceeds of insurance thereon;

(c) extend, renew or modify for one or more periods (whether or not longer than the original period) any Note, any other of the Obligations, any obligation of any nature of any other obligor with respect to any Note or any of the Obligations;

(d) grant releases, compromises or indulgences with respect to any Note, any of the Obligations, any extension or renewal of any of the Obligations, any security therefor, or to any other obligor with respect to any Note or any of the Obligations;

(e) transfer the whole or any part of securities which may constitute Collateral into the name of the Lender or the Lender's nominee without disclosing, if the Lender so desires, that such securities so transferred are subject to the security interest of the Lender, and any corporation, association, or any of the managers or trustees of any trust issuing any of such securities, or any transfer agent, shall not be bound to inquire, in the event that the Lender or such nominee makes any further transfer of such securities, or any portion thereof, as to whether the Lender or such nominee has the right to make such further transfer, and shall not be liable for transferring the same;

(f) vote the Collateral;

(g) make an election with respect to the Collateral under Section 1111 of the Bankruptcy Code or take action under Section 364 or any other section of the Bankruptcy Code; provided, however, that any such action of the Lender as set forth herein shall not, in any manner whatsoever, impair or affect the liability of the Borrower hereunder, nor prejudice, waive, nor be construed to impair, affect, prejudice or waive the Lender's rights and remedies at law, in equity or by statute, nor release, discharge, nor be construed to

release or discharge, the Borrower, any guarantor or other Person liable to the Lender for the Obligations; and

(h) at any time, and from time to time, accept additions to, releases, reductions, exchanges or substitution of the Collateral, without in any way altering, impairing, diminishing or affecting the provisions of this Agreement, the Loan Documents, or any of the other Obligations, or the Lender's rights hereunder, under any Note or under any of the other Obligations.

12.6 Appointment of Receiver. After the occurrence of an Event of Default, Borrower hereby agrees and acknowledges that in addition to any other remedy under the Loan Documents, this Agreement, or at law or equity, that the Lender shall be and is entitled to the appointment of a receiver under either state or federal receivership law and the Borrower hereby consents to the appointment of a receiver of the Lender's choice for purposes of effectuating the provisions of this paragraph. Borrower further agrees and consents that, at the Lender's choosing, such receiver will be entitled to take exclusive possession and control, to the exclusion of Borrower and its agents, of all or substantially all of Borrower's property or such limited or specific property of Borrower as the Lender at its discretion may identify or select. Borrower further agrees that such receiver shall be vested with such powers as the appointing court determines are necessary and appropriate to possess, maintain, operate, control, and/or liquidate property placed into the control of the receiver and specifically agrees that at the specific request of the Lender, the receiver may be vested with the power to operate the Borrower as a going concern in all respects, and to collect accounts, enforce and settle claims, and to liquidate Borrower's property or the Collateral. Borrower shall and hereby agrees to cooperate in all reasonable receiver requests for assistance and information necessary to effectuate the duties ascribed to the receiver by the court. Borrower hereby grants to the Lender it limited power of attorney authorizing the Lender to represent the Borrower's consent to the appointment of a receiver in any order that the Lender may present to a court. Borrower further agrees and acknowledges that three (3) days' notice of a hearing appointing such receiver shall be considered reasonable notice of such hearing. The provisions of this Section 12.6 shall survive the termination of this Agreement.

12.7 Attorney-in-Fact. The Borrower hereby irrevocably makes, constitutes and appoints the Lender (and any officer of the Lender or any Person designated by the Lender for that purpose) as the Borrower's true and lawful proxy and attorney-in-fact (and agent-in-fact) in the Borrower's name, place and stead, with full power of substitution, to (i) take such actions as are permitted in this Agreement, (ii) execute such financing statements and other documents and to do such other acts as the Lender may require to perfect and preserve the Lender's security interest in, and to enforce such interests in the Collateral, and (iii) carry out any remedy provided for in this Agreement, including, without limitation, endorsing the Borrower's name to checks, drafts, instruments and other items of payment, and proceeds of the Collateral, executing change of address forms with the postmaster of the United States Post Office serving the address of the Borrower, changing the address of the Borrower to that of the Lender, opening all envelopes addressed to the Borrower and applying any payments contained therein to the Obligations. The Borrower hereby acknowledges that the constitution and appointment of such proxy and attorney-in-fact are coupled with an interest and are irrevocable. The Borrower hereby ratifies and confirms all that such attorney-in-fact may do or cause to be done by virtue of any provision of this Agreement.

12.8 No Marshaling. The Lender shall not be required to marshal any present or future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order. To the extent that it lawfully may, the Borrower hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of the Lender's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Borrower hereby irrevocably waives the benefits of all such laws.

12.9 Application of Proceeds. The Lender will within three (3) Business Days after receipt of cash or solvent credits from collection of items of payment, proceeds of Collateral or any other source, apply the whole or any part thereof against the Obligations secured hereby. The Lender shall further have the exclusive right to determine how, when and what application of such payments and such credits shall be made on the Obligations, and such determination shall be conclusive upon the Borrower. Any proceeds of any disposition by the Lender of all or any part of the Collateral may be first applied by the Lender to the payment of expenses incurred by the Lender in connection with the Collateral, including attorneys' fees and legal expenses as provided for in Section 13 hereof. Notwithstanding anything to the contrary set forth above, in no event shall any proceeds of any Collateral owned, or any Guaranty provided, by any Obligor under any Loan Document be applied to repay or cash collateralize any Excluded Swap Obligation with respect to such Obligor, but appropriate adjustments shall be made with respect to payments from other Obligors to preserve the allocation to Obligations otherwise set forth above in this Section; provided, further, that Lender may elect to apply the proceeds of any such Collateral or Guaranty to repay or cash collateralize any Obligations in accordance with the priority set forth above (other than Excluded Swap Obligation with respect to such Obligor) before applying the proceeds of any other Collateral or Guaranty provided under any Loan Document, if in the reasonable determination of Lender, such order of application will maximize the repayment of all of the Obligations. Lender shall have absolute discretion as to the time of application of any such proceeds, moneys, or balances in accordance with this Agreement.

12.10 No Waiver. No Event of Default shall be waived by the Lender except in writing. No failure or delay on the part of the Lender in exercising any right, power or remedy hereunder shall operate as a waiver of the exercise of the same or any other right at any other time; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. There shall be no obligation on the part of the Lender to exercise any remedy available to the Lender in any order. The remedies provided for herein are cumulative and not exclusive of any remedies provided at law or in equity. The Borrower agrees that in the event that the Borrower fails to perform, observe or discharge any of its Obligations or liabilities under this Agreement or any other agreements with the Lender, no remedy of law will provide adequate relief to the Lender, and further agrees that the Lender shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

12.11 Letters of Credit. With respect to all Letters of Credit for which presentment for honor shall not have occurred at the time of an acceleration pursuant to this Section 12, the

Borrower shall at such time deposit in a cash collateral account opened by the Lender an amount equal to the Letter of Credit Obligations then outstanding. Amounts held in such cash collateral account shall be applied by the Lender to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the Obligations, in such order of application as the Lender may, in its sole discretion, from time to time elect. After all such Letters of Credit shall have expired or been fully drawn upon, all commitments to make Loans hereunder have terminated and all other Obligations have been indefeasibly satisfied and paid in full in cash, the balance, if any, in such cash collateral account shall be returned to the Borrower or such other Person as may be lawfully entitled thereto.

SECTION 13. MISCELLANEOUS.

13.1 Obligations Absolute. None of the following shall affect the Obligations of the Borrower to the Lender under this Agreement or the Lender's rights with respect to the Collateral:

(a) acceptance or retention by the Lender of other property or any interest in property as security for the Obligations;

(b) release by the Lender of all or any part of the Collateral or of any party liable with respect to the Obligations;

(c) release, extension, renewal, modification or substitution by the Lender of any Note, or any note evidencing any of the Obligations, or the compromise of the liability of the Obligations; or

(d) failure of the Lender to resort to any other security or to pursue the Borrower or any other obligor liable for any of the Obligations before resorting to remedies against the Collateral.

13.2 Entire Agreement. This Agreement and the other Loan Documents (i) are valid, binding and enforceable against the Borrower and the Lender in accordance with their respective provisions and no conditions exist as to their legal effectiveness; (ii) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof; and (iii) are the final expression of the intentions of the Borrower and the Lender. No promises, either expressed or implied, exist between the Borrower and the Lender, unless contained herein or therein. This Agreement, together with the other Loan Documents, supersedes all negotiations, representations, warranties, commitments, term sheets, discussions, negotiations, offers or contracts (of any kind or nature, whether oral or written) prior to or contemporaneous with the execution hereof with respect to any matter, directly or indirectly related to the terms of this Agreement and the other Loan Documents. This Agreement and the other Loan Documents are the result of negotiations among the Lender, the Borrower and the other parties thereto, and have been reviewed (or have had the opportunity to be reviewed) by counsel to all such parties, and are the products of all parties. Accordingly, this Agreement and the other Loan Documents shall not be construed more strictly against the Lender merely because of the Lender's involvement in their preparation.

13.3 Amendments; Waivers. No delay on the part of the Lender in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by

the Lender of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by the Lender, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

13.4 WAIVER OF DEFENSES. THE BORROWER, ON BEHALF OF ITSELF AND ANY GUARANTOR OF ANY OF THE OBLIGATIONS, WAIVES EVERY PRESENT AND FUTURE DEFENSE, CAUSE OF ACTION, COUNTERCLAIM OR SETOFF WHICH THE BORROWER MAY NOW HAVE OR HEREAFTER MAY HAVE TO ANY ACTION BY THE LENDER IN ENFORCING THIS AGREEMENT. PROVIDED THE LENDER ACTS IN GOOD FAITH, THE BORROWER RATIFIES AND CONFIRMS WHATEVER THE LENDER MAY DO PURSUANT TO THE TERMS OF THIS AGREEMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER GRANTING ANY FINANCIAL ACCOMMODATION TO THE BORROWER.

13.5 FORUM SELECTION AND CONSENT TO JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF COLORADO OR IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO; PROVIDED THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF COLORADO AND OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF COLORADO. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

13.6 WAIVER OF JURY TRIAL. THE LENDER AND THE BORROWER, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE IRREVOCABLY, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT, ANY OF THE OTHER OBLIGATIONS, THE COLLATERAL, OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY LENDING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, OR ANY COURSE OF CONDUCT OR COURSE OF DEALING

IN WHICH THE LENDER AND THE BORROWER ARE ADVERSE PARTIES, AND EACH AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER GRANTING ANY FINANCIAL ACCOMMODATION TO THE BORROWER.

13.7 Assignability. The Lender may at any time assign the Lender's rights in this Agreement, the other Loan Documents, the Obligations, or any part thereof and transfer the Lender's rights in any or all of the Collateral, and the Lender thereafter shall be relieved from all liability with respect to such Collateral. In addition, the Lender may at any time sell one or more participations in the Loans. The Borrower may not sell or assign this Agreement, or any other agreement with the Lender or any portion thereof, either voluntarily or by operation of law, without the prior written consent of the Lender. This Agreement shall be binding upon the Lender and the Borrower and their respective legal representatives and successors. All references herein to the Borrower shall be deemed to include any successors, whether immediate or remote. In the case of a joint venture or partnership, the term "Borrower" shall be deemed to include all joint venturers or partners thereof, who shall be jointly and severally liable hereunder.

13.8 Confirmations. The Borrower and the Lender agree from time to time, upon written request received by it from the other, to confirm to the other in writing the aggregate unpaid principal amount of the Loans then outstanding under such Note.

13.9 Confidentiality. The Lender agrees to use commercially reasonable efforts (equivalent to the efforts the Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all information provided to them by the Borrower and designated as confidential, except that the Lender may disclose such information (a) to Persons employed or engaged by the Lender in evaluating, approving, structuring or administering the Loans; (b) to any assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 13.9 (and any such assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any federal or state regulatory authority or examiner, or any insurance industry association, or as reasonably believed by the Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of the Lender's counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any litigation to which the Lender is a party; (f) to any nationally recognized rating agency that requires access to information about the Lender's investment portfolio in connection with ratings issued with respect to the Lender; (g) to any Affiliate of the Lender who may provide Bank Products to the Borrower or any Subsidiary, or (h) that ceases to be confidential through no fault of the Lender.

13.10 Binding Effect. This Agreement shall become effective upon execution by the Borrower and the Lender. If this Agreement is not dated or contains any blanks when executed by the Borrower, the Lender is hereby authorized, without notice to the Borrower, to date this Agreement as of the date when it was executed by the Borrower, and to complete any such blanks according to the terms upon which this Agreement is executed.

13.11 Governing Law. This Agreement, the Loan Documents and any Note shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the internal laws of the State of Colorado (but giving effect to federal laws applicable to national banks) applicable to contracts made and to be performed entirely within such state, without regard to conflict of laws principles.

13.12 Enforceability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by, unenforceable or invalid under any jurisdiction, such provision shall as to such jurisdiction, be severable and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

13.13 Survival of Borrower Representations. All covenants, agreements, representations and warranties made by the Borrower herein shall, notwithstanding any investigation by the Lender, be deemed material and relied upon by the Lender and shall survive the making and execution of this Agreement and the Loan Documents and the issuance of any Note, and shall be deemed to be continuing representations and warranties until such time as the Borrower has fulfilled all of its Obligations to the Lender, and the Lender has been indefeasibly paid in full in cash. The Lender, in extending financial accommodations to the Borrower, is expressly acting and relying on the aforesaid representations and warranties.

13.14 Extensions of Lender's Commitment. This Agreement shall secure and govern the terms of (i) any extensions or renewals of the Lender's commitment hereunder, and (ii) any replacement note executed by the Borrower and accepted by the Lender in its sole and absolute discretion in substitution for any Note.

13.15 Time of Essence. Time is of the essence in making payments of all amounts due the Lender under this Agreement and in the performance and observance by the Borrower of each covenant, agreement, provision and term of this Agreement.

13.16 Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Receipt of an executed signature page to this Agreement by facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of executed Loan Documents maintained by the Lender shall deemed to be originals thereof.

13.17 Notices. Except as otherwise provided herein, the Borrower waives all notices and demands in connection with the enforcement of the Lender's rights hereunder. All notices, requests, demands and other communications provided for hereunder shall be in writing and addressed as follows:

If to the Borrower:
c/o PCY Holdings, LLC
34501 E. Quincy Ave, Bldg 1, Suite D
Watkins, Colorado 80137

Attention: Marc Spezialy, Chief Financial Officer

If to the Lender:
UMB Bank, N.A.
1670 Broadway
Denver, Colorado 80202
Attention: John Mastro

or, as to each party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this subsection. All notices addressed as above shall be deemed to have been properly given (i) if served in person, upon acceptance or refusal of delivery; (ii) if mailed by certified or registered mail, return receipt requested, postage prepaid, on the third (3rd) day following the day such notice is deposited in any post office station or letter box; or (iii) if sent by recognized overnight courier, on the first (1st) day following the day such notice is delivered to such carrier. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

13.18 Release of Claims Against Lender. In consideration of the Lender making the Loans, the Borrower and all other Obligors do each hereby release and discharge the Lender of and from any and all claims, harm, injury, and damage of any and every kind, known or unknown, legal or equitable, which any Obligor may have against the Lender from the date of their respective first contact with the Lender until the date of this Loan Agreement including, but not limited to, any claim arising from any reports (environmental reports, surveys, appraisals, etc.) prepared by any parties hired or recommended by the Lender. The Borrower and all other Obligors confirm to Lender that they have reviewed the effect of this release with competent legal counsel of their choice, or have been afforded the opportunity to do so, prior to execution of this Loan Agreement and the Loan Documents and do each acknowledge and agree that the Lender is relying upon this release in extending the Loans to the Borrower.

13.19 Costs, Fees and Expenses. The Borrower shall pay or reimburse the Lender for all reasonable costs, fees and expenses incurred by the Lender or for which the Lender becomes obligated in connection with the negotiation, preparation, consummation, collection of the Obligations or enforcement of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendment, supplement or waiver to any Loan Document), or during any workout, restructuring or negotiations in respect thereof, including, without limitation, reasonable consultants' fees and attorneys' fees and time charges of counsel to the Lender, which shall also include attorneys' fees and time charges of attorneys who may be employees of the Lender or any Affiliate of the Lender, plus costs and expenses of such attorneys or of the Lender; search fees, costs and expenses; and all taxes payable in connection with this Agreement or the other Loan Documents, whether or not the transaction contemplated hereby shall be consummated. In furtherance of the foregoing, the Borrower shall pay any and all stamp and other taxes, UCC search fees, filing fees and other costs and expenses in connection with the execution and delivery of this Agreement, any Note and the other Loan Documents to be delivered hereunder, and agrees to save and hold the Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such costs and expenses. That portion of the Obligations consisting of costs, expenses or advances to be reimbursed by the Borrower to the

Lender pursuant to this Agreement or the other Loan Documents which are not paid on or prior to the date hereof shall be payable by the Borrower to the Lender on demand. If at any time or times hereafter the Lender: (a) employs counsel for advice or other representation (i) with respect to this Agreement or the other Loan Documents, (ii) to represent the Lender in any litigation, contest, dispute, suit or proceeding or to commence, defend, or intervene or to take any other action in or with respect to any litigation, contest, dispute, suit, or proceeding (whether instituted by the Lender, the Borrower, or any other Person) in any way or respect relating to this Agreement, the other Loan Documents or the Borrower's business or affairs, or (iii) to enforce any rights of the Lender against the Borrower or any other Person that may be obligated to the Lender by virtue of this Agreement or the other Loan Documents; (b) takes any action to protect, collect, sell, liquidate, or otherwise dispose of any of the Collateral; and/or (c) attempts to or enforces any of the Lender's rights or remedies under the Agreement or the other Loan Documents, the costs and expenses incurred by the Lender in any manner or way with respect to the foregoing, shall be part of the Obligations, payable by the Borrower to the Lender on demand.

13.20 Indemnification. The Borrower agrees to defend (with counsel satisfactory to the Lender), protect, indemnify, exonerate and hold harmless each Indemnified Party from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and distributions of any kind or nature (including, without limitation, the disbursements and the reasonable fees of counsel for each Indemnified Party thereto, which shall also include, without limitation, reasonable attorneys' fees and time charges of attorneys who may be employees of any Indemnified Party), which may be imposed on, incurred by, or asserted against, any Indemnified Party (whether direct, indirect or consequential and whether based on any federal, state or local laws or regulations, including, without limitation, securities laws, Environmental Laws, commercial laws and regulations, under common law or in equity, or based on contract or otherwise) in any manner relating to or arising out of this Agreement or any of the Loan Documents, or any act, event or transaction related or attendant thereto, the preparation, execution and delivery of this Agreement and the Loan Documents, including, but not limited to, the making or issuance and management of the Loans, the use or intended use of the proceeds of the Loans, the enforcement of the Lender's rights and remedies under this Agreement, the Loan Documents, any Note, any other instruments and documents delivered hereunder, or under any other agreement between the Borrower and the Lender; provided, however, that the Borrower shall not have any obligations hereunder to any Indemnified Party with respect to matters determined by a court of competent jurisdiction by final and nonappealable judgment to have been caused by or resulting from the willful misconduct or gross negligence of such Indemnified Party. To the extent that the undertaking to indemnify set forth in the preceding sentence may be unenforceable because it violates any law or public policy, the Borrower shall satisfy such undertaking to the maximum extent permitted by applicable law. Any liability, obligation, loss, damage, penalty, cost or expense covered by this indemnity shall be paid to each Indemnified Party on demand, and failing prompt payment, together with interest thereon at the Default Rate from the date incurred by each Indemnified Party until paid by the Borrower, shall be added to the Obligations of the Borrower and be secured by the Collateral. The provisions of this Section shall survive the satisfaction and payment of the other Obligations and the termination of this Agreement.

13.21 Revival and Reinstatement of Obligations. If the incurrence or payment of the Obligations by any Obligor or the transfer to the Lender of any property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors'

rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if the Lender is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that the Lender is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Lender, the Obligations shall automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

13.22 Customer Identification - USA Patriot Act Notice. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "Act"), and the Lender's policies and practices, the Lender is required to obtain, verify and record certain information and documentation that identifies the Borrower, which information includes the name and address of the Borrower and such other information that will allow the Lender to identify the Borrower in accordance with the Act.

13.23 Electronic Records. The Borrower acknowledges and agrees that this Agreement and each other Loan Document and all paper records related to the transaction with which the Loan Documents are a part and whether or not the paper records were submitted in advance of, contemporaneously with or subsequent to, the execution of the Loan Documents may, at the option of the Lender, be converted by any digital or electronic method or process to an electronic record or subsequently further converted or migrated to another electronic record format or electronic storage medium. The Borrower acknowledges and agrees that upon conversion to an electronic record as authorized herein such electronic record shall be the record of the transaction and the electronic record shall have the same legal force and effect as the paper documents from which it was converted. The Borrower waives any legal requirement that any documents digitally or electronically converted be embodied, stored, or reproduced in a tangible media. The Borrower agrees that a printed or digitally reproduced copy of the electronic record shall be given the same legal force and effect as a signed writing. In addition, the Borrower authorizes and agrees to destruction of the paper documents by the Lender upon conversion of the paper documents to a digital or electronic record.

13.24 No Oral Agreements. **Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (borrower(s)) and us (creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.**

13.25 Amendment and Restatement. This Agreement constitutes an amendment and restatement of, and replacement and substitution for, the Prior Loan Agreement. The indebtedness evidenced by the Prior Loan Agreement is continuing indebtedness evidenced hereby as amended. This Agreement is not intended to be and shall not be deemed to constitute a payment, settlement or novation of the Prior Loan Agreement, or to release or otherwise adversely affect any lien, mortgage, or security interest securing such indebtedness or any rights of Lender against any Person liable for such indebtedness. Borrower reaffirms the security interest in the Collateral previously granted to Lender.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the Borrower and the Lender have executed this Loan and Security Agreement as of the date first above written.

BORROWER:

PCY HOLDINGS, LLC
a Colorado limited liability company

By: Pure Cycle Corporation, its Sole Member

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

PCYO HOME RENTALS, LLC
a Colorado limited liability company

By: Pure Cycle Corporation, its Sole Member

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

PURE CYCLE CORPORATION
a Colorado corporation

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

LENDER:

UMB BANK, N.A.
a national banking association

By: /s/ John Mastro
Name: John Mastro
Title: Senior Vice President

SCHEDULE 6.1

EXCLUDED PROPERTY

[Omitted pursuant to Item 601(a)(5) of Regulation S-K]

SCHEDULE 7.21

DEPOSIT ACCOUNTS

[Omitted pursuant to Item 601(a)(5) of Regulation S-K]

SCHEDULE 9.1

EXISTING INDEBTEDNESS

[Omitted pursuant to Item 601(a)(5) of Regulation S-K]

SCHEDULE 9.3

INVESTMENTS

See attached Investment Policy

[The Investment Policy referenced in this Schedule 9.3 was not attached to the executed agreement. The Company's investment policy is available on its website at www.purecyclewater.com. Information on the Company's website is not incorporated by reference into, and does not form part of, this exhibit.]

EXHIBIT 10.23.1

FIRST AMENDMENT TO
AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT ("Amendment") is dated effective as of the 17th day of March, 2026, to that certain Amended and Restated Loan and Security Agreement ("Agreement") dated February 18, 2026, by and among PCY HOLDINGS, LLC, a Colorado limited liability company ("PCY"), PCYO HOME RENTALS, LLC, a Colorado limited liability company ("Rentals"), and PURE CYCLE CORPORATION, a Colorado corporation ("Pure Cycle", jointly and severally referred to herein along with PCY and Rentals as the "Borrower"), each of which has its chief executive office located at 34501 E. Quincy Avenue, Building 1, Suite D, Watkins, Colorado 80137, and UMB BANK, N.A., national banking association (the "Lender"), whose address is 1670 Broadway, Denver, Colorado 80202. Capitalized words and phrases not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

RECITALS

WHEREAS, the Borrower has requested certain accommodations and changes under the Agreement; and

WHEREAS, Pursuant to the Borrower's request, Lender is willing to grant such request on the terms and conditions contained herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the forgoing recitals, which recitals are incorporated herein and made part hereof, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Borrower and Lender agree as follows:

1. Amendment to Section 10.3. Section 10.3 of the Agreement is hereby deleted and replaced with the following:

10.3 Liquidity (Consolidated). As of the end of each fiscal quarter, Borrower, on a consolidated basis, shall maintain cash and liquid securities (reasonably acceptable to Lender) in an amount of not less than $5,000,000.00, measured quarterly.

2. Waiver of Potential Event of Default. The Lender hereby agrees to waive any Event of Default that may have occurred under Section 10.3 of the Agreement for the period beginning February 18, 2026, through the date of this Amendment.

3. Representations and Warranties of Borrower. Borrower represent and warrant to Lender as of the date hereof that (i) this Amendment and all documents executed in connection herewith have been duly authorized by Borrower, (ii) no consents are necessary from any person or entity for execution, delivery or performance of this Amendment or the documents required hereunder by Borrower which have not been obtained, (iii) this Amendment and all other loan documents associated with the Agreement constitute the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws related to creditors rights generally or by the application of equity principles, (iv) there exists no Event of Default or occurrence which with the giving of notice or the passage of time or both would be an Event of Default under the Agreement and no Event of Default thereunder is reasonably likely to occur as a result of the transactions contemplated by this Amendment, (v) there are no proceedings of any kind, pending or threatened against Borrower which could reasonably be expected to result in a material adverse effect on the conditions, business or operations of Borrower, financial or otherwise, and (vi) all representations and warranties of the Borrower contained in the Agreement and any and all amendments thereto along with all other Loan Documents are true and correct as if made on the date of this Amendment.

4. Release of Lender. Borrower hereby absolutely and unconditionally release and forever discharge Lender and each of its parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of all of the foregoing, from any and all claims, demands and causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which the Borrower has had, now has or may claim to have against any such person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time until and including the date of this Amendment, whether such claims, demands and causes of action are matured or unmatured or known or unknown. This release does not include claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort under any state or federal law or otherwise which are based solely and entirely on acts and omissions occurring after the execution of this Amendment.

5. Facsimile or PDF Signatures. The exchange of copies of this Amendment and of signature pages by facsimile transmission or electronic mail in Portable Document Format (PDF) shall constitute effective execution and delivery of this Amendment as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

6. No Oral Agreements. *Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (borrower(s)) and us (creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.*

7. Miscellaneous.

(a) All terms and conditions of the Agreement which are not expressly modified by this Amendment shall remain in full force and effect as if this Amendment had not been executed and delivered.

(b) All references in this Amendment to the Agreement shall be deemed to refer to the Agreement as hereby modified and amended.

(c) This Amendment shall be binding upon Borrower and Lender and each of their respective successors and assigns.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have executed the foregoing Amendment as of the day and year first written above.

PCY HOLDINGS, LLC
a Colorado limited liability company

By: Pure Cycle Corporation, its Sole Member

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

PCYO HOME RENTALS, LLC
a Colorado limited liability company

By: Pure Cycle Corporation, its Sole Member

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

PURE CYCLE CORPORATION
a Colorado corporation

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

Agreed and accepted:

UMB BANK, N.A.,
a national banking association

By: /s/ John Mastro
Name: John Mastro
Title: Senior Vice President

EXHIBIT 10.23.2

[CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. [***] INDICATES THAT INFORMATION HAS BEEN OMITTED.]

SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS SECOND AMENDMENT ("Amendment") is dated effective as of June 15, 2026 (the "Effective Date"), to that certain Amended and Restated Loan and Security Agreement (as amended from time to time, the "Agreement") dated February 18, 2026, by and among PCY HOLDINGS, LLC, a Colorado limited liability company ("PCY"), PCYO HOME RENTALS, LLC, a Colorado limited liability company ("Rentals"), and PURE CYCLE CORPORATION, a Colorado corporation ("Pure Cycle", jointly and severally referred to herein along with PCY and Rentals as the "Borrower"), each of which has its chief executive office located at 34501 E. Quincy Avenue, Building 1, Suite D, Watkins, Colorado 80137, and UMB BANK, N.A., national banking association (the "Lender"), whose address is 1670 Broadway, Denver, Colorado 80202. Capitalized words and phrases not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

RECITALS

WHEREAS, the Borrower has requested certain accommodations and changes under the Agreement; and

WHEREAS, pursuant to the Borrower's request, Lender is willing to grant such request on the terms and conditions contained herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the forgoing recitals, which recitals are incorporated herein and made part hereof, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Borrower and Lender agree as follows:

1. Modifications to the Agreement. As of the Effective Date, the Agreement is modified as follows:

(a) The following definition of "Second Amendment Effective Date" is hereby inserted in Section 1.1 of the Agreement in alphabetical order:

> ""Second Amendment Effective Date" means June 15, 2026."

(b) The definition of "Real Estate Purchase Loan Maturity Date" in Section 1.1 of the Agreement is deleted and replaced with the following:

> ""Real Estate Purchase Loan Maturity Date" shall mean May 29, 2028, unless extended by the Lender pursuant to any modification, extension or renewal executed by the Borrower and accepted by the Lender in its sole and absolute discretion."

(c) Section 2.1(a) of the Agreement is deleted and replaced with the following:

> "(a) Real Estate Purchase Loan Commitment; Availability. The Real Estate Purchase Loan Commitment shall be available to Borrower in multiple principal advances. Borrower may request advances up to the Real Estate Purchase Loan Commitment. Upon conversion of Real Estate Purchase Loans to an amortizing Loans under a Real Estate Purchase Note (as set forth in Section 2.1(d) below), the amount converted shall be available to Borrower under the Real Estate Purchase Loan Commitment for readvance.

However, the total aggregate advances (including advances made under the Prior Agreement) under the Real Estate Purchase Loan Commitment, including both non-converted and converted to amortizing Real Estate Purchase Notes, shall not exceed $20,000,000.00. Prior to the Second Amendment Effective Date, Lender made advances under the Real Estate Purchase Loan Commitment in the aggregate amount of $7,705,803.00, which were converted to amortizing Real Estate Purchase Notes. Therefore, the remaining available amount to be advanced under the Real Estate Purchase Loan Commitment as of the Second Amendment Effective Date is $12,294,197.00."

(d) Section 8.22 of the Agreement is deleted and replaced with the following:

"8.22 Banking Relationship. The Borrower covenants and agrees, at all times during the term of this Agreement, to utilize the Lender for depository and treasury management services and other related services. On or before January 31, 2027, Borrower will close all of its deposit accounts and investment accounts with [***]."

(e) Section 10.1 of the Agreement is deleted and replaced with the following:

"10.1 Intentionally Omitted."

2. Amendment Fee. Borrower shall pay to Lender an amendment fee in the amount of $2,500.00, which fee will be fully earned, non-refundable, and due on the Effective Date.

3. Borrowing Resolutions. The effectiveness of this Amendment is conditioned on the receipt by the Lender of a copy of the resolutions of Borrower authorizing the execution, delivery and performance of this Amendment.

4. Representations and Warranties of Borrower. Borrower represent and warrant to Lender as of the date hereof that (i) this Amendment and all documents executed in connection herewith have been duly authorized by Borrower, (ii) no consents are necessary from any person or entity for execution, delivery or performance of this Amendment or the documents required hereunder by Borrower which have not been obtained, (iii) this Amendment and all other loan documents associated with the Agreement constitute the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws related to creditors rights generally or by the application of equity principles, (iv) there exists no Event of Default or occurrence which with the giving of notice or the passage of time or both would be an Event of Default under the Agreement and no Event of Default thereunder is reasonably likely to occur as a result of the transactions contemplated by this Amendment, (v) there are no proceedings of any kind, pending or threatened against Borrower which could reasonably be expected to result in a material adverse effect on the conditions, business or operations of Borrower, financial or otherwise, and (vi) all representations and warranties of the Borrower contained in the Agreement and any and all amendments thereto along with all other Loan Documents are true and correct as if made on the date of this Amendment.

5. Release of Lender. Borrower hereby absolutely and unconditionally release and forever discharge Lender and each of its parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of all of the foregoing, from any and all claims, demands and causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which the Borrower has had, now has or may claim to have against any such person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time until and including the date of this Amendment, whether such claims, demands and causes of action are matured or unmatured or known or unknown. This release does not include claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort under any state or federal law or otherwise which are based solely and entirely on acts and omissions occurring after the execution of this Amendment.

6. Facsimile or PDF Signatures. The exchange of copies of this Amendment and of signature pages by facsimile transmission or electronic mail in Portable Document Format (PDF) shall constitute effective execution and delivery of this Amendment as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

7. No Oral Agreements. *Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (borrower(s)) and us (creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.*

8. Miscellaneous.

(a) All terms and conditions of the Agreement which are not expressly modified by this Amendment shall remain in full force and effect as if this Amendment had not been executed and delivered.

(b) All references in this Amendment to the Agreement shall be deemed to refer to the Agreement as hereby modified and amended.

(c) This Amendment shall be binding upon Borrower and Lender and each of their respective successors and assigns.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have executed the foregoing Amendment as of the day and year first written above.

PCY HOLDINGS, LLC
a Colorado limited liability company

By: Pure Cycle Corporation, its Sole Member

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

PCYO HOME RENTALS, LLC
a Colorado limited liability company

By: Pure Cycle Corporation, its Sole Member

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

PURE CYCLE CORPORATION
a Colorado corporation

By: /s/ Mark Harding
Name: Mark Harding
Title: Chief Executive Officer

Agreed and accepted:

UMB BANK, N.A.,
a national banking association

By: /s/ John Mastro
Name: John Mastro
Title: Senior Vice President

EXHIBIT 21.1

SUBSIDIARIES

PCY Holdings, LLC, a Colorado limited liability company
PCY-DT, LLC, a Colorado limited liability company
PCYO Home Rentals, LLC, a Colorado limited liability company

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-278171 and 333-195733) of Pure Cycle Corporation of our report dated November 18, 2026, with respect to the consolidated financial statements of Pure Cycle Corporation, included in this Annual Report on Form 10-K for the year ended August 31, 2026.

/s/ Forvis Mazars, LLP
Denver, Colorado
November 18, 2026

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark W. Harding, certify that:

1. I have reviewed this annual report on Form 10-K of Pure Cycle Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 18, 2026

/s/ MARK W. HARDING
Mark W. Harding
Principal Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc S. Spezialy, certify that:

1. I have reviewed this annual report on Form 10-K of Pure Cycle Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 18, 2026

/s/ MARC S. SPEZIALY
Marc S. Spezialy
Principal Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark W. Harding, President and Chief Executive Officer of Pure Cycle Corporation (the "Company"), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report of the Company on Form 10-K for the annual period ended August 31, 2026, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ MARK W. HARDING
Mark W. Harding
Principal Executive Officer
November 18, 2026

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc S. Spezialy, Chief Financial Officer of Pure Cycle Corporation (the "Company"), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report of the Company on Form 10-K for the annual period ended August 31, 2026 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ MARC S. SPEZIALY
Marc S. Spezialy
Principal Financial Officer
November 18, 2026