INTRO:

At Perritt Capital Management, we take focused positions in companies where we have a high conviction in their success; companies that are out of the mainstream of small cap investing. To highlight our process, we are pleased to present the newest installment in our ongoing series "Marvelous Microcaps - Big Ideas on Small Companies." This series profiles companies that we believe have a niche in their existing markets or are launching a product that could disrupt their marketplace.

THE COMPANY:

Pure Cycle Corporation (PCYO) designs, constructs, operates and maintains water and wastewater systems in the Denver metropolitan area. It has two divisions, Wholesale Water and Wastewater Services and Land Development. The company owns 29,000+ acre-feet of water rights providing industrial and oil and gas customers with water. They own 930 acres of land called Sky Ranch which they are currently developing. This development will have around 3,200 residential units and 2 million square feet of commercial, retail, and industrial uses. They recently started a Single-family home rental division which is benefiting from immediate asset appreciation and positive cash flows.

WHY WE OWN: THE PERRITT ADVANTANGE:

Pure Cycle is not an easy company to understand and that is where the Perritt Advantage comes in. PCYO takes their water sources, treats it, stores it, and distributes it to their customers. The customers are in the planned development of Sky Ranch. PCYO gets connection charges for each home, around $32,000, and then they charge a consumption fee. They have a closed loop system of use and reuse. Water is also sold to oil and gas customers. Each rig can drill as many as 25 to 30 wells a year. The more wells - the more water sold. The newest division is the single-family rental with 4 homes rented and 10 under construction. They estimate they will eventually have 50 rental homes generating $880,000 in cash flow from operations.

In summary PCYO has very valuable low-cost basis legacy assets both in water and land. As they continue to grow the company, they will do small tuck-in acquisitions. Financial results will continue to be lumpy based on the oil and gas industry and housing sales. Their assets are solid and irreplaceable.

Data here is obtained from what are considered reliable sources. We consider the data used to be relevant and reliable.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please click PRCGX and PREOX for a list of the top ten holdings.

Tuck-in acquisition is often referred to as a "bolt-on acquisition," is a type of acquisition in which the acquiring company merges the acquired company into a division of the acquiring entity.

Before you invest in the Perritt MicroCap Opportunities Fund or Perritt Ultra MicroCap Fund, please refer to the prospectus for important information about the investment company, including investment objectives, risks, charges, and expenses. You may also obtain a hard copy of the prospectus by calling 800-331-8936. The prospectus should be read carefully before you invest.

Mutual fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks, such as limited liquidity and greater volatility. The Funds invest in microcap companies which tend to perform poorly during times of economic stress. The Ultra MicroCap Fund may invest in early-stage companies which tend to be more volatile and more speculative than investments in more established companies.
Past Performance does not guarantee future results.

The Perritt Funds are distributed by Quasar Distributors, LLC.

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