

Form 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 2000

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE
EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-8814

PURE CYCLE CORPORATION
(Exact name of small business issuer as specified in its charter)

Delaware 84-0705083
(State of incorporation) (I.R.S. Employer
Identification Number)

5650 York Street, Commerce City, CO 80022
(Address of principal executive offices) (Zip Code)

Registrants telephone number (303) 292 - 3456

N/A

(Former name, former address and former fiscal year, if changed since last report.)

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [x]; NO []

State the number of shares outstanding of each of the issuers classes of common equity, as of February 29, 2000:

Common Stock, 1/3 of \$.01 par Value 78,439,763
(Class) (Number of Shares)

Transitional Small business Disclosure Format (Check one): Yes []; No [x]

PURE CYCLE CORPORATION
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SAFE HARBOR STATEMENT UNDER THE UNITED STATES PRIVATE
SECURITIES LITIGATION REFORM ACT OF 1995

Statements that are not historical facts contained in this Quarterly Report on Form 10-QSB are forward looking statements that involve risk and uncertainties that could cause actual results to differ from projected results. Factors that could cause actual results to differ materially include, among others: general economic conditions, the market price of water, changes in applicable statutory and regulatory requirements, changes in technology, uncertainties in the estimation of water available under decrees and timing of development, the strength and financial resources of the Company's competitors, the Company's ability to find and retain skilled personnel, climatic conditions, labor relations, availability and cost of material and equipment, delays in the anticipated permit and start-up dates, environmental risks, and the results of financing efforts.

PURE CYCLE CORPORATION
BALANCE SHEETS
(unaudited)

	February 29, August 31,	
	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 579,622	\$ 981,025
Accounts Receivable	--	6,106
Prepaid expenses and other current assets	11,259	11,259
Total current assets	590,881	998,390
Investment in water and systems:		
Rangeview water supply	13,322,487	13,282,485
Paradise water supply	5,484,868	5,482,303
Rangeview water system	126,611	126,611
Total investment in water and systems	18,933,966	18,891,399
Note receivable, including accrued interest	333,83	321,794
Other assets	1,441	22,596
	19,860,121	20,234,179
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	139,222	55,915
Billings in excess of costs and estimated earnings (Note 2)	281,918	895,379
Accrued liabilities	3,692	25,810
Total current liabilities	424,832	977,104
Long-term debt - related parties, including accrued interest	4,139,838	4,021,177
Other non-current liabilities	128,123	128,123
Participating interests in Rangeview water supply	11,090,630	11,090,630
Stockholders' equity:		
Preferred stock, par value \$.001 per share; authorized - 25,000,000 shares:		
Series A1 - 1,600,000 shares issued and outstanding	1,600	1,600
Series B - 432,514 shares issued and outstanding	433	433
Series C 3,200,000 shares issued and outstanding	3,200	3,200
Series C1 500,000 shares issued and outstanding	500	500
Series C2 666,667 shares issued and outstanding	667	--
Common stock, par value 1/3 of \$.01 per share; authorized - 135,000,000 shares; 78,439,763 shares issued and outstanding	261,584	261,584
Additional paid-in capital	24,335,577	24,216,244
Accumulated deficit	(20,526,863)	(20,466,416)
Total stockholders' equity	4,076,698	4,017,145
	\$ 19,860,121	\$ 20,234,179

See Accompanying Notes to the Financial Statements

PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

Three months Ended
February 29, February 28,
2000 1999

Water service revenue		
Water construction revenues	\$ 301,349	\$ --
Water usage fees	10,449	3,265
	311,798	3,265
Construction costs incurred (Note 2)	(233,719)	--
Water service operating expense	(1,300)	(1,200)
Gross Margin	76,779	2,065
General and administrative expense	(83,519)	(100,937)
Other income (expense):		
Interest income	13,442	11,786
Interest expense:		
Related parties	(60,112)	(50,046)
Other	--	(1,785)
Net Loss	\$ (53,410)	\$ (138,917)

Basic and diluted net loss per common share \$ *

Weighted average common shares outstanding 78,439,763

* less than \$.01 per share

See Accompanying Notes to the Financial Statements

PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

Six months Ended
February 29, February 28,
2000 1999

Water service revenue		
Water construction revenues	\$ 613,461	\$ --
Water usage fees	17,321	9,636
	630,782	9,636
Construction costs incurred (Note 2)	(475,786)	--
Water service operating expense	(2,600)	(2,400)
Gross Margin	152,396	7,236
General and administrative expense	(139,494)	(157,941)
Other income (expense):		
Interest income	29,938	22,831
Interest expense:		
Related parties	(118,661)	(100,091)
Other	15,374	(3,570)
Net Loss	\$ (60,447)	\$ (231,535)

Basic and diluted net loss per common share \$ *

Weighted average common shares outstanding 78,439,763

* less than \$.01 per share

See Accompanying Notes to the Financial Statements
PURE CYCLE CORPORATION

STATEMENTS OF CASH FLOWS
(unaudited)

	Six months Ended	
	February 29, 2000	February 28, 1999
Cash flows from operating activities:		
Net loss	\$(60,447)	\$(231,535)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	--	529
Disposal of other assets	21,155	--
Increase in accrued interest on note receivable	(12,039)	(22,752)
Increase in accrued interest on long term debt and other non-current liabilities	118,661	103,661
Changes in operating assets and liabilities:		
Accounts receivable	6,106	--
Billings in excess of costs and estimated earnings	(613,461)	158,800
Accounts payable and accrued liabilities	61,189	540
Net cash provided by (used in) operating activities	(478,836)	9,243
Cash flows from investing activities:		
Investments in water supply	(42,567)	(113,858)
Investment in Rangeview water system	--	(14,993)
Net cash used in investing activities	(42,567)	(128,851)
Cash flows from financing activities:		
Proceeds from sale of common stock	120,000	90,000
Net cash provided by financing activities	120,000	90,000
Net decrease in cash and cash equivalents	(401,403)	(29,608)
Cash and cash equivalents beginning of period	981,025	423,027
Cash and cash equivalents end of period	\$ 579,622	\$ 393,419

See Accompanying Notes to the Financial Statements
PURE CYCLE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The balance sheets as of February 29, 2000 and August 31, 1999, the statements of operations for the three and six months ended February 29, 2000 and February 28, 1999 and the statements of cash flows for the three and six months ended February 29, 2000 and February 28, 1999, have been prepared by the Company and have not been audited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows at February 29, 2000 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 1999 Annual Report on Form 10-KSB. The results of operations for interim periods presented are not necessarily indicative of the operating results for the full year.

NOTE 2 CONSTRUCTION DEPOSITS

Pursuant to its Service Agreements, the Company is obligated to provide water and wastewater service to a 400 acre development which will include the construction of a 500-bed Academic Model Juvenile Facility (Model Facility). The Model Facility agreed to pay \$2,265,165 for residential water and wastewater service. Pursuant to its Service Agreements, the Company received \$1,372,014 for water taps under the agreement during fiscal 1999, and will receive \$624,000 from the wastewater taps upon the initiation of construction of the wastewater treatment facility, which is scheduled for the third quarter of fiscal 2000, for a combined total of \$1,996,014. The Company began construction of the water system in fiscal year 1999 and has incurred costs related thereto of \$613,000 during the six months ended February 29, 2000 with the remaining portion of the water system currently under bonded contract for \$337,000 for a combined total of \$950,000. Projected costs for construction of the wastewater system are \$600,000; projected costs for completion of the combined water and wastewater facilities are \$1,550,000.

NOTE 3 - STOCKHOLDERS' EQUITY

In September 1999, the Company entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby the Company issued 666,667 shares of Series C-2 Convertible Preferred Stock to the Company's President, Mr. Thomas Clark, in exchange for 666,667 shares of common stock owned by Mr. Clark. The Series C-2 Convertible Preferred Stock converts into an equivalent number of shares of Common stock at the election of Mr. Clark, provided the Company has authorized and unissued shares of Common Stock available. The Company sold 666,667 shares of the Company's Common Stock at \$.18 per share to 3 accredited investors, all of whom have previously invested in the Company. Proceeds to the Company were \$120,000.

In January 1999, the Company entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby the Company issued 500,000 shares of Series C-1 Convertible Preferred Stock to the Company's President, Mr. Thomas Clark, in exchange for 500,000 shares of Common Stock owned by Mr. Clark. The Series C-1 Convertible Preferred Stock converts into an equivalent number of shares of Common stock at the election of Mr. Clark, provided the Company has authorized and unissued shares of Common Stock available. The Company sold 500,000 shares of the Company's Common Stock at \$.18 per share to an accredited investor. Proceeds to the Company were \$90,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

During the three months ended February 29, 2000, the Company generated water service revenue of \$311,798, compared to \$3,265 for the period ended February 28, 1999, due primarily to the agreement with the Model Facility. Also during the three months ended February 29, 2000, Company incurred construction costs of \$233,719 whereas no construction costs were incurred for the comparable period ended February 28, 1999. General and administrative expenses for the three months ended February 29, 2000 decreased \$17,418, to \$83,519, from \$100,937 in the comparable period ended February 28, 1999, primarily because of higher compensation expense in the prior year. Net loss for the three months ended February 29, 2000 decreased approximately \$85,507 compared to the three month ended February 28, 1999 primarily because of the revenues recognized pursuant to the percentage-of-completion method of accounting for the construction of the water and wastewater systems for the Model Facility

During the six months ended February 29, 2000, the Company generated water service revenues of \$630,782 compared to \$9,636 for the period ended February 28, 1999 due primarily to the agreement with the Model Facility. Also during the six months ended February 29, 2000, Company incurred construction costs of \$475,786 and has remaining construction deposits totaling \$281,918. The Company recognized revenues from construction based on percentage-of-completion methodology. As of February 29, 2000, construction of the water and wastewater facilities for the Model Facility were estimated to be approximately 54% complete. During the quarter ended February 29, 2000, the Company delivered approximately 4.6 million gallons of water to customers in the Service Area, generating revenues from water sales of \$17,321. The Company incurred approximately \$2,600 in operating costs associated with the water service revenue.

General and administrative expenses for the six months ended February 29, 2000 decreased \$18,447 to \$139,494 from \$157,941 in the comparable period ended February 28, 1999, primarily because of higher compensation expense in the prior year. Net loss for the six months ended February 29, 2000 decreased approximately \$171,088 compared to the six month ended February 28, 1999 primarily because of the revenue recognized pursuant to the percentage-of-completion method of accounting for the construction of the water and wastewater systems for the Model Facility.

Liquidity and Capital Resources

At February 29, 2000, current assets exceed current liabilities by \$166,049 and, the Company had cash and cash equivalents of \$579,622.

The Company is aggressively pursuing the sale and development of its water rights. The Company cannot provide any assurances that it will be able to sell its water rights. In the event a sale of the Company's water rights is not forthcoming and the Company is not able to generate revenues from the sale or development of its technology, the Company may sell additional portions of the Company's profit interest pursuant to the Water Commercialization Agreement, incur short or long-term debt obligations or seek to sell additional shares of common stock, preferred stock or stock purchase warrants as deemed necessary by the Company to generate operating capital.

Development of any of the water rights that the Company has, or is seeking to acquire, will require substantial capital investment by the Company. Any such additional capital for the development of the water rights is anticipated to be financed through the sale of water taps and water delivery

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THIS DOCUMENT CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S 10-QSB DATED FEBRUARY 29, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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