

PURE CYCLE CORP
Form 10-Q
July 11, 2013

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

Form 10-Q

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

For the quarterly period ended: May 31, 2013

or

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

For the transition period from _____ to _____

Commission file number 0-8814

PURE CYCLE CORPORATION
(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of
incorporation or organization)

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

1490 Lafayette Street, Suite 203,
Denver, CO
(Address of principal executive
offices)

80218
(Zip Code)

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

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 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 filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 11, 2013:

Common stock, 1/3 of \$.01 par value (Class)	24,037,596 (Number of Shares)
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PURE CYCLE CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS:	May 31, 2013 (unaudited)	August 31, 2012
Current assets:		
Cash and cash equivalents	\$3,069,427	\$1,623,517
Marketable securities	—	1,101,367
Trade accounts receivable, net	271,491	135,458
Current portion of receivable from HP A&M	6,597,952	4,456,857
Prepaid expenses	262,988	279,782
Current portion of construction proceeds receivable	—	64,783
Total current assets	10,201,858	7,661,764
Investments in water and water systems, net	88,586,111	88,510,359
Land - Sky Ranch	3,770,638	3,778,464
Land and water held for sale	5,748,630	5,748,630
Construction proceeds receivable, less current portion	—	226,879
Note receivable - related party:		
Rangeview Metropolitan District, including accrued interest	552,949	543,945
Receivable from HP A&M, less current portion	—	5,093,365
Other assets	108,136	18,671
Total assets	\$108,968,322	\$111,582,077
LIABILITIES:		
Current liabilities:		
Accounts payable	\$121,792	\$261,383
Current portion of promissory notes payable	4,836,358	5,340,890
Accrued liabilities	196,217	172,630
Deferred revenues	147,949	65,384
Deferred oil and gas lease payment	328,130	414,480
Total current liabilities	5,630,446	6,254,767
Deferred revenues, less current portion	1,248,567	1,297,605
Deferred oil and gas lease payment, less current portion	—	224,510
Promissory notes payable, less current portion	3,094,904	4,209,329
Participating Interests in Export Water Supply	1,192,393	1,208,928
Tap Participation Fee payable to HP A&M, net of \$42 million and \$45 million discount, respectively	70,685,795	68,269,176
Total liabilities	81,852,105	81,464,315
Commitments and contingencies	—	—
SHAREHOLDERS' EQUITY:		
Preferred stock:		
Series B - par value \$.001 per share; 25 million shares authorized; 432,513 shares issued and outstanding (liquidation preference of \$432,513)	433	433
Common stock:	80,130	80,130

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Par value 1/3 of \$.01 per share; 40 million shares authorized; 24,037,596 shares outstanding both periods presented		
Additional paid-in capital	103,463,122	103,420,870
Accumulated comprehensive loss	—	(1,081)
Accumulated deficit	(76,427,468)	(73,382,590)
Total shareholders' equity	27,116,217	30,117,762
Total liabilities and shareholders' equity	\$ 108,968,322	\$ 111,582,077

See Accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three Months Ended:	
	May 31, 2013	May 31, 2012
Revenues:		
Metered water usage	\$89,666	\$32,301
Wastewater treatment fees	10,069	11,315
Farm operations	296,085	—
Special facility funding recognized	10,377	10,377
Water tap fees recognized	3,574	3,574
Other	3,673	—
Total revenues	413,444	57,567
Expenses:		
Water service operations	(59,552)	(16,779)
Wastewater service operations	(4,898)	(5,429)
Farm operations	(27,867)	—
Depletion and depreciation	(22,198)	(22,114)
Total cost of revenues	(114,515)	(44,322)
Gross margin	298,929	13,245
General and administrative expenses	(460,479)	(621,243)
Depreciation	(55,481)	(55,574)
Operating loss	(217,031)	(663,572)
Other income (expense):		
Oil and gas lease income, net	103,620	104,580
Interest income	4,762	12,837
Other	1,395	(791)
Interest expense	(73,627)	—
Interest imputed on the Tap Participation Fee payable to HP A&M	(871,864)	(872,980)
Net loss	(1,052,745)	(1,419,926)
Unrealized gain (loss) on marketable securities	56	(720)
Comprehensive Loss	\$(1,052,689)	\$(1,420,646)
Net loss per common share – basic and diluted	\$(0.04)	\$(0.06)
Weighted average common shares outstanding – basic and diluted	24,037,596	24,037,596

See Accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Nine Months Ended:	
	May 31, 2013	May 31, 2012
Revenues:		
Metered water usage	\$ 240,593	\$ 98,301
Wastewater treatment fees	31,384	34,944
Farm operations	963,935	—
Special facility funding recognized	31,131	31,131
Water tap fees recognized	10,721	10,722
Other	8,603	—
Total revenues	1,286,367	175,098
Expenses:		
Water service operations	(137,820)	(48,496)
Wastewater service operations	(12,842)	(15,944)
Farm operations	(73,967)	—
Depletion and depreciation	(66,514)	(66,304)
Other	(20,673)	—
Total cost of revenues	(311,816)	(130,744)
Gross margin	974,551	44,354
General and administrative expenses	(1,602,130)	(1,804,474)
Depreciation	(165,308)	(164,066)
Operating loss	(792,887)	(1,924,186)
Other income (expense):		
Oil and gas lease income, net	310,860	319,379
Interest income	24,429	42,415
Other	6,176	3,912
Interest expense	(176,837)	—
Interest imputed on the Tap Participation Fee payable to HP A&M	(2,416,619)	(2,586,780)
Net loss	(3,044,878)	(4,145,260)
Unrealized gain on marketable securities	1,081	2,715
Comprehensive Loss	\$(3,043,797)	\$(4,142,545)
Net loss per common share – basic and diluted	\$(0.13)	\$(0.17)
Weighted average common shares outstanding – basic and diluted	24,037,596	24,037,596

See Accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended	
	May 31, 2013	May 31, 2012
Cash flows from operating activities:		
Net loss	\$ (3,044,878)	\$ (4,145,260)
Adjustments to reconcile net loss to net cash used for operating activities:		
Imputed interest on Tap Participation Fee payable to HP A&M	2,416,619	2,586,780
Depreciation, depletion and other non-cash items	231,822	230,370
Interest accrued on agriculture land promissory notes	67,383	—
Stock-based compensation expense	42,252	42,257
Interest income and other non-cash items	1,763	3,085
Interest added to receivable from Rangeview Metropolitan District	(9,004)	(9,037)
Interest added to construction proceeds receivable	—	(14,786)
Changes in operating assets and liabilities:		
Trade accounts receivable	(136,033)	44,381
Prepaid expenses	16,794	(20,541)
HP A&M Receivable	(462,730)	—
Sky Ranch #5 Receivable	(57,123)	—
Accounts payable and accrued liabilities	(116,004)	41,045