

PURE CYCLE CORP
Form 10-K
November 14, 2014

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, 2014

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 (I.R.S. Employer Identification No.)
or organization)

1490 Lafayette St, Suite 203, Denver, CO 80218 (303) 292-3456
(Address of principal executive offices) (Zip(Registrant's telephone number, including area
Code) code)

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

Common Stock 1/3 of \$.01 par value The NASDAQ Stock Market, LLC
(Title of each class) (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 [X]

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 [X]

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 [X] No []

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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

Large accelerated <input type="checkbox"/> filer	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated <input type="checkbox"/> (Do not check if a smaller reporting company) filer	Smaller reporting <input type="checkbox"/> company

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: \$107,694,594

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: November 14, 2014: 24,037,598

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III is incorporated by reference from the registrant's definitive proxy statement for the 2014 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days of the close of the fiscal year ended August 31, 2014.

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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 Annual Report on Form 10-K, or incorporated by reference into this Form 10-K, are forward-looking statements that involve risk and uncertainties that could cause actual results to differ materially from projected results. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend” and similar expressions, as they relate to us, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. We cannot assure you that any of our expectations will be realized. Our actual results could differ materially from those discussed in or implied by these forward-looking statements. Forward-looking statements include statements relating to, among other things:

- factors that may impact labor and material costs;
 - loss of key employees and hiring additional personnel for our operations;
 - our competitive advantage;
 - negotiation of payment terms for fees;
 - the sufficiency of our working capital and financing sources to fund our operations;
 - intent not to hold marketable securities to create liquidity while we expand our water systems;
 - need for additional production capacity;
 - factors affecting demand for water;
 - our ability to comply with permit requirements and environmental regulations and the cost of such compliance;
 - the adequacy of the provisions in the “Lease” for the Lowry Range to cover present and future circumstances;
 - estimated population increases in the Denver metropolitan area and the South Platte River basin;
 - plans for the use and development of our water assets and potential delays;
 - plans for office space;
 - plans to retain earnings and not pay dividends;
- anticipated timing and amount of, and sources of funding for (i) capital expenditures to construct infrastructure and increase production capacities, (ii) compliance with water, environmental and other regulations, and (iii) operations including delivery and treatment of water and wastewater;
- the ability of our deep water well enhancement tool and process to increase efficiency of wells and our plans to market that product to area water providers;
 - our ability to assist Colorado “Front Range” water providers in meeting current and future water needs;
 - our ability to reduce the amount of up-front construction costs;
 - participation in regional water projects, including “WISE”;
 - timing of satisfaction of conditions to change Land Board royalties;
- regional cooperation among area water providers in the development of new water supplies and water storage, transmission and distribution systems as the most cost-effective way to expand and enhance service capacities;
 - future water supply needs in Colorado;
- anticipated increases in residential and commercial demand for water services and competition for these services;
 - use of raw and reclaimed water for outdoor irrigation;
 - costs to treat contaminated water;
- the decreases of individual housing and economic cycles on the number of connections we can serve with our water;
- the number of new water connections needed to recover the costs of our Rangeview Water Supply and Arkansas River water assets;
 - increases in future water tap fees;
- the impact of water quality, solid waste disposal and environmental regulations on our financial condition and results of operations;
 - the impact of the downturn in the homebuilding and credit markets on our business and financial condition;
 - environmental clean-up at the Lowry Range by the U.S. Army Corps of Engineers;

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- our plans to provide water for drilling and hydraulic fracturing of oil and gas wells;
- changes in oil and gas drilling activity on our property and on Lowry Range;
- the recoverability of construction and acquisition costs from rates;

- our belief that we are not a public utility under Colorado law;
- plans for development of our Sky Ranch property;
- renewal of leases;
- ability to generate working capital and market our water assets;
- anticipated revenues from full development of our Sky Ranch property;
- management of farms and the generation of revenues from such management including plans to increase crop yields;
 - our ability to meet customer demands in a sustainable and environmentally friendly way;
- potential opposition to, and anticipated requirements of, the water court in connection with a change of use application for our Arkansas River water;
 - our ability to mitigate adverse impacts to local communities from our change of use process;
 - changes in unrecognized tax positions;
 - forfeitures of option grants, vesting of non-vested options and the fair value of option awards;
 - accounting estimates and the impact of new accounting pronouncements;
 - service life of constructed facilities;
 - use of third parties to construct facilities required to extend water and wastewater services;
 - payment of amounts due from Sky Ranch Metropolitan District #5;
 - estimated property taxes and utilization of net operating losses;
 - capital expenditures for investing in expenses and assets of the District;
 - impairments in carrying amounts of long-lived assets;
- the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting;
 - the amount of the “Tap Participation Fee” liability;
 - our ability to reduce the Tap Participation Fee and recover damages from “HP A&M”;
 - loss of properties and water rights due to the failure to cure defaults by HP A&M;
 - claims of HP A&M against the Company;
 - litigation with HP A&M;
 - future fluctuations in the price and trading volume of our common stock; and
 - timing of the filing of our proxy statement.

Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, without limitation:

- the timing of new home construction and other development in the areas where we may sell our water, which in turn may be impacted by credit availability;
 - population growth;
 - employment rates;
- timing of oil and gas development in the areas where we sell our water;
 - general economic conditions;
 - the market price of water;
 - the market price of oil and gas;
- the market price of alfalfa and other crops grown on our farms subject to crop share leases;
 - changes in customer consumption patterns;
 - changes in applicable statutory and regulatory requirements;
 - changes in governmental policies and procedures;
- uncertainties in the estimation of water available under decrees;
- uncertainties in the estimation of costs of delivery of water and treatment of wastewater;
 - uncertainties in the estimation of the service life of our systems;
 - uncertainties in the estimation of costs of construction projects;
 - the strength and financial resources of our competitors;

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- our ability to find and retain skilled personnel;
- climatic and weather conditions, including floods, droughts and freezing conditions;
- labor relations;
- turnover of elected and appointed officials and delays caused by political concerns and government procedures;
- availability and cost of labor, material and equipment;
- delays in anticipated permit and construction dates;
- engineering and geological problems;
- environmental risks and regulations;
- our ability to raise capital;
- our ability to negotiate contracts with new customers;
- outcome of litigation and arbitration proceedings;
- uncertainties in water court rulings;
- our ability to collect on any judgments; and
- the factors described under “Risk Factors” in this Annual Report on Form 10-K.

Except for our ongoing obligation to disclose certain information under the federal securities laws, we undertake no obligation, and disclaim any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements are expressly qualified