

Risk Factors Comparison 2024-11-13 to 2023-11-15 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

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. The risks discussed below include forward- looking statements. Actual results may differ materially from those discussed in these forward- looking statements. 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. 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. 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 ~~revenues~~ **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. Providing wholesale water service using our Colorado Front Range water supplies is one of our key sources of future revenue. The timing and amount of ~~these this revenues~~ **revenue** will depend in part on housing developments being built near our water assets. The development of the Lowry Ranch, Sky Ranch and other properties is subject to many factors that are outside our control. If wholesale water sales are not forthcoming or development in our targeted service areas is delayed or curtailed, we may need to use our capital resources, incur additional short or long- term debt obligations, or seek to sell additional equity. We may not be successful in obtaining additional capital. Although there have been positive market gains in the Colorado housing market in recent years, inflation and rising interest rates **have caused slowdowns** ~~are intensifying and causing slow downs~~ in the homebuilding industry ~~which~~. **These** economic concerns could have a significant negative impact on our business and financial condition and our plans for future development of additional phases of Sky Ranch. Although the Colorado economy has become increasingly diverse, the oil and gas industry remains an important segment of the Colorado economy. New statutes, regulations or other initiatives that would limit oil and gas exploration or increase the cost of exploration, as well as declines in the price of oil and gas, among other things, could lead to a downturn in the Colorado economy, including increased unemployment, which would likely have a negative impact on the housing market and our business and financial condition. In addition, the residential homebuilding industry is cyclical and is highly sensitive to changes in general economic conditions such as levels of employment, consumer confidence and income, availability of mortgage financing for acquisitions, interest rate levels and inflation, cost and availability of raw materials, among other factors. The residential housing market is impacted by federal and state personal income tax rates and provisions, and government actions, policies, programs and regulations directed at or affecting the housing market, including the Tax Cuts and Jobs Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, tax benefits associated with purchasing and owning a home, and the standards, fees and size limits applicable to the purchase or insuring of mortgage loans by government- sponsored enterprises and government agencies. For example, from 2020 to 2022 housing starts as well as home prices in Colorado increased. In **2022 and 2023** due to ~~raising~~ **rising** interest rates, the demand for new home starts ~~has~~ weakened in the Colorado housing market. **Notwithstanding stabilizing house conditions in 2024, the current demand for new homes is subject to continued uncertainty due to many factors**, and we could experience declines in the market value and demand for our lots and rental homes, any of which could have a material adverse effect on our business, results of operations, cash flows and financial condition. 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, in the same geographic area in which Sky Ranch is located. 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, home builders 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. The single- family home rental market is also highly competitive. There are numerous companies and individuals that own rental ~~homes in~~ **homes in** the Sky Ranch area which may have more experience than we do renting single- family homes, better locations, and better pricing. If we are unable to rent the homes at rates that cover our costs or are unable to manage the properties and expenses incurred to manage the properties, the impact to our business, results of operations, cash flows and financial condition could be materially negative. Our operations could be adversely impacted by increases in material, labor, supplier, logistics and other operating costs, or supply chain delays and shortages, which could cause lower margins or lost sales and adversely impact our business, financial position, results of operations and cash flows, and component price volatility and availability, as well as supplier concentration. The market prices for certain materials and components we purchase, primarily steel and PVC piping, have been volatile. In addition, some supplies are subject to long lead times. Disruptions to the commercial transportation network, including limited container and trucking capacity and port congestion, have increased supplier delivery times for materials to our facilities. Our margins and overall financial performance may be adversely affected by increases in our operating costs, such as material, labor, supplier

costs, logistics and energy costs, all of which may be subject to inflationary pressures. Since the onset of COVID- 19 , we have seen operating costs trending upward, labor shortages, logistics disruptions, commodity cost increases and shortages, and overall increased demand in the land development and water business industries. In addition, some of our customers have experienced raw material shortages. Any such shortages can in turn impact and delay our ability to service our customers. While we seek to mitigate any cost increases, labor impacts and supply chain delays and shortages, these efforts may not be successful, and we may experience adverse impacts due to such factors. We cannot predict the extent of these current trends or other future increases in operating costs. To the extent such costs continue to increase, we may be prevented, in whole or in part, from passing such cost increases through to our existing and prospective customers, or our customers may seek other competitive sources due to supply chain delays, which could have a material adverse impact on our margins, business, financial position, results of operations and cash flows. Our water business is subject to seasonal fluctuations and weather conditions that could affect demand for our water service and our ~~revenues~~ **revenue** and that could become more extreme with climate change. We depend on an adequate water supply to meet the present and future demands of our customers and their end- use customers and to continue our expansion efforts. Conditions beyond our control may interfere with our water supply sources. Drought and overuse may limit the availability of water, and such droughts may become more frequent and prolonged with climate change. These factors might adversely affect our ability to supply water in sufficient quantities to our customers, and our ~~revenues~~ **revenue** and earnings may be adversely affected. Additionally, cool, and wet weather, as well as drought restrictions and our customers' conservation efforts, may reduce consumption demands, adversely affecting our revenue and earnings. Furthermore, freezing weather may contribute to water transmission interruptions caused by pipe breakage. If we experience an interruption in our water supply, it could have a material adverse effect on our financial condition and results of operations. Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with cooling systems, irrigation systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature and rainfall levels. If temperatures during the typically warmer months are cooler than expected or there is more rainfall than expected, the demand for our water may decrease and adversely affect our ~~revenues~~ **revenue**. 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, 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. Moreover, such extreme weather conditions and natural disasters are likely to increase in frequency and intensity as a result of projected unabated 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. **1**. 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. While we have generated net income in the past several years, prior to that we had a history of losses. Our cash flows from operations generally have not been sufficient to fund our operations, and we have been required to raise debt and equity capital and sell assets to remain in operation. Since 2004, we have raised over \$ 76. 0 million through (i) the issuance of more than \$ 25. 0 million of common stock (including the issuance of stock pursuant to the exercise of options, net of expenses), (ii) the issuance of \$ 5. 2 million of convertible debt, which was converted to common stock on January 11, 2011, and (iii) the sale of our Arkansas River water and land for \$ 45. 8 million in cash. ~~Our 24~~ **Our** continuing development of Sky Ranch requires significant cash expenditures. We have advanced the Sky Ranch CAB \$ ~~50-67~~ **8.5** million ~~24~~ **for** construction of public improvements in Phases 1 and 2 at Sky Ranch and expect to advance ~~approximately~~ **another \$ 11-30** ~~7~~ **0** million for the completion of the Phase ~~2A and 2B~~ **2A and 2B** public improvements. The Sky Ranch CAB is not required to repay us for advances made or expenses incurred for improvements at Sky Ranch unless and until the Sky Ranch CAB and / or Sky Ranch Districts generate sufficient funds from either tax ~~revenues~~ **revenue**, fees or by issuing bonds in an amount sufficient to reimburse us for all or a portion of advances made or expenses incurred. We have funded and expect to continue to fund such expenditures with cash on hand and cash flows from operations. As of August 31, ~~2023~~ **2024**, we had \$ ~~26-22~~ **26-22** million of cash on hand. If our cash on hand and future cash flows from operations are not sufficient to fund our operations and the significant capital expenditure requirements to continue to develop Sky Ranch, we may be forced to seek to obtain additional debt or equity capital. 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 reoccur in the future. There can be no assurance that financing will be available on acceptable terms or at all. We may not be able to manage the increasing demands of our expanded operations. We have historically depended on a limited number of employees to administer our operations, interface with governmental entities, market our services, and plan and implement the construction and development of our assets. The execution of contracts for lot sales and the continued development of Sky Ranch, including our single- family home rental business, and the expansion and maintenance of our water and wastewater systems, have increased the size and complexity of our business. The success of our current business and future business development and our ability to capitalize on growth opportunities depends on our ability to attract and retain additional experienced and qualified persons to operate and manage our business. We may not be able to maximize the value of our assets if we are unable to attract and retain qualified personnel and to manage the demands of our growing workforce. State regulations set the training, experience and qualification standards required for our employees to operate specific water and wastewater facilities. Failure to find state- certified and qualified employees to support the operation of our facilities could put us at risk for, among other things, regulatory penalties (including fines and suspension of operations), operational errors at the facilities, improper billing, and collection processes, claims for personal injury and property damage, and loss of contracts and ~~revenues~~

revenue. We may be unsuccessful in managing our operations and growth. 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. The prices charged by the Rangeview District for water service on the Lowry Ranch are subject to pricing regulations set forth in the Lease with the Land Board. Both the tap fees and usage rates and charges are capped at the average of the rates of three nearby water providers. Annually, the Rangeview District surveys the tap fees and rates of the three nearby providers, and the Rangeview District may adjust tap fees and rates and charges for water service on the Lowry Ranch based on the average of those charged by this group. We receive 100 % of tap fees and 98 % of water usage fees charged by the Rangeview District to its customers after the deduction of royalties owed to the Land Board. Our costs associated with the construction of water systems and the production, treatment and delivery of water are subject to market conditions and other factors, which may increase at a significantly higher rate than that of the fees we receive from the Rangeview District. Factors beyond our control and which cannot be predicted, such as government regulations, insurance and labor markets, drought, water contamination and severe weather conditions may result in additional labor and material costs that may not be recoverable under the current rate structure. Both increased customer demand and increased water conservation may also impact the overall cost of our operations. If the costs for construction and operation of our wholesale water services, including the cost of extracting our groundwater, exceed our ~~revenues~~ **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. Further, even if a rate increase were approved, it might not be granted in a timely manner or in an amount sufficient to cover the expenses for which the rate increase was sought. Our water sales for the past several years have been highly concentrated among companies providing hydraulic fracturing services to the oil and gas industry, and such sales can fluctuate significantly. Our water sales have been historically concentrated directly and indirectly with a limited number of companies providing hydraulic fracturing services to the oil and gas industry in our service area. Generally, investment in oil and gas development is dependent on the price of, and demand for, oil and gas. We have no long-term contractual commitments that will ensure these sales continue in the future. The oil and gas industry has periodically gone through periods when activity has significantly declined due to low oil and gas prices, reduced world-wide demand and other impacts to the world-wide economy such as the COVID- 19 pandemic, which have had a negative impact on the water we sell to these operators. Further sales to this customer base as well as renewals of our oil and gas leases in the future may be impacted by ballot initiatives, new federal and state legislation, regulations by multiple federal and state agencies such as the U. S. Environmental Protection Agency, the Colorado Energy and Carbon Management Commission (**CECMC**, formerly the Colorado Oil and Gas Conservation Commission **25** (COGCC)), the Colorado Department of Public Health and Environment (DPHE), and the Colorado Air Quality Control Commission (AQCC), local ~~zoning~~ **zoning** rules, court interpretations of laws and regulations at all levels of government, fracking technologies, the success of the wells, and the price of oil and gas, among other things. We could see increased opposition and tougher oversight of oil and gas operations, which could reduce the demand for water for fracking and reduce our associated water sales as a result of the enactment and implementation of multiple state bills over the last several years targeting the siting of, emissions from, and chemicals used in oil and gas production, such as Senate Bill ~~19-181 (SB 19- 181)~~ (increased local and state government oversight of oil and gas siting and environmental impacts), SB 22- 198 (fees on oil and gas wells for an orphaned well fund), HB 22- 1361 (audits of and reporting on oil and gas taxes and emissions), HB 22- 1244 (toxic air emissions reporting, permitting, and controls from certain sources, which may be more stringent than the federal Clean Air Act), HB 22- 1348 (disclosure of chemicals used in oil and gas operations and ban on use of added perfluoroalkyl or polyfluoroalkyl chemicals), ~~and~~ HB 22- 1345 (ban on PFAS in oil and gas products), **and SB 24-230 (establishing new fees on oil and gas production)**. The oil and gas industry, and associated demand for water for fracking, may also be impacted by the adoption of new or revised state regulations in recent years, such as: (i) Colorado Energy and Carbon Management Commission fees and financial assurance requirements for oil and gas facilities (adopted in 2022) **and a new rule (adopted in October 2024) requiring that oil and gas operators seeking drilling permits must analyze the cumulative impacts of their proposals and conduct enhanced community outreach in disproportionately impacted communities**; (ii) AQCC GHG intensity standards that will become more restrictive over time and apply to upstream oil and gas operations, including well sites and production facilities (~~adopted in 2021~~), and related “ verification ” and monitoring requirements (**Regulation 7** ~~adopted in July 2023~~); (iii) AQCC reporting and emission reduction requirements for GHGs, ozone precursors, and hydrocarbons from oil and gas operations and industrial wastewater treatment, as well as regional haze limit (~~adopted in 2022~~ **Regulations 7, 22, and 23**); (iv) a list of toxic air contaminants identified by the DPHE in 2022 as a first step in implementing HB 22- 1244; and (v) additional maintenance, monitoring, and emissions regulations on the upstream and midstream oil and gas industry facilities in AQCC Regulation Numbers 7 and 22. Recent federal laws and regulatory initiatives may also impact the oil and gas industry and thus associated water demand and sales. For example, the federal Inflation Reduction Act of 2022 imposes ~~of~~ a fee on methane emissions from certain oil and gas facilities, and it increases certain corporate taxes that could impact the oil and gas industry. The Inflation Reduction Act also increases the amount of federal property available for oil and gas leasing, which could impact the desirability of developing oil and gas on private property. In addition, the EPA ~~proposed~~ **issued a new final rule that includes, among other things, revised “ New Source Performance Standards ” rule to regulate regulating greenhouse gas (GHG), methane, and volatile organic compounds (VOCs) emissions for the Crude Oil and Natural Gas source category pursuant to the Clean Air Act, as well as emissions guidelines for states to follow in developing state plan to establish performance standards to limit GHG emissions from existing sources the oil and gas industry (initially proposed in the Crude Oil and Natural Gas source category. That final rule was announced by the EPA on December 2, 2021-2023 and published**; ~~supplemental proposal in the Federal Register on March 8, 2022-2024~~), **and a new interim final rule to make technical corrections was issued on June 11, 2024**. Other

future potential laws, regulations, or ballot initiatives may also impact oil and gas development and, therefore, our water sales. A significant portion of our water supplies come 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. While the acquisition of Lost Creek water, a renewable “ surface ” water right that is diverted from an alluvial aquifer that is hydrologically connected to the surface water system, mitigates some of the risk of owning non-renewable supplies, if we are unable to obtain sufficient replacement supplies, 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. In many areas of Colorado, water supplies are limited, and in some cases, current usage rates exceed sustainable levels for certain water resources. We do not currently anticipate any short-term concerns with physical, legal, or continuous availability issues in our service areas. Insufficient availability of water or wastewater treatment capacity could materially and adversely affect our ability to provide for expected customer growth necessary to increase revenues— **revenue**. We continuously look for new sources of water to augment our reserves in our service areas, but our ability to obtain such rights may depend on factors beyond our control. We may not be able to obtain sufficient water or water supplies to increase customer growth necessary to increase or even maintain our revenues. Also, increased costs to develop water from aquifers could have a significant negative impact on our business, results of operations, cash flows and financial condition. **26To 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 that have been used in other locations, such as or Lost Creek Water, require a favorable change of use ruling by the water court in order for us to use the water as planned. A change of use ruling by the water court could take several years and be a costly and contentious effort since it is anticipated that many parties will oppose the change of use and the transfer of the water. There are several conditions which must be satisfied prior to our receiving a change of use decree. One condition that we must satisfy is a showing of anti-speculation in which we, as the applicant, must demonstrate that we have contractual obligations to provide water service to customers prior to the water court ruling on the transfer of a water right. The water court is also expected to limit the transfer to the “ consumptive use ” portion of the water right and to address changing the historic use of the water from agricultural uses to other uses such as municipal and industrial use. We expect to face opposition to any consumptive use calculations of the historic agricultural uses of this water. The water court may impose conditions on our transfer of the water rights such as requiring us to mitigate the loss of the farming tax base, imposing re-vegetation requirements to convert soils from irrigated to non-irrigated, imposing water quality measures, and imposing limitations on the timing and location of transfers to mitigate other users who may be affected by such transfers. Any such conditions, including a change of use ruling that precludes us from using the water resource as intended, would likely increase the cost of transferring the water rights or require us to develop alternative plans or water resources, which could result in substantial delays or expense which may adversely impact our business 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. **26Development-- 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. In the event water sales are not forthcoming or development of the Lowry Ranch is delayed or abandoned, we may need to use our capital resources, incur additional short or long-term debt obligations, or seek to sell additional equity. We may not have sufficient capital resources or be successful in obtaining additional operating capital. 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. We have limited experience with the development of real property. While we have extensive experience designing and constructing water and wastewater facilities and maintaining and operating these facilities, despite having completed Phase 1 and a substantial amount of Phase 2A **and 2B** at Sky Ranch, we have less experience developing real property. We may underestimate the capital expenditures required to complete the development of Sky Ranch, including the

costs of certain infrastructure improvements and construction costs related to our single- family home rental business. We have limited experience managing property development and construction activities, including the permitting and other approvals required, which may result in delays in completing Sky Ranch. Furthermore, construction and funding of a new interchange on I- 70 may delay the issuance of permits beyond Phase 2. 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 \$ 50-67. 8-5 million for construction of public improvements and expect to fund an additional estimated \$ 30-41. 7 million to complete the buildout of public improvements in ~~Phases 2A and 2B~~. At August 31, 2023-2024, of the amounts advanced to the Sky Ranch CAB, \$ 24-41. 9-0 million has not been repaid, including interest **and project management fees**. We expect these amounts will be repaid by the ~~Sky-27~~Sky Ranch CAB. No payment is required by the Sky Ranch CAB with respect to construction of public improvements unless and until the Sky Ranch CAB and / or the Sky Ranch Districts have generated sufficient funds from property taxes, fee, or the issuance of municipal bonds in an amount sufficient to reimburse the Company for all or a portion of advances provided or expenses incurred for reimbursables. The ability and obligation of the Sky Ranch CAB to reimburse us is dependent on sufficient home sales and commercial development occurring at Sky Ranch to create a tax base that would enable the Sky Ranch CAB to issue bonds to pay for the improvements. If development at Sky Ranch is delayed or curtailed for any reason, including regulatory restrictions, a downturn in the economy or default by one or more of the builders at Sky Ranch, the Sky Ranch CAB may not have sufficient revenues to issue bonds. Supply shortages and risks related to the demand for skilled labor and building materials could increase costs and delay closings. The property development and home construction industries are highly competitive for skilled labor and materials. Labor shortages throughout the United States including the Colorado Front Range have become more acute in recent years as the supply chain adjusts to uneven industry growth. ~~The COVID-19 pandemic exacerbated these shortages~~. Increased costs or shortages of skilled labor and / or concrete, steel, pipe, lumber, and other materials could cause increases in property development and home construction costs and delays, including in our single- family home rental business. We are unable to pass on increases in property development costs to home builders with whom we have already entered purchase and sale contracts for residential lots, at fixed prices, which were signed well in advance of development. Sustained increases in development and construction costs may, over time, erode our margins. Our ability to build new rental homes, even though we outsource the construction, may be adversely affected by circumstances beyond our control, including: work stoppages, labor disputes, and shortages of qualified trades people, such as carpenters, roofers, masons, electricians, and plumbers; changes in laws relating to union organizing activity; lack of availability of adequate utility or infrastructure and services; our need to rely on local subcontractors who may not be adequately capitalized or insured or may not, despite our quality control efforts, engage in proper construction practices or comply with applicable regulations; inadequacies in components purchased from building supply companies; and shortages or delays in availability, or fluctuations in prices of building materials. Any of these circumstances could give rise to delays in the start or completion of, or could increase the cost of, constructing new rental homes. We may purchase additional land parcels for development or other purposes, thereby exposing us to certain financial risks. We may purchase additional land parcels for development, construction, or other purposes. As noted above, land development and construction require significant cash expenditures before positive cash flows can be generated from the sale of lots, rental of homes, and water and ~~27wastewater~~ **wastewater** tap fees. If there is considerable lag time between when we acquire the land and when we begin selling finished lots or renting homes, we may generate significant operating losses. In addition, if sales of homes on the finished lots are delayed, renters **cannot** ~~can't~~ be found in a timely manner, our revenue from water and wastewater resource development services will be delayed. If our cash on hand and future cash flows from operations are not sufficient to fund our operations and the significant capital expenditure requirements to develop any acquired land, construct housing and build water and wastewater systems, we may be forced to seek to obtain additional debt or equity capital. There can be no assurance that financing will be available on acceptable terms or at all. 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, taxes and other costs related to ownership of the land and / or developing lots on behalf of builders who purchase the land, before we close on the sale of finished lots to home builders. 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, or we are unable to find renters in a timely manner, 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, and could result in us not renting our single- family rentals for rates that provide a sufficient return. Builders with contracts that do not require purchasing the 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 for the lot, utilities and other improvements. If a builder elected to walk away without cause, we would be entitled to keep these deposits as liquidated damages, but the deposits would not be sufficient to cover the expenses we expect to incur to finish the lots for delivery. We would not be able to recover our costs until we were able to sell the finished lots to another builder. If the original builder did not go through with the closing due to a poor housing market, we would likely have difficulty finding another buyer for the same reason. For our single- family rental homes, we incur the costs to construct the home, for which we currently have funding in place, but there are no assurances that funding will remain in place for future growth. The costs of construction of the single- family rentals are anticipated to be paid for over time by the rental income, but we may not be able to rent the homes for amounts sufficient to cover these costs. **Fluctuations** ~~28~~**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. Any material write-downs could have a material adverse effect on our business, financial condition, or results of operations. We assess our land interests when indicators of impairment exist. Indicators of impairment include a decrease in demand for housing due to soft market conditions; competitive pricing pressures that reduce the average sales price of finished lots; sales absorption rates below management expectations; a decrease in the value of homes or the underlying land due to general market conditions, actual or perceived risks due to proximity to oil and gas drilling operations, or other reasons; 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. While the State of Colorado, local governments, and private operators have regulations and procedures in place intended to mitigate these risks, there can be no assurances that these safeguards will be effective in all cases with respect to any oil and gas activity around Sky Ranch. 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. Our single-family home development activities expose us to additional operational and real estate risks, which may adversely affect our financial condition and operating results. In 2021 we launched a new division that involves the construction of single-family homes to be used for rental purposes. We have had no previous track record of building or maintaining homes for rent. Rental home construction can involve substantial up-front costs before a home is available for rent and generates income. In addition to the up-front costs, building rental homes involves potentially significant new risks to our business, such as delays or cost increases due to changes in or failure to meet regulatory requirements, including permitting and zoning regulations, failure of lease rentals on newly-constructed properties to achieve anticipated investment returns, inclement weather, adverse site selection, unforeseen site conditions, construction materials and labor, and other risks described below. We may be unable to achieve our objective of building new rental homes that generate acceptable returns and, as a result, our growth and results of operations may be adversely impacted. We will depend on our tenants for all of our rental home revenues-revenue. Poor tenant selection and defaults and nonrenewal by our tenants may adversely affect our reputation, and financial performance. We are dependent on rental income from tenants for all of our rental home revenues-revenue. As a result, the success of this division depends in large part upon our ability to attract and retain qualified tenants for our properties. Our reputation and financial performance would be adversely affected if a significant number of our tenants fail to meet their lease obligations or fail to renew their leases. For example, tenants may default on rent payments, make unreasonable and repeated demands for service or improvements, make unsupported or unjustified complaints to regulatory or political authorities, use our properties for illegal purposes, damage or make unauthorized structural changes to our properties that are not covered by security deposits, refuse to leave the property upon termination of the lease, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, fail to comply with local regulations, sublet to less desirable individuals in violation of our lease or permit unauthorized persons to live with them. Damage to our properties may delay re-leasing after eviction, necessitate expensive repairs or impair the rental income or value of the property resulting in a lower than expected rate of return. Increases in unemployment levels and other adverse changes in the economic conditions in our market could result in substantial tenant defaults. Our planned lease terms could require us to re-lease our properties frequently, which we may be unable to do on attractive terms, on a timely basis or at all. We anticipate substantially all of our leases having a duration of one year. As these leases will permit tenants to leave at the end of the lease term without penalty, we anticipate our rental revenues-revenue may be affected by declines in market rents more quickly than if our leases were for longer terms. Annual leases may result in high turnover, which involves costs such as restoring the properties, marketing costs and lower occupancy levels. Our tenant turnover rate and related cost estimates may be less accurate than if we had more operating data upon which to base such estimates. Moreover, there are no assurances that our leases will be renewed on equal or better terms or at all. If our tenants do not renew their leases or the rental rates for our properties decrease, our operating results could be adversely affected. Tenant relief laws, including laws restricting evictions and other regulations could limit our ability to evict bad tenants which may negatively impact our rental income and profitability. Landlords of numerous properties tend to be involved in evicting tenants who are not paying their rent or are otherwise in material violation of the terms of their lease. Eviction activities impose legal and managerial expenses that would raise our costs. The eviction process is typically subject to legal barriers, mandatory "cure" policies and other sources of expense and delay, each of which may delay our ability to gain possession and stabilize the property. 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, it would be difficult for us to fund such need quickly through a sale of our rental properties. Products supplied to us and work done by subcontractors can expose us to risks that could adversely affect our business. We rely on subcontractors to perform the property development, including the construction of our single-family rental homes, and in many cases, to select and obtain building materials. Subcontractors may use improper construction processes or defective materials. Defective products can result in the need to perform extensive repairs. The cost of complying with our warranty obligations may be significant if we are unable to recover the cost of repairs from subcontractors, materials suppliers and insurers.

2. 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 related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause us to incur substantial additional costs. Various local, state and federal statutes, ordinances, rules and regulations concerning health and safety, site and building design, environmental, zoning, and similar matters apply to and / or affect the construction and operation of our water and wastewater systems and our land development activities. For example, as detailed further below, the ~~COGCC~~ **CFCMC** adopted regulations that took effect in 2021 which implement SB 19- 181 by imposing minimum distances between new oil and gas drilling operations and residences, schools, and childcare centers. SB 19- 181 also empowers local governments to enact regulations that are stricter than state requirements pertaining ~~to~~ **to** the surface impacts of oil and gas operations. Thus, local zoning or other regulations may seek to create stricter setbacks from oil and gas drilling operations or impose other restrictions on the use of land. For example, Arapahoe County adopted oil and gas regulations in November 2021 and amended those regulations in 2023 to include, among other things, a one- mile setback from existing and planned reservoirs, subject to certain exceptions that may allow a 2, 000- foot setback. That 2, 000- foot minimum setback ~~is proposed to increase to 3, 000- feet in a proposed rule under consideration by Arapahoe County as was~~ **of as of once again amended in** November 2023 ~~Arpahoe County is also considering~~, **requiring the setback from an occupied structure to be at 3, 000 feet, allowing for a setback of not less than 1, 000 feet through variance procedures, and** increasing the setbacks ~~setback to 3, 000 feet for well pad sites that are hydrologically separated from existing occupied structures, platted lots, outside activity areas, and water bodies planned reservoirs, permitting a setback of 2~~ **as well as other proposed rules to address soil contamination, noise, and air pollution from oil and gas facilities. 000 feet if approved through a Use by Special Review process** Similarly, in 2021, Adams County adopted a rule requiring oil and gas facilities to be set back 2, 000 feet from residences, schools, and certain waterbodies. As these state and local setback regulations are implemented, and to the extent that additional regulations are enacted, the value of the land that we already own or the availability of land that we are looking to acquire may decline, either of which may adversely impact the financial position, results of operations and cash flows of our business. In addition, our ability to obtain or renew permits or approvals and the continued effectiveness of permits already granted or approvals already obtained depends on factors beyond our control, such as changes in federal, state, and local policies, rules and regulations and their interpretations and application. Furthermore, we are subject to various fees and charges of government authorities designed to defray the cost of providing certain governmental services and improvements. For example, local and state governments have broad discretion regarding the imposition of development fees for projects under their jurisdictions, as well as requiring concessions or that the property developer and / or home builder construct certain improvements to public places such as parks and streets or fund schools. New building code energy laws and regulations may also adversely impact our costs of construction. For example, HB 22- 1362 requires the Colorado Energy Office to identify by 2025, and local governments to adopt by 2026, more energy efficient and low carbon building codes. ~~In addition, HB 21- 1286 requires large (50, 000 square feet) multifamily, commercial, and public buildings to meet energy performance and greenhouse gas standards, and the Colorado AQCC adopted implementing regulations in August 2023.~~ Further, HB 23- 1161 establishes water and energy efficiency standards for a range of appliances, which could impact appliance costs and, relatedly, costs for finishing new buildings. HB 23- 1233 requires the adoption of regulations to wire multifamily buildings to be solar- ready and electric vehicle- ready, which could negatively impact our costs. Municipalities or state water agencies may restrict or place moratoriums on the availability of utilities, such as water and sewer taps, which could have an adverse effect on our business by causing delays or increasing our costs. ~~We~~ **30We** 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. For example, on October 18, 2021, the Biden Administration announced a multi- agency, three- year strategy to begin addressing per- and polyfluoroalkyl substances (PFAS), known as “ forever chemicals. ” As a part of ongoing efforts to implement that initiative, the EPA: (i) finalized a rule in December 2021 pertaining to monitoring of PFAS in drinking water; (ii) issued a ~~proposed final~~ **rule in March April 2023 2024** to establish regulatory levels for PFOA, PFOS, PFNA, ~~PFHxS~~ **PFHxS**, PFBS, and GenX chemicals in drinking water; (iii) issued a ~~proposed final~~ **rule in August May 2022 2024** to designate two of the most widely used PFAS ~~– PFOA and PFOS –~~ **as hazardous substances under CERCLA, or Superfund;** (iv) announced ~~a proposed rule in February 2024~~ **two– to add nine specific rulemaking efforts in October 2021 to address PFAS substances, their salts, and their structural isomers to its list of hazardous constituents** under the Resource Conservation and Recovery Act (RCRA); (v) ~~issued numerous notices concerning the addition of certain PFAS substances to the Toxics Release Inventory;~~ **and (vi) expects to develop additional rules restricting PFAS discharges from industrial sources.** These new regulatory initiatives addressing PFAS in drinking water could impact the water side of our business. With respect to service of customers on the Lowry Ranch, the Rangeview District’ s rates might not be sufficient to cover the cost of compliance with additional or more stringent requirements, or 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. If the cost of compliance were to increase, we anticipate that the rates of the nearby water providers that the Rangeview District uses to establish its rates and charges would increase to reflect these cost increases, thereby allowing the Rangeview District to increase its rates and charges. However, these water providers may not raise their rates in an amount that would be sufficient to enable the Rangeview District (and us) to cover any increased compliance costs. Changes in other environmental laws may also affect, for example, how we manage storm water runoff, wastewater discharges and dust; how we develop or operate on properties on or affecting resources such as wetlands, endangered species, cultural resources, or areas subject to preservation laws; and how we address contamination. With respect to wetlands, the U. S. Supreme Court’ s 2023 decision in Sackett v. Environmental Protection Agency narrowed federal jurisdiction over wetlands under the Clean Water Act and related permitting requirements, which could simplify our permitting requirements for building near some wetlands. ~~However~~ **Since the Sackett decision**, ~~it~~ **various challenges have continued in federal courts in an effort to further clarify**

the scope of federal jurisdiction. Indeed, Colorado passed HB 24- 1379, requiring the Water Quality Control Commission to establish requirements, prohibitions, and standards for the regulation of discharged dredge and fill materials into state waters, including wetlands, and administering a state dredge and fill discharge authorization program, expected to be established by 2026. It

is expected that further clarifications and changes may arise through implementing federal regulations, additional litigation over application of the Court’s decision, and / or state laws and regulations. ~~30Government~~ **Government** agencies may initiate audits, reviews, or investigations of our business practices to ensure compliance with applicable laws and regulations, which can cause us to incur costs or create other disruptions in our business that can be significant. Further, we may experience delays and increased expenses because of legal challenges to our proposed development activities, whether brought by governmental authorities or private parties. In addition, tariffs imposed by the United States on imported steel could increase our property development costs. It is possible that new standards could be imposed that will require additional capital expenditures or raise our operating costs. With respect to service of customers on the Lowry Ranch, the Rangeview District’s rates might not be sufficient to cover the cost of compliance with new requirements. Although we would expect the rates of the nearby water providers that the Rangeview District uses to establish its rates and charges to increase to cover increased compliance costs, such rates may not cover all our costs and our costs of complying with new standards or laws could adversely affect our business, results of operations or financial condition. Our noncompliance with environmental laws could result in fines and penalties, obligations to remediate, permit revocations and other sanctions. 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. A variety of state legislation, regulations, and policies have been enacted in recent years relating to energy, climate change, greenhouse gas emissions reporting and controls, land use, and energy efficient building codes, in addition to the numerous above- discussed state and federal laws and regulations adopted in the past year regulating the siting of, emissions from, and chemicals used in oil and gas production. For example and as mentioned above, HB 22- 1362 requires energy efficient and low carbon building codes to be adopted by the state and local governments by 2025 and 2026, respectively. ~~Further, HB 21- 1286 requires large (50, 000 square feet or more) commercial, multifamily, and public buildings to annually report energy usage and reduce the buildings’ GHG emissions by 7 % by 2026 and 20 % by 2030. The AQCC adopted regulations implementing HB 21- 1286 in 2023.~~ Additionally, HB 23- 1233 will require multifamily buildings to be solar- ready and electric vehicle- ready. Our future housing development costs and the cost of operating and maintaining our multifamily housing developments could be negatively impacted by HB 22- 1362, ~~HB 21- 1286,~~ and HB 23- 1233, in conjunction with HB 23- 1161 (appliance efficiency standards) and earlier enacted efficiency standards for appliances, plumbing fixtures, and buildings (e. g., HB 19- 1231, HB 19- 1260). ~~Colorado~~ **Colorado** has also enacted ambitious GHG reduction targets, initially with HB 19- 1261 and recently made yet more stringent with SB 23- 016, which aims to reduce the state’s overall greenhouse gas emissions 100 % below 2005 levels by 2050 and includes a series of interim targets. These legislated targets could lead to additional regulation impacting the housing development, water, and oil and gas industries in the future, which could increase our costs. There are also ongoing efforts to implement these greenhouse gas targets, other bills (e. g., HB 19- 096, requiring GHG emissions reporting by certain entities pursuant to AQCC regulations; SB 23- 1210, requiring the Colorado Energy Office to create a “ carbon management roadmap ”), and the Colorado Governor’s ~~2021~~ Colorado Greenhouse Gas Pollution Reduction Roadmap **(first released in 2021, and updated in 2024)** identifying strategies to reduce greenhouse gas emissions from a variety of sources, including buildings, transportation, and oil and gas mining and production. For example, pursuant to 19- 096 the AQCC adopted and updated its Air Regulation Number 22 and Regulation Number 7 requiring monitoring, reporting, and reduction of GHGs and ozone precursors from certain categories of emitters, such as industrial wastewater treatment facilities and oil and gas operators. In addition, at the federal level, the SEC’s ~~proposed~~ **climate - related financial** risks disclosures and greenhouse gas reporting rule, **finalized in 2024**, could ~~-, if finalized,~~ impose additional compliance costs on our business, as well as for the oil and gas producers with whom we do business. As climate change concerns continue to grow, enactment of additional climate and energy legislation and regulations at the state, local, and federal levels may continue, and compliance with legislation and regulations of this nature is expected to become more costly. On top of the direct impacts of climate and energy- related policies, there may also be indirect impacts. Energy- related initiatives affect a wide variety of companies throughout the United States and the world and, because our operations are dependent on significant amounts of raw materials, such as pipe, steel, and concrete, they could have an indirect adverse impact on our operations and profitability to the extent the manufacturers and suppliers of the materials used in the development of our properties are burdened with expensive tariffs, cap and trade and similar taxes and regulations. Our construction of water and wastewater projects and improvements at Sky Ranch may expose us to certain 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. These issues could give rise to delays, cost overruns or performance deficiencies, or otherwise adversely affect the construction or operation of our water and wastewater delivery systems and the construction and delivery of residential lots. In addition, we may experience quality problems in the construction of our systems and facilities, including equipment ~~31failures~~ **failures**. We may not meet the required deadlines under our sale and construction contracts. We may face claims from customers or others regarding product quality and installation of equipment placed in service by contractors. The sales contracts at Sky Ranch and 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. Under these fixed- price contracts, contract prices are established in part based on fixed, firm subcontractor quotes on contracts and on cost and scheduling estimates. These quotes or estimates may be based on several assumptions, including assumptions about prices and availability of labor, equipment and materials, and other issues. If these subcontractor quotations or cost estimates prove inaccurate, or if

circumstances change, cost overruns may occur, and our financial results would be negatively impacted. In many cases, the incurrence of these additional costs would not be within our control. Pursuant to various contracts related to the development of Sky Ranch, we guarantee that the project, when completed, will achieve certain performance standards, meet certain quality specifications, and satisfy certain requirements for governmental approvals. If we fail to complete the project as scheduled, meet guaranteed performance standards or quality specifications, or obtain the required governmental approvals, we may be held responsible for cost impacts and / or penalties to the customer resulting from any delay or for the costs to alter the project to achieve the performance standards and the quality specifications and to obtain the required government approvals. To the extent that these events occur and are not due to circumstances for which the customer accepts responsibility or cannot be mitigated by performance bonds or the provisions of our agreements with contractors, the total costs of the project would exceed our original estimates and our financial results would be negatively impacted. We, or our subcontractors, are required to secure performance and completion bonds for certain contracts and projects. The market for surety companies has become increasingly risk averse. We and our subcontractors secure performance and completion bonds for our contracts from these surety companies. To the extent we or our subcontractors are unable to obtain bonds, we may breach existing agreements and / or not be awarded new contracts. We may not be able to secure performance and completion bonds when required. **The 32nd** enactment and implementation of SB 19- 181 increasing state and local regulatory oversight of oil and gas development could have an adverse effect on our water sales to the oil and gas industry for hydraulic fracturing (fracking) and demand for new homes at Sky Ranch. Enacted in 2019, SB 19- 181 authorizes local governments to approve the siting of oil and gas locations and regulate the surface impacts of oil and natural gas development through local requirements that may be more stringent than state requirements. SB 19- 181 also changed the mission of the Colorado Energy and Carbon Management Commission (or, at the time, the Colorado Oil and Gas Conservation Commission) from fostering responsible and balanced development of natural resources and oil and gas, to regulating the development and production of natural resources and oil and gas in order to “ protect ” and “ minimize ” “ adverse impacts to public health, safety, and welfare, including protection of the environment and wildlife resources. SB 19- 181 also requires what is now the Colorado Energy and Carbon Management Commission and the AQCC to undertake rulemakings on environmental protection, facility siting, increased inspections and public disclosures, elimination of hard caps on application fees, increasing required financial assurances, and minimizing emissions of hydrocarbons and other compounds. The ~~COGCC~~ **CECMC** and the AQCC have promulgated several rules pursuant to SB 19- 181 over the past several years, as summarized below. Regulations implemented by the Colorado Energy and Carbon Management Commission pursuant to SB 19- 181 could adversely impact our land development activities by limiting the number of lots available for land development in Colorado and could adversely impact our water sales for fracking by limiting the land available for oil and gas production. As a part of implementing SB 19- 181, the ~~COGCC~~ **CECMC** approved a rule (Setback Rule) imposing setbacks and siting requirements for well locations. The Setback Rule, which took effect in 2021, prohibits, without exception, working well pad surfaces from being located within 2, 000 feet of a school facility or childcare center, or within 500 feet from one or more residential buildings that are not subject to a surface use agreement or waiver. The Setback Rule also generally prohibits any well pad surface from being located greater than 500 feet and less than 2, 000 feet from a residential or high occupancy building, but allows such locations to obtain an exemption by satisfying certain requirements (such as consent from owners and tenants) or by obtaining a ~~Commission~~ **CECMC** finding, after a hearing, that the conditions of approval will provide “ substantially equivalent protections ” to a 2, 000 foot setback for public health, safety, welfare, the environment, wildlife resources, and disproportionately impacted communities. Depending on how the Setback Rule is applied and interpreted, it could have the effect of limiting property development within 2, 000 feet of a well pad surface. As noted above, to develop oil and gas near residential or high occupancy buildings, the applicant will need an exception from the ~~Commission~~ **CECMC** by obtaining explicit, informed consent from both the landowner and their tenants (as applicable) to the proposed oil and gas location, or by demonstrating that conditions on approval will provide “ substantially equivalent protections ” to ~~32a~~ **32a** 2, 000- foot setback. Applicants who are unable to obtain such an exception may be forced to choose between using their property for oil and gas development or for residential and commercial development. So, under a restrictive interpretation of the Setback Rule and its exceptions, we might have to limit drilling on our mineral rights at Sky Ranch to proceed with the occupancy densities we have planned, which would adversely affect our industrial water sales to the oil and gas industry. The Setback Rule could also reduce the supply of other land acquisition opportunities for development. Alternatively, the Setback Rule could make such residential properties more attractive to people who prefer to live farther from oil and gas developments. Additionally, any rules that would require the Land Board to elect between oil and gas or residential and commercial land development with respect to the Lowry Ranch would likely have an adverse effect on our financial condition, because we have the exclusive right to provide water service to customers on the Lowry Ranch, including both lessees of the oil and gas rights on the Lowry Ranch and future occupants of the Lowry Ranch if the Land Board sells the land for development. Our business could be further impacted by more restrictive local regulations, such as Adams County’ s rule requiring oil and gas facilities to be set back 2, 000 feet from residences, schools, and certain waterbodies, and Arapahoe County’ s ~~recently adopted~~ **recently adopted** rule generally requiring a one- mile setback from existing and planned reservoirs, as well as Arapahoe County’ s ~~proposed~~ **recently adopted** rule that ~~would, if adopted, increase~~ **increases** setbacks from occupied structures (**generally 3, 000 feet**), platted lots, outside activity areas, and water bodies. These local ordinances, as well as similar ordinances that other local jurisdictions may implement in the future, may adversely impact the buildable area and costs of our development and our clients’ development. In addition to the **CECMC** Setback Rule, state agencies have recently adopted other regulations on oil and gas development as a part of implementing SB 19- 181 and other recently enacted legislation such as HB 22- 1244, HB 19- 096, and HB 19- 1261. For example, the ~~CECMC Colorado Energy and Carbon Management Commission~~ **CECMC** in recent years has adopted ~~new~~ **new** rules for testing and ensuring the integrity of oil and gas flow lines and well bores and has imposed new fees and financial assurance requirements for oil and gas facilities. **The CECMC also adopted a rule in 2024 requiring that oil and gas operators seeking drilling permits must analyze the**

cumulative impacts of their proposals and conduct enhanced community outreach in disproportionately impacted communities. In addition, the AQCC has, in recent years, approved rules calling for more frequent inspections of oil and gas equipment, imposing new GHG intensity standards for oil and gas operators, and requiring reporting and **reduction-33reduction** of GHG emissions, ozone precursors, and hydrocarbons by oil and gas operations as well as industrial wastewater treatment facilities, where applicable. Similarly, the AQCC adopted increasingly restrictive GHG intensity standards for upstream oil and gas operations and related “ verification ” and monitoring requirements. The AQCC also published an initial list of toxic air contaminants as a first step toward regulation under HB 22- 1244. These and related rulemaking activities by state agencies and local governments could lead to delays and additional costs for oil and gas operators, which, in turn, could result in a decline in oil and gas drilling activities. A significant decline in oil and gas drilling activities in and around the Lowry Ranch and our Sky Ranch property would have an adverse effect on our water sales for fracking and our financial condition. Further, a significant decline in oil and gas activities throughout Colorado could negatively impact the Colorado economy, which could have an adverse effect on demand for new homes at Sky Ranch. Future Ballot Initiatives at the State or Local Level Could Restrict Oil and Gas and Land Development. In the past decade, interest groups in Colorado opposed to oil and natural gas development generally, and hydraulic fracturing in particular, have put forward ballot initiatives that, if approved, would have significantly curtailed oil and natural gas development in the state. For example, in 2018, Proposition 112 would have imposed a 2, 500- foot setback from any building or waterway in Colorado. Although Colorado voters rejected that measure, the influential power of even failed ballot initiatives is demonstrated by the fact that the Colorado Legislature and Governor passed SB 19- 181 the following year and, pursuant to that law, the Colorado Energy and Carbon Management Commission promulgated the similar, though less restrictive, Setback Rule. In August 2023, environmental groups submitted language for the 2024 ballot that would ban new hydraulic fracturing permits after 2030. **It is While that initiative did not yet clear whether this proposal will make it to the 2024 ballot, but similar positions have been set forth by democratic lawmakers of the state, and if such initiatives do make it does to the ballot in future years and if are passed, it were to win, that could would have materially-- material threaten impacts to** our oil and gas clients **and, in turn, our business**. 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. In addition, as a property developer, we are subject in the ordinary course of our business to warranty claims. We are also subject to claims for losses or injuries that occur during our property development activities. We plan to record warranty and other reserves for the residential lots we sell based on historical trends in our market and our judgment of the qualitative risks associated with the type of lots we sell. We have, and many of our subcontractors have, general liability, property, workers’ compensation, and other business insurance. These insurance policies are intended to protect us against a portion of our risk of loss from claims, subject to certain self-insured retentions, deductibles, and coverage limits. However, it is possible that this insurance will not be adequate to address all warranty and liability claims to which we are subject. Additionally, the coverage offered and the availability of general liability insurance for construction defects are currently limited and policies that can be obtained are costly and often include exclusions based upon past losses insurers suffered as a result of use of defective materials used by other property developers. As a result, our subcontractors may be unable to obtain insurance, and we may have to waive our customary insurance requirements, which increases our and our insurers’ ~~33exposure--~~ **exposure** to claims and increases the possibility that our insurance will not be adequate to protect us for all the costs we incur. Any losses that exceed claims against our contractors, the performance bonds and our insurance limits at such facilities could result in claims against us. In addition, if there is a customer dispute regarding performance of our services, the customer may decide to delay or withhold payment to us. No warranty and liability claims have been made against us as of the date of this report. A major health and safety incident relating to our business could be costly in terms of potential liabilities and reputational damage. Water facility and construction sites are inherently dangerous and pose certain inherent health and safety risks to construction workers and other persons on the site. Any failure in health and safety performance may result in penalties for non- compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on our reputation, our relationships with relevant regulatory agencies or governmental authorities, and our ability to attract customers and employees, which in turn could have a material adverse effect on our business, financial condition and operating results. 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-three~~ **two-three** of our employees **, one of who is our Chief Financial Officer,** constitute the majority of the directors of each of the Rangeview District, the Sky Ranch Districts and the Sky Ranch CAB. These officers and employees, along with Pure Cycle ~~7~~ and one unrelated individual, own certain property interests in the 40 acres that constitute the Rangeview District and the acreage that constitutes the Sky Ranch Districts. We have made loans to the Rangeview District to fund its operations. As of August 31, ~~2023-2024~~ **2023-2024**, total principal and interest owed to us by the Rangeview District was ~~just under~~ \$ 1. 2 million. Pursuant to our water and wastewater service agreements with the Rangeview District, of the net amounts retained by the Rangeview District, the Rangeview District retains ~~two-34two~~ **two-34two** percent of the ~~revenues--~~ **revenue** from the sale of water to its end- use customers and 10 % of the ~~revenues--~~ **revenue** from the provision of wastewater services to its end- use customers. 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 Pure Cycle. Similarly, we have made loans to and incurred expenses reimbursable by the Sky Ranch Districts and the Sky Ranch CAB. As of August 31, ~~2023-2024~~ **2023-2024**, the Sky Ranch CAB owes us \$ ~~24-41. 9-0~~ **24-41. 9-0** million related to construction of public improvements on the Sky Ranch property, including project management fees and interest on these amounts. The Sky Ranch CAB is not required to repay us for advances made or expenses incurred for improvements at Sky Ranch unless and until the Sky Ranch CAB and / or Sky Ranch Districts generate sufficient cash flows from either property taxes, fees or from the issuance of bonds in an amount sufficient to reimburse us for

all or a portion of advances made or expenses incurred. 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, and the actions of subsequently elected boards could have an adverse impact on our operations. 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. ~~The~~ **In 2023, the** State of Colorado ~~recently~~ enacted HB 23- 1255, which generally prohibits local governments from enacting or enforcing local housing growth- restrictions laws that would limit housing supply, development applications, or building permits. However, under certain circumstances, local governments may implement a temporary moratorium of up to 2 years. While this ~~new~~ law alleviates concerns that a local government in our planned development areas might permanently restrict new growth, a temporary moratorium could still have the effect of delaying, limiting or halting development within Sky Ranch or other areas where we may provide water and wastewater services or develop land. Because all of the property in Sky Ranch has been platted, we do not expect future growth moratoriums to restrict Sky Ranch as currently planned; however, if temporary growth moratoriums or restrictions are imposed in the areas in which we provide services or develop land, it could negatively impact our ability to develop our land as planned or our customers' ability to grow their communities as anticipated, which would also reduce the number of water and wastewater service customers we expect, which would have a negative impact on our business and financial condition. We could be hurt by efforts to impose liabilities or obligations on us regarding labor law violations by other persons whose employees perform contracted services. The infrastructure and improvements on our water and wastewater systems and on the finished lots we sell or that we must provide pursuant to service agreements and lot development agreements are done by employees of subcontractors and ~~34other--~~ **other** contract parties. We do not have the ability to control what these contract parties pay their employees or the work rules they impose on their employees. However, there have been efforts by government agencies including the National Labor Relations Board and the Colorado Department of Labor and Employment to hold contract parties like us responsible for violations of wage and hour laws and other work- related laws by firms whose employees are performing contracted- for services. Governmental rulings that make us responsible for labor practices by our subcontractors could create substantial exposures for us in situations that are not within our control. 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. Our land at Sky Ranch and a portion of the Lowry Ranch have been leased for oil and gas exploration and development. Such exploration and development 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. Any failure of our operation of the facilities or any contamination of our supplies, including 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. If any of these events occur, 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. We cannot assure that we will successfully manage these issues, and failure to do so could have a material adverse effect on our future results of operations. We may incur significant costs in order to treat the contaminated source through expansion of our current treatment facilities or development of new treatment methods. If we are unable to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost- effective manner, there may be an adverse effect on our revenues, operating ~~results~~ **35results** and financial condition. The costs we incur to decontaminate a water source or an underground water system could be significant and could adversely affect our business, operating results and financial condition and may not be recoverable in rates. We could also be held liable for consequences arising out of human exposure to hazardous substances in our water supplies or other environmental damage. For example, private plaintiffs could assert personal injury or other toxic tort claims arising from the presence of hazardous substances in our drinking water supplies. Although we have not been a party to any environmental or pollution- related lawsuits, such lawsuits have increased in frequency in recent years. If we are subject to an environmental or pollution- related lawsuit, we might incur significant legal costs, and it is uncertain whether we would be able to recover the legal costs from ratepayers or other third parties. Our insurance policies may not cover or provide sufficient coverage for the losses associated with or the costs of these claims. 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. The CPUC regulates many aspects of public utilities' operations, including establishing water rates and fees, initiating inspections, enforcement and compliance activities and assisting consumers with complaints. We do not believe that we are a public utility under Colorado law. We currently provide services by contract mainly to the Rangeview District, which supplies the public. 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. If this were to occur, we might incur significant expense challenging the CPUC' s assertion of jurisdiction, and we may be unsuccessful. In the future, existing regulations may be revised or reinterpreted, and new laws and regulations may be adopted or become applicable to us or our facilities. 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 the Lease have been challenged by third parties. In the past the Rangeview District's and our rights under the 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 we 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. To arrive at a finding of reasonable diligence, the water court must determine that we continue to ~~35~~diligently-- **diligently** pursue the development of said water rights. If the water court is unable to make such a finding, we could lose the water right under review. During each of fiscal 2012 and 2018, the Lowry Ranch conditional decrees were granted review by the water court, which determined that we and the Rangeview District met the diligence criteria. The water court entered a finding of reasonable diligence on the Lowry Ranch surface water decrees in January 2019. Our next review for reasonable diligence on the Lowry Ranch surface water decrees will be in January 2025. We believe we will be successful in maintaining our decrees as we continue to develop these rights. 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. 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. Additional risks associated with dealing with governmental entities include 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. We spend significant time and resources educating elected officials, local authorities and others regarding our water rights and the benefits of contracting with us. Political concerns and governmental procedures and policies may hinder or delay our ability to enter into service agreements or develop our water rights or infrastructure to deliver our water. While we have worked to reduce the political risks in our business through our participation as the service provider for the Rangeview District in ~~36~~**36** regional cooperative resource programs, such as the SMWSA and the WISE partnership with Denver Water and Aurora Water, as well as education and communication efforts and community involvement, our efforts may be unsuccessful. The number of connections we can serve are affected by local governmental policies that are beyond our control. We market our water rights through service agreements to 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, 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. **3.** General Risks We are dependent on the services of a key employee. Our success largely depends on the continuing 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 in the short term to replace. Mr. Harding also serves on the boards of the Rangeview District, the Sky Ranch Districts, and the Sky Ranch CAB. The loss of Mr. Harding as a key employee and as a director of these boards would cause a significant interruption of our operations. 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. 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 be assured that all of our systems and processes are free from vulnerability to security breaches. Cyberattacks are evolving and becoming increasingly sophisticated. Cyberattacks may take various forms, including through hacking, ransomware attacks, malware, viruses and phishing scams. **36-A significant data security breach, including misappropriation of confidential information, could cause us to incur significant costs, which may include potential costs of investigations, legal, forensic and consulting fees, costs and diversion of management attention required for investigation, remediation and litigation, substantial repair or replacement costs. We could also experience data losses that would impair our ability to manage our business operations, including accounting and project costs, manage our water and wastewater systems or process transactions and have a negative impact on our reputation and loss of confidence of our customers, suppliers and others, any of which**

could have a material adverse impact on our business, financial condition, operating results and reputation. Failure to maintain effective internal controls 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. As disclosed in Item 9A, during fiscal 2021, we concluded that a material weakness existed in our internal controls resulting from ineffective procedures related to the preparation and review of spreadsheets, which compromised the integrity of the spreadsheets used to support and record transactions related to tracking the public improvement reimbursable amounts and related interest income. To address this material weakness, management devoted significant effort and resources to the remediation and continues its efforts to improve its internal control over financial reporting by implementing additional steps in the review process of various complex schedules that support accounting entries on a monthly and quarterly basis or moving these manual tracking and reconciliation processes to a more automated software system. 37