SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Amendment No. 1)

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

For the fiscal year ended December 31, 2010

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

for the transition period from to

Commission File Number: 0-26625

NOVAMED, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-4116193**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

333 West Wacker Drive, Suite 1010, Chicago, Illinois 60606
(Address of principal executive offices) (zip code)

Registrant s telephone number, including area code: **(312) 664-4100**

980 North Michigan Avenue, Suite 1620, Chicago, Illinois 60611

(Former name or former address, if changed since last report)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $.01 per share	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files. Yes o No o

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the registrant s shares of voting stock held by non-affiliates of the registrant, based upon the last reported sale price of the registrant s Common Stock on June 30, 2010 was $59,037,435. The number of shares outstanding of the registrant s Common Stock, par value $.01 per share, as of March 7, 2011 was 7,952,004.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A, or Amendment, amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, originally filed with the Securities and Exchange Commission, or SEC, on March 16, 2011, or the Original Filing. We are filing this Amendment to include the information required by Part III and not included in the Original Filing as we will not file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2010. The reference on the cover of the Original Filing to the incorporation by reference of our definitive proxy statement into Part III of the Original Filing is hereby deleted. As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, or Exchange Act, new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Amendment under Item 15 of Part IV hereof.

For purposes of this Amendment, and in accordance with Rule 12b-15 under the Exchange Act, Items 10 through 14 and 15(b) of our Original Filing have been amended and restated in their entirety. Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with our filings with the SEC subsequent to the date of the Original Filing.

As described in the Original Filing, we entered into an Agreement and Plan of Merger (the Merger Agreement) with Surgery Center Holdings, Inc., a Delaware corporation (Surgery Partners), and Wildcat Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Surgery Partners (Merger Sub), providing for the merger (the Merger) of Merger Sub with and into us, with our company surviving the Merger as a wholly-owned subsidiary of Surgery Partners. Surgery Partners is an affiliate of H.I.G. Capital, L.L.C.

INDEX

Part III

Item 10:	Directors, Executive Officers of the Registrant, and Corporate Governance
Item 11:	Executive Compensation
Item 12:	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters
Item 13:	Certain Relationships, Related Transactions, and Director Independence
Item 14:	Principal Accountant Fees and Services

Part IV

Item 15:	Exhibits and Financial Statement Schedules

Signatures

Index to Exhibits

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth certain information regarding our directors and executive officers as of March 31, 2011:

DIRECTORS

Name	Age	Position with the Company	Served as Director Since	Current Term Expires
Thomas S. Hall	50	President, Chief Executive Officer and Chairman of the Board of Directors	2005	2012
R. Judd Jessup (1)(2)(3)	63	Director	1998	2012
Robert J. Kelly (1)(2)	66	Lead Director	2004	2013
Scott H. Kirk, M.D.	58	Director	1995	2011
Steven V. Napolitano (2)	51	Director	1997	2011
C.A. Lance Piccolo (1)(2)(3)	70	Director	2000	2013

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

(3) Member of Nominating Committee.

Mr. Hall has served as President and Chief Executive Officer, and has been a member of our Board of Directors, since November 2005. Mr. Hall was appointed Chairman of the Board in February 2007. From April 2003 to October 2005, Mr. Hall served as President and Chief Operating Officer of Matria Healthcare, Inc., after having joined Matria in October 2002 as Executive Vice President and Chief Operating Officer. Matria provides disease management programs to health plans and employers. From 2000 to 2002, Mr. Hall was President and Chief Executive Officer of TSH & Associates, an independent consulting and management services company. From 1997 to 1999, Mr. Hall held several executive positions that included President of ADP TotalSource, a division of Automated Data Processing, Inc. (ADP). Mr. Hall also served in senior management positions with Riscorp, Inc., an insurance holding company, and USAir Express/Chautauqua Airlines.

We believe that Mr. Hall s qualifications to serve on our Board of Directors include his position as our President and Chief Executive Officer, his leadership roles as President and Chief Operating Officer at Matria Healthcare, Inc., President and Chief Executive Officer of TSH & Associates and President of ADP TotalSource.

Mr. Jessup has been a director of the Company since November 1998. He is currently Chief Executive Officer of CombiMatrix Corporation, a molecular diagnostics laboratory company. He is also currently a director of CorVel Corporation, an independent nationwide provider of medical cost containment and managed care services. Mr. Jessup served as President of US Labs, a national reference laboratory specializing in cancer testing, from April 2002 until its sale to LabCorp in February 2005. From 1994 to 1996 he served as President of the HMO Division of FHP International Corporation, a diversified health care services company. Mr. Jessup also serves as a director of Xifin, Inc. and Superior Vision Services, both of which are privately held companies.

We believe that Mr. Jessup s qualifications to serve on our Board of Directors include his positions as the Chief Executive Officer of CombiMatrix Corporation and a director of another public company in the healthcare industry, and his past experience in leadership roles as President of US Labs and of the HMO Division of FHP International Corporation.

Mr. Kelly has been a director of the Company since April 2004. Mr. Kelly served as Chairman of the Board of Directors from November 2005 until February 2007, at which time he was appointed to his current position of

Table of Contents

Lead Director. Prior to serving as Chairman of the Board, Mr. Kelly served as the Presiding Director of the Company s Board of Directors from April 2005 to November 2005. Mr. Kelly is an independent consultant providing services to small businesses. From 2000 to 2001, Mr. Kelly served as Executive Vice President and Chief Financial Officer of Celarix, Inc., a company that provides enterprise level solutions for logistics over the Internet. From 1997 to 2000, Mr. Kelly served as Chief Financial Officer of Summit Autonomous, Inc., a manufacturer of excimer lasers that was acquired by Alcon Laboratories, Inc. in 2000. Previously, from 1992 to 1997, Mr. Kelly served as Chief Financial Officer of Bull HN Information Systems, Inc., the U.S. subsidiary of Groupe Bull, an international information technology company based in France.

We believe that Mr. Kelly s qualifications to serve on our Board of Directors include his past experience in leadership roles as the Executive Vice President and Chief Financial Officer of Celarix, Inc., as Chief Financial Officer of Summit Autonomous, Inc. and as Chief Financial Officer of Bull HN Information Systems, Inc.

Dr. Kirk has been a director of the Company since August 1995 and its National Medical Director since May 2002. Dr. Kirk has practiced ophthalmology in the Chicago area since 1982, and is currently practicing in River Forest, Illinois on behalf of Kirk Eye Center, S.C., a professional entity whose eye care professionals had been parties to long-term services agreements with the Company from 1996 to 2002.

We believe that Dr. Kirk s qualifications to serve on our Board of Directors include his position as our National Medical Director as well as his accomplished background as a board-certified ophthalmologist.

Mr. Napolitano has been a director of the Company since January 1997. Mr. Napolitano is a partner in the law firm of DLA Piper LLP (US) where he has practiced since September 2007. Mr. Napolitano is the chair of the firm s U.S. private equity group. Prior to joining DLA Piper, Mr. Napolitano was a partner in the law firm of Winston & Strawn LLP. The Company has retained, and continues to retain, DLA Piper as outside legal counsel.

We believe that Mr. Napolitano s qualifications to serve on our Board of Directors include his significant legal background and experience in corporate governance and knowledge of the Company s business and industry.

Mr. Piccolo has been a director of the Company since November 2000. Mr. Piccolo has been the President and Chief Executive Officer of HealthPic Consultants, Inc., a strategic healthcare consulting firm, since 1997. From November 2004 to November 2006, Mr. Piccolo served as Chairman and Chief Executive Officer of Benchmark Medical, Inc., a provider of outpatient physical rehabilitation services. In 1996 Mr. Piccolo served as Chairman and Chief Executive Officer of Caremark International, Inc. Mr. Piccolo also currently serves on the board of directors of CVS/Caremark Corporation, an integrated pharmacy services provider, and MedAssets, Inc., a healthcare purchasing organization.

We believe that Mr. Piccolo s qualifications to serve on our Board of Directors include his significant leadership experience with other companies in the healthcare industry as well as his position as director of other public companies in the healthcare industry.

The Board of Directors has determined that Messrs. Jessup, Kelly, Napolitano and Piccolo are independent in accordance with applicable rules of The NASDAQ Stock Market. Messrs. Jessup, Kelly, Napolitano and Piccolo are not officers or employees of the Company or its

subsidiaries, and they do not have any other relationships with the Company which, in the opinion of the Board of Directors, would interfere with the exercise of their independent judgment in carrying out their responsibilities as directors.

EXECUTIVE OFFICERS

The table below identifies the executive officers of the Company who are not identified in the table above.

Name	Age	Position
Scott T. Macomber	56	Executive Vice President and Chief Financial Officer
Graham B. Cherrington	48	Executive Vice President Operations

Table of Contents

Mr. Macomber has served as Executive Vice President and Chief Financial Officer of the Company since October 2001. From January 2000 to October 2001, Mr. Macomber was Senior Vice President and Chief Financial Officer of Extended Care Information Network, Inc., a health care information technology company located in Northbrook, Illinois. In 1999, Mr. Macomber served as Executive Vice President and Chief Financial Officer of PeopleServe, Inc., a privately held health care services provider located in Dublin, Ohio. From before its initial public offering in 1992 through 1998, Mr. Macomber served as Senior Vice President and Chief Financial Officer of Vitalink Pharmacy Services, Inc., an institutional pharmacy provider located in Naperville, Illinois. Mr. Macomber also spent 12 years in various financial, acquisition and development positions at Manor Care, Inc., one of the largest long-term care providers in the industry. Mr. Macomber received his B.A. degree from the University of Vermont and M.B.A. from the University of Michigan.

Mr. Cherrington joined the Company in March 2007 as a Senior Vice President. After being promoted to Executive Vice President Operations in December 2008, Mr. Cherrington has operating responsibility for all of the Company s ambulatory surgery centers. Prior to joining the Company, Mr. Cherrington worked at Matria Healthcare, Inc., a provider of disease management services to health plans and employers. Mr. Cherrington joined Matria in November 2002 as Vice President, Corporate Business Development and was promoted in November 2005 to Senior Vice President of Operations with responsibility for the company s health & wellness and oncology management business units. Mr. Cherrington has also served in senior management positions with RISCORP, Inc., an insurance holding company, and CNL Advisory Services, an investment banking firm. He began his career with Accenture and PepsiCo.

Section 16(a) Beneficial Ownership Reporting Compliance Section 16 of the Securities Exchange Act of 1934, as amended, requires the Company s officers (as defined under Section 16), directors and persons who beneficially own greater than 10% of a registered class of the Company s equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely on a review of the forms it has received and on written representations from certain reporting persons that no such forms were required for them, the Company believes that, during 2010, all Section 16 filing requirements applicable to its officers, directors and 10% beneficial owners were complied with by such reporting persons.

Audit Committee The Audit Committee generally has the responsibility for assessing processes related to risks and control environment, overseeing financial reporting, evaluating the independent audit process, evaluating internal accounting controls, overseeing the selection of the Company s independent registered public accounting firm, approving audit and permissible non-audit services and reporting to the Board of Directors regarding all of the foregoing. Messrs. Jessup, Kelly and Piccolo serve as the three members of the Audit Committee. The Audit Committee held four meetings in 2010. The Board of Directors, in its business judgment, has determined that all of the members of the Audit Committee are independent under the listing standards of the NASDAQ Stock Market. The Board of Directors has determined that Mr. Kelly is an audit committee financial expert as defined under the rules of the Securities and Exchange Commission. Also see Report of the Audit Committee of the Board of Directors.

Code of Ethics The Board of Directors has adopted a compliance plan for the Company that includes a code of ethics that applies to the Company s principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Company will furnish a copy of its compliance plan to any person, without charge, upon written request to the Secretary.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

OVERVIEW

This Compensation Discussion describes the material elements of compensation awarded to, earned by, or paid to each of our executive officers who served as named executive officers (as defined on page 10) during the last completed fiscal year. This Compensation Discussion focuses on the information contained in the following tables

Table of Contents

and related footnotes and narrative for primarily the last completed fiscal year, but we also describe compensation actions taken before or after the last completed fiscal year to the extent it enhances the understanding of our executive compensation program. The Compensation Committee of the Board of Directors (the Committee) oversees the design and administration of our executive compensation program in accordance with the processes and procedures discussed in the Corporate Governance section of this proxy statement.

The principal elements of our executive compensation program are base salary, annual cash incentives, long-term equity incentives in the form of stock options and restricted stock, other benefits and perquisites, and a change in control severance policy. Our other benefits and perquisites consist of health, disability and life insurance benefits and a qualified 401(k) savings plan.

PROGRAM OBJECTIVES AND REWARD PHILOSOPHY

In General The objectives of our compensation programs are to (1) attract, motivate and retain talented and dedicated executive officers, (2) provide executive officers with both cash and equity incentives to further the interests of the Company and its stockholders, and (3) compensate executive officers at levels comparable to those of executive officers at comparable companies. Generally, the annual cash compensation of the Company s executive officers is composed of a base salary and an annual incentive compensation award. In setting base salaries, the Committee generally reviews the individual contributions of the particular executive. The annual incentive compensation award is based upon the Company s executive incentive compensation plan. In addition, stock options and restricted stock awards are granted to provide the opportunity for long-term compensation based upon the performance of the Common Stock over time.

Competitive Market We do not have an explicitly defined peer group for purposes of benchmarking executive compensation because it is difficult to find a reasonable number of publicly traded companies that are comparable in terms of company size and business type. Nevertheless, we periodically verify the reasonableness of the compensation paid to our named executive officers by compiling proxy statement compensation information from our competitors and other comparably sized health care services companies. In light of going private transactions over the last several years, AmSurg Corp is currently our only publicly traded competitor in the ambulatory surgery center industry. However, compensation information remains available for two other competitors, United Surgical Partners International, Inc. and Symbion, Inc, because of their publicly traded debt. We also compiled proxy statement compensation information on the following health care services companies with comparable annual revenue: Alliance HealthCare Services, Inc., athenahealth, Inc., Genoptix, Inc., Medical Properties Trust, Inc. and Phase Forward Incorporated. We also assessed the competitive market for executive talent in our industry with the assistance of a national executive search firm in providing a competitive employment and compensation package for Mr. Hall in connection with his hiring in 2005.

Compensation Process For the named executive officers other than the principal executive officer, the Committee reviews and approves all elements of compensation taking into consideration recommendations from our principal executive officer, as well as competitive market guidance provided by our human resources staff which consist of reports generated by a subscription compensation database service detailing compensation data for comparably sized health care companies. For our principal executive officer, other than salary and equity awards for 2006 and 2007 which were set by his employment contract, the Committee reviews and approves all elements of his compensation taking into consideration the Committee s performance assessment of the principal executive officer, and competitive market guidance provided by our human resources staff. Recommendations with respect to the compensation of our principal executive officer are not shared with our principal executive officer during this process.

Regulatory Considerations Under Section 162(m) of the Internal Revenue Code, we may not deduct compensation in excess of $1 million paid to our chief executive officer or any of the executive officers named in the Summary Compensation Table, excluding the chief financial officer.

Certain performance-based compensation is specifically exempt from the deduction limit. The Committee considers the deduction limit imposed by Section 162(m) when designing annual and long-term compensation programs and approving payouts under these programs. Nevertheless, the Committee may administer the programs in a manner that does not satisfy the requirements of Section 162(m) to achieve a result determined to be in the Company s best interest. While the tax treatment of compensation is important, the primary factor influencing program design is the support of business

Table of Contents

objectives. Consequently, the Committee reserves the right to approve, and in some cases has approved, non-deductible compensation if the Committee believes it is in the Company s best interest.

BASE SALARIES

In General We provide the opportunity for our named executive officers and other executives to earn a market competitive annual base salary. We provide this opportunity to attract and retain an appropriate caliber of talent for the position, to recognize that similar base salary rates are almost universally provided at other companies that we compete with for talent, and to provide a base wage that is not subject to Company performance risk. We review base salaries for the named executive officers and other executives annually in February effective for the current fiscal year, and increases are based on changes in our competitive market and the performance of the individual and the Company.

Salary Increases The Committee establishes base salaries each year for the named executive officers based on general market salary increases, salary data from comparable companies and individual performance. At its February 2010 meeting, the Committee approved a 2.0% increase in salaries for each of the named executive officers and other senior executives. These salary increases were consistent with the 2.0% average target increase for all of the Company s employees in 2010. With this increase, Mr. Hall s salary increased from $553,725 to $564,800, Mr. Macomber s salary increased from $290,000 to $295,800, and Mr. Cherrington s salary increased from $275,000 to $280,500. At its February 2011 meeting, the Committee decided not to award any salary increases to the named executive officers and other senior executives in light of the pending Merger.

ANNUAL CASH INCENTIVES

In General We provide the opportunity for our named executive officers and other executives to earn a market competitive annual cash incentive award. We provide this opportunity to attract and retain an appropriate caliber of talent for the position, to recognize that similar annual cash incentive awards are almost universally provided at other companies that we compete with for talent, and to motivate executives to achieve our annual business goals. We review annual cash incentive awards for the named executive officers and other executives annually in February to determine award payments for the last completed fiscal year, as well as to establish award opportunities for the current fiscal year. These annual cash incentive awards are administered under our Amended and Restated Executive Incentive Compensation Plan (the Bonus Plan).

Target Award Opportunities Under the Bonus Plan, we establish annual target award opportunities expressed as a percentage of base salary paid during the fiscal year, and threshold award goals expressed as a percentage of the target award. The 2010 Bonus Plan required a minimum threshold performance equal to 85% of the target performance in order for a participant to be eligible for a cash incentive award. The amount of the cash incentive award would then vary depending on the actual results relative to the target performance. For the last completed and current fiscal years, annual cash incentive opportunities for the named executive officers are summarized below:

		Annual Cash Incentive Award Opportunity				
		Threshold Performance		TargetPerformance		Maximum Performance (1)
		% Target	$ Amount	% Salary	$ Amount	$ Amount
Thomas S. Hall	FY 2010	30%	126,697	75%	422,322	633,483
	FY 2011	30%	127,080	75%	423,600	635,400

Scott T. Macomber	FY 2010	30%	44,236	50%	147,454	221,181
	FY 2011	30%	44,370	50%	147,900	221,850
Graham B. Cherrington	FY 2010	30%	41,948	50%	139,827	209,741
	FY 2011	30%	42,075	50%	140,250	210,375

(1) In establishing the 2010 and 2011 Bonus Plans, the Committee set the maximum payout for each participant at 150% of such participant s targeted performance payout.

Table of Contents

Performance Measures Under the Bonus Plan, we use overall corporate performance measures for our principal executive and financial officers, and for our other named executive officers, a mix of overall corporate and business unit performance measures to assure that executives have a reasonable measure of control over the factors that affect their awards. This performance measure mix varies by executive position. For the last completed and current fiscal years, the performance measure mix for the named executive officers is summarized below:

		Performance Measure Mix		
		Overall Corporate		
		Diluted EPS	Cash Flow	Business Unit
Thomas S. Hall	FY 2010	100%	0%	0%
	FY 2011	100%	0%	0%
Scott T. Macomber	FY 2010	70%	30%	0%
	FY 2011	70%	30%	0%
Graham B. Cherrington	FY 2010	60%	0%	40%
	FY 2011	60%	0%	40%

Overall Corporate Performance Goals Under the Bonus Plan, overall corporate performance is based on diluted earnings per share and cash flow from operations goals. In establishing the specific targets for the year, we take into consideration a variety of factors including: prior year results, growth expectations, expected reimbursement changes and changes in accounting rules that would impact earnings and cash flow.

At its February 2010 meeting, the Committee set a target diluted earnings per share from continuing operations attributable to NovaMed, Inc. goal of $1.354 for fiscal year 2010, excluding the impact of gains and losses from the sale of noncontrolling interests and any goodwill impairment charges. This target also excluded $4,614,000 of additional non-cash interest expense ($0.35 per diluted share) recorded in connection with our adoption of FASB Accounting Standards Codification (ASC) 470-20 on January 1, 2009. The 2010 Bonus Plan required a minimum threshold performance equal to 85% of this target, or $1.15 per share, before the participants were eligible to receive a cash incentive award. At its February 2010 meeting, the Committee set the maximum payout for each participant in the 2010 Bonus Plan at 150% of such participant s targeted performance payout. Previously, the bonus plans had a payout limit of $1,500,000 per participant.

At its February 2010 meeting, the Committee set a cash flow from operations target for Mr. Macomber of $25,973,000. The 2010 Bonus Plan required a minimum threshold performance equal to 88% of this target, or $22,856,000, before Mr. Macomber was eligible to receive a cash incentive award. In light of the pending Merger, the Committee elected not to establish a 2011 Bonus Plan at its February 2011 meeting.

Business Unit Performance Goals Under the Bonus Plan, business unit performance is based on operating income goals. In establishing the specific target for the year, we take into consideration a variety of factors including: prior year results, growth expectations, expected reimbursement changes and changes in accounting rules that would impact operating income.

At its February 2010 meeting, the Committee set an operating income from continuing operations target for Mr. Cherrington of approximately $42,055,000. The 2010 Bonus Plan required a minimum threshold performance equal to 85% of this target, or $35,747,000, before Mr. Cherrington was eligible to receive a cash incentive award.

Discretionary Adjustments Under the Bonus Plan, we may make adjustments to our overall corporate and business unit performance goals and our actual performance results that may cause differences between the numbers used for our performance goals and the numbers reported in our

financial statements. These adjustments may exclude all or a portion of both the positive or negative effect of external events that are outside the control of our executives, such as natural disasters, litigation, or regulatory changes in accounting or taxation standards. These adjustments may also exclude all or a portion of both the positive or negative effect of unusual or significant strategic events that are within the control of our executives but that are undertaken with an expectation of improving the long-term financial performance of our Company, such as restructurings, acquisitions, or divestitures. For the last completed fiscal year, the Committee made the following adjustments to actual performance results:

Table of Contents

		Overall Corporate (diluted EPS)
As reported	$	0.916
After-tax imputed interest expense required by ASC 470-20		0.355
Miscellaneous non-recurring Merger-related expenses		0.035
Used for Bonus Plan	$	1.306

The Committee reviewed and approved these adjustments to our actual performance results and awarded 92% payouts for the overall corporate performance goals under the 2010 Bonus Plan.

Actual Award Payments Based on the above discussion, award payments to our named executive officers for the last completed fiscal year are summarized below:

	Annual Cash Incentive Award Payments for the Last Completed Fiscal Year		
		$ Amount	% Target
Thomas S. Hall	$	388,438	92%
Scott T. Macomber	$	135,623	92%
Graham B. Cherrington	$	128,608	92%

LONG-TERM EQUITY INCENTIVES

In General We provide the opportunity for our named executive officers and other executives to earn a market competitive long-term equity incentive award. We provide this opportunity to attract and retain an appropriate caliber of talent for the position, to recognize that similar long-term equity incentives are almost universally provided at other companies that we compete with for talent, and to motivate executives to make decisions that focus on the long-term growth of our Company and thus increase stockholder value. We review long-term equity incentives for our named executive officers and other executives annually. We began awarding a combination of restricted stock and stock options as our equity awards in 2006 instead of solely awarding stock options as we had in prior years. While we believe that awards of stock options create proper incentives for our executives, we also began awarding restricted stock because it results in less dilution to existing stockholders than stock options of equivalent value and because restricted stock arguably retains incentive value during stock price fluctuations when stock options may have no realizable value. For these reasons, coupled with a review of compensation data from our competitors and other health care services companies which reflects a trend towards restricted stock, at its February 2010 meeting the Committee elected to make equity awards consisting solely of restricted stock.

In determining the amount of the individual stock awards, the Committee considers a variety of factors including position, individual responsibilities and performance, and potential for future contribution. As a result, the amount of the annual grants is generally greater for the most senior executive officers, who have higher levels of responsibility.

At its February 2010 meeting the Committee granted restricted stock to our named executive officers. The Committee granted Mr. Hall a restricted stock award of 53,150 shares. The Committee granted each of Messrs. Macomber and Cherrington a restricted stock award of 17,713 and 16,797 shares, respectively. In light of the pending Merger, the Committee did not make any stock awards to any individuals at its

February 2011 meeting.

Stock Options Our stock options are granted on the same date as our Committee approval date, and have an exercise price equal to our closing market price on the trading day immediately preceding the approval date. We do not have a program, plan, or practice to time stock option grants to executives in coordination with the release of material non-public information. Our stock options have a 10-year contractual exercise term, with 1/8th vesting on

Table of Contents

the date six months after the grant date with 1/48th of the total amount granted vesting at the end of each month thereafter. The option grants are also subject to the following post-termination and change in control provisions:

Event	**Award Vesting**	**Exercise Term (1)**
Death or Disability	Forfeit Unvested	1 Year
Termination for Cause	Forfeit Vested and Unvested	Expire
Termination without Cause or Retirement	Forfeit Unvested	90 Days
Voluntary Termination	Forfeit Unvested	Expire
Change in Control	Accelerated	90 Days (2)

(1) Or remainder of original contractual term, if shorter.

(2) If employment is terminated. Otherwise remain exercisable for remainder of term.

Our stock options may not generally be transferred to any third party other than by will or the laws of descent upon the death of a participant.

Restricted Stock The restricted stock awards generally vest as to 1/8th of the award on the date six months following the grant date with 1/16th of the total amount granted vesting on each 3-month anniversary thereafter. The awards are also subject to the following post-termination and change in control provisions:

Event	**Award Vesting**
Death or Disability	Forfeit Unvested
Termination for Cause	Forfeit Unvested
Termination without Cause or Retirement	Forfeit Unvested
Voluntary Termination	Forfeit Unvested
Change in Control	Accelerated

EXECUTIVE BENEFITS AND PERQUISITES

We provide the opportunity for our named executive officers and other executives to receive a market competitive general health and welfare benefits program. We provide this opportunity to attract and retain an appropriate caliber of talent for the position, to recognize that similar executive benefits are commonly provided at other companies that we compete with for talent, and to help minimize personal distractions so that the executives can better focus on the business affairs of our Company. Our benefits program consists of health, disability and life insurance benefits and a qualified 401(k) savings plan. We review our executive benefits and perquisites program periodically to ensure it remains fair to our executives and supportable to our stockholders.

EXECUTIVE CHANGE IN CONTROL POLICY

We provide the opportunity for our named executive officers and other executives to be protected under a change in control policy contained in their employment agreements. We provide this opportunity to attract and retain an appropriate caliber of talent for the position, to recognize that similar change in control protections are commonly provided at other companies that we compete with for talent, and to ensure the impartiality and objectivity of our executives in the event of a change in control situation so that our stockholder interests are protected. We review this change in control protection periodically to ensure it remains fair to our executives and supportable to our stockholders. At its May 2009 meeting, the Compensation Committee reviewed the severance arrangements with its senior executives. In doing so, it approved modifications to Mr. Cherrington s severance arrangements in order to conform them to the severance arrangements of the Company s other Executive Vice President, Mr. Macomber. The Board promoted Mr. Cherrington to Executive Vice President Operations in December 2008. For a description of the terms of the severance arrangements with our named executive officers, see Potential Payments Upon Termination or Change in Control Employment Agreements on page 15. For the last completed and current fiscal years, our change in control policy for the named executive officers is summarized below:

Table of Contents

Executive Benefit		Description
Policy Term	•	Employment agreements automatically renew on a year to year basis, unless terminated earlier
Payment Trigger	•	Involuntary termination without just cause or voluntary resignation for good reason, following a change in control
Severance Benefits	•	Two times base salary and target annual bonus (paid in lump sum) for Mr. Hall, 11/2 times base salary and bonus for Messrs. Macomber and Cherrington
	•	Continued welfare benefits for 24 months (Mr. Hall) and 18 months (Messrs. Macomber and Cherrington)
	•	One-half of this benefit is payable if the executive terminates his employment for any reason during the 30 days following the one-year anniversary of a change in control
Excise Tax Gross-Up	•	Gross-up for federal excise taxes imposed on golden parachute payments

The pending Merger is being submitted to our stockholders for their approval at a special meeting of our stockholders to be held on May 4, 2011. If approved by our stockholders and otherwise consummated in accordance with the terms of the Merger Agreement, the Merger would constitute a change in control that triggers the severance arrangements described above for Messrs. Hall and Cherrington. Mr. Macomber has entered into an employment agreement with Surgery Partners and will not be receiving any severance as a result of the Merger.

COMPENSATION COMMITTEE REPORT

The information contained in this report shall not be deemed soliciting material or filed with the SEC or subject to the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act or the Exchange Act.

The Compensation Committee of the Board (the Committee) has reviewed and discussed the Compensation Discussion and Analysis on pages 3 through 9 of this Amendment with management and, based on such review and discussion, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Amendment.

Submitted by the Members of the Compensation Committee:

C.A. Lance Piccolo, Chairman

R. Judd Jessup

Robert J. Kelly

Steven V. Napolitano

Table of Contents

SUMMARY COMPENSATION TABLE

The following table shows information concerning the annual compensation for services to the Company in all capacities of the Chief Executive Officer, Chief Financial Officer and the next most highly compensated executive officer of the Company (collectively the named executive officers) during the years ended December 31, 2008, 2009 and 2010.

Name and Principal Position	Year	Salary ($)	Stock Awards ($) (1)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($) (2)	All Other Compensation ($) (3)	Total Compensation ($) (4)
Thomas S. Hall	2010	$ 563,096	$ 609,099	$	$ 388,438	$ 4,900	$ 1,565,533
President and Chief	2009	$ 553,725	$ 300,000	$ 279,928	$ 415,294	$ 4,900	$ 1,553,847
Executive Officer	2008	$ 548,684			$ 274,342	$ 4,600	$ 827,626
Scott T. Macomber	2010	$ 294,908	$ 202,991	$	$ 135,623	$ 4,900	$ 638,422
Executive Vice President and	2009	$ 290,000	$ 100,001	$ 93,309	$ 145,000	$ 4,900	$ 633,210
Chief Financial Officer	2008	$ 287,308			$ 100,558	$ 4,600	$ 392,466
Graham B. Cherrington	2010	$ 279,654	$ 192,494	$	$ 128,608	$ 4,900	$ 605,656
Executive Vice President	2009	$ 275,000	$ 100,001	$ 93,309	$ 127,050	$ 4,900	$ 600,260
Operations	2008	$ 225,846			$ 67,754	$ 4,517	$ 298,117

(1) Reflects the aggregate grant date fair value of stock and option awards granted during a year calculated in accordance with FASB ASC 718. The assumptions used in determining the grant date fair values of these awards are set forth in footnote 15 to the Company s consolidated financial statements, which are included in our Original Filing.

(2) Reflects the value of cash incentive awards earned under our Bonus Plan.

(3) Amounts reflected in this column include 401(k) matching contributions for Messrs. Hall, Macomber and Cherrington.

(4) Mr. Hall s base salary and non-equity incentive plan compensation represented 66% and 33%, respectively, of his total compensation for 2008, 36% and 27%, respectively, of his total compensation for 2009, and 36% and 25%, respectively, of his total compensation for 2010. Mr. Macomber s base salary and non-equity incentive plan compensation represented 73% and 26%, respectively, of his total compensation for 2008, 46% and 23%, respectively of his total compensation for 2009, and 46% and 21%, respectively, of his total compensation for 2010. Mr. Cherrington s base salary and non-equity incentive plan compensation represented 76% and 23%, respectively, of his total compensation for 2008, 46% and 21%, respectively, of his total compensation for 2009, and 46% and 21%, respectively, of his total compensation for 2010.

For a description of the terms of the employment agreements with our named executive officers, see Potential Payments Upon Termination or Change in Control Employment Agreements on page 15.

Table of Contents

GRANTS OF PLAN-BASED AWARDS*

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($) (1)	Target ($) (2)	Maximum ($) (3)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Closing Price on Grant Date ($/Sh) (4)	Grant Date Fair Value of Stock and Option Awards (5)
Thomas S. Hall	2/16/2010	$ 126,697	$ 422,322	$ 633,483			
	2/16/2010				53,150	$ 11.46	$ 609,099
Scott T. Macomber	2/16/2010	44,236	147,454	221,181			
	2/16/2010				17,713	11.46	202,991
Graham B. Cherrington	2/16/2010	41,948	139,827	209,741			
	2/16/2010				16,797	11.46	192,494

* Equity awards were granted under our 1999 Amended and Restated Stock Incentive Plan and 2005 Stock Incentive Plan. Terms of these awards are described in Compensation Discussion and Analysis Long-Term Equity Incentives beginning on page 7.

(1) The minimum threshold performance required under the Bonus Plan to receive a cash incentive bonus equates to 85% of the target measure. The payout for achieving the minimum threshold is 30% of the target payout.

(2) Represents the target bonus set for 2010 under our Bonus Plan. The actual cash bonus paid to each named executive officer for his 2010 performance is reported as Non-Equity Incentive Plan Compensation in the Summary Compensation Table.

(3) Under the 2010 Bonus Plan, the Committee set the maximum payout for each participant at 150% of such participant s targeted performance payout.

(4) The Compensation Committee did not grant any stock options in 2010.

(5) Reflects the aggregate grant date fair value of restricted stock units granted under our long-term incentive plan during 2010 calculated in accordance with FASB ASC 718. For assumptions underlying these valuations, see footnote 15 to the Company s consolidated financial statements in the Original Filing.

Table of Contents

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (9)**
Thomas S. Hall	83,333	0	$ 19.47	11/14/2015	20,454(6)	$ 235,835
	41,666	0(1)	$ 21.84	11/14/2016	43,184(7)	$ 497,912
	79,860	3,473(2)	$ 22.05	2/21/2017		
	33,333	39,394(3)	$ 8.25	2/18/2019		
Scott T. Macomber	83,333	0	$ 5.10	10/25/2011	174(8)	$ 2,006
	30,000	0	$ 2.34	4/2/2012	6,818(6)	$ 78,612
	15,000	0	$ 3.81	3/21/2013	14,392(7)	$ 165,940
	18,333	0	$ 13.35	3/17/2014		
	21,666	0	$ 17.88	6/17/2015		
	8,333	0(4)	$ 20.61	6/20/2016		
	7,985	348(2)	$ 22.05	2/21/2017		

			8,005	8	489	18,735		
Warrants attached to Series C Preferred Stock								
Warrants issued								
Stock-based compensation expense, net of forfeitures								
Beneficial conversion feature of Series C Preferred Stock								
Preferred stock dividends accrued								
Net loss								
Balance, December 31, 2008	1,453	1	18,755	19	23,280	23	12,520	13
Exercise of stock options								
Stock-based compensation expense, net of forfeitures								
Dividend of subsidiary stock								

Preferred stock dividends accrued								
Net loss								
Balance, December 31, 2009	1,453	1	18,755	19	23,280	23	12,520	13
Exercise of stock options	**6**							
Stock-based compensation expense, net of forfeitures								
Restricted stock vesting	**12**							
Issuance of common stock, net of issuance costs	**9,583**	**10**						
Issuance of common stock in connection with the acquisition	**2,588**	**3**						
Beneficial conversion feature of Series B Preferred Stock								
Beneficial conversion feature of Series C Preferred Stock								
Conversion of Series A Preferred Stock	**1,797**	**2**	**(18,755)**	**(19)**				
Conversion of Series B Preferred Stock	**1,078**	**1**			**(11,640)**	**(12)**		
Conversion of Series C Preferred Stock	**2,504**	**2**					**(12,520)**	**(13)**
Redemption of Series B Preferred Stock					**(11,640)**	**(11)**		
Warrant modification charges								
Subordinated debt warrants								
Warrant expiration								
Preferred stock dividends								
Comprehensive income (loss)								
Net loss								
Foreign currency translation adjustment, net								
Total comprehensive income (loss)								

Balance, December 31, 2010	**19,021**	**$**	**19**

See accompanying notes

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2008	**2009**	**2010**
Operating activities			
Net loss	$ (19,346)	$ (11,824)	**$ (12,893)**
Less: Loss from discontinued operations	(5,738)	(3,650)	
Loss from continuing operations	(13,608)	(8,174)	**(12,893)**
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:			
Depreciation and amortization	3,618	4,205	**4,759**
Stock-based compensation expense	259	298	**685**
Non-cash interest expense	26	696	**1,162**
Bad debt expense	139	153	**67**
Other	120	15	**(10)**
Changes in operating assets and liabilities:			
Accounts receivable	(1,943)	1,164	**(1,891)**
Inventories	(1,277)	969	**(1,202)**
Prepaid expenses and other assets	(93)	(782)	**(518)**
Accounts payable	1,140	198	**1,539**
Accrued expenses and other liabilities	(213)	(714)	**431**
Net cash used in operating activities	(11,832)	(1,972)	**(7,871)**
Investing activities			
Purchases of property and equipment	(8,331)	(1,589)	**(4,938)**
Purchases of bottles, net of disposals	(1,089)	(835)	**(1,480)**
Proceeds from the sale of property and equipment	24	22	
Acquisition of Refill Business			**(74,474)**
Additions to and acquisitions of intangible assets	(232)	(48)	**(75)**
Net cash used in investing activities	(9,628)	(2,450)	**(80,967)**
Financing activities			
Net borrowings from (payments on) revolving line of credit	7,004	(6,580)	**489**
Issuance of long term debt		20,350	**33,668**
Long term debt payments			**(31,668)**
Note payable and capital lease payments	(13)	(5,353)	**(8)**
Debt issuance costs	(134)	(636)	**(1,453)**
Net change in book overdraft	266	(147)	
Proceeds from sale of common stock, net of issuance costs			**104,194**
Prepaid equity issuance costs		(105)	
Proceeds from exercise of stock options	13	2	**65**
Redemption of preferred stock			**(11,640)**
Net proceeds from issuance of preferred stock	19,552		
Dividends paid	(2,327)	(1,257)	**(4,370)**
Net cash provided by financing activities	24,361	6,274	**89,277**
Net increase in cash from continuing operations	2,901	1,852	**439**
Cash, beginning of period	5,776	516	
Effect of exchange rate changes on cash			**4**

Cash used in discontinued operations from:			
Operating Activities	(6,764)	(1,514)	
Investing Activities	(1,194)	(41)	
Financing Activities	(203)	(813)	
Cash used in discontinued operations	(8,161)	(2,368)	
Cash, end of period	$ 516	$	**$ 443**

See accompanying notes

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share amounts)

1. Description of Business and Significant Accounting Policies

Business

Primo Water Corporation (together with its consolidated subsidiaries, Primo , we , our , the Company) is a rapidly growing provider of three- and five-gallon purified bottled water, self-serve filtered drinking water and water dispensers sold through major retailers in the United States and Canada.

Initial Public Offering and Acquisition

On November 10, 2010, we completed the initial public offering of 8,333 shares of our common stock at a price of $12.00 per share. In addition on November 18, 2010, the Company issued an additional 1,250 shares upon the exercise of the over-allotment option by the underwriters of its IPO. The net proceeds of the IPO after deducting underwriting discounts and commissions were approximately $106,900.

On November 10, 2010, we acquired certain assets of Culligan Store Solutions, LLC and Culligan of Canada, Ltd. (the Refill Business or Refill Acquisition) pursuant to an Asset Purchase Agreement dated June 1, 2010 (the Asset Purchase Agreement). The total purchase price for the Refill Business was approximately $109,095 (including the working capital adjustment), which was paid with $74,474 in proceeds from the IPO and $34,621 from the issuance of approximately 2,588 common shares at an average price of $13.38 per share on November 10, 2010.

In addition to the acquisition of the Refill Business, we used the proceeds of our IPO along with $15,000 in borrowings under our new senior revolving credit facility to: (i) repay the outstanding borrowings under our prior senior loan agreement of approximately $7,900; (ii) repay subordinated debt and accrued interest of approximately $18,700; (iii) redeem 50% of the outstanding Series B preferred stock along with all unpaid and accrued dividends totaling approximately $15,800; and (iv) to pay fees and expenses of approximately $5,000 in connection with all of the foregoing items.

Principles of Consolidation

Our consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany amounts and transactions have been eliminated in consolidation. Our consolidated statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP).

Use of Estimates

The preparation of our financial statements in conformity with GAAP requires us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions used to determine certain amounts that affect the financial statements are reasonable, based on information available at the time they are made. To the extent there are material differences between these estimates and actual results, our consolidated financial statements may be affected. Some of the more significant estimates include allowances for doubtful accounts, valuation of inventories, depreciation, valuation of intangible assets, valuation of deferred taxes and allowance for sales returns.

Revenue Recognition

Revenue is recognized for the sale of three- and five-gallon purified bottled water upon either the delivery of inventory to the retail store or the purchase by the consumer. Revenue is either recognized as an exchange transaction (where a discount is provided on the purchase of a three- or five-gallon bottle of purified water for the return of an empty three- or five-gallon bottle) or a non-exchange transaction. Revenues on exchange transactions are recognized net of the exchange discount. Self-serve filtered water revenue is recognized at the time the water is filtered which is measured by the water dispensing equipment meter.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

Our water dispensers are sold primarily through a direct-import model, where we recognize revenue when title is transferred to our retail customers. We have no contractual obligation to accept returns of water dispensers nor do we guarantee water dispenser sales. However, we will at times accept returns or issue credits for water dispensers that have manufacturer defects or that were damaged in transit. Revenues of water dispensers are recognized net of an estimated allowance for returns using an average return rate based upon historical experience.

In addition, we offer certain incentives such as coupons and rebates that are netted against and reduce net sales in the consolidated statements of operations. With the purchase of certain of our water dispensers we include a coupon for a free three- or five-gallon bottle of water. No revenue is recognized with respect to the redemption of the coupon for a free three-and five-gallon bottle of water and the estimated cost of the three- and five-gallon bottle of water is included in cost of sales.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less at the date of purchase are considered to be cash equivalents.

Accounts Receivable

All trade accounts receivable are due from customers located within the United States and Canada. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Accounts receivable, net includes allowances for doubtful accounts of approximately $112 and $244 at December 31, 2009 and 2010, respectively. The allowance for doubtful accounts is based on a review of specifically identified accounts in addition to an overall aging analysis. Judgments are made with respect to the collectability of accounts receivable based on historical experience and current economic trends. Actual losses could differ from those estimates.

	Beginning Balance	Amounts Charged to Revenues, Costs or Expense	Amounts Charged to Other Accounts(a)	Deductions	Ending Balance
December 31, 2008	$ 304	139		(18)	$ 425
December 31, 2009	$ 425	166		(479)	$ 112
December 31, 2010	$ 112	67	174	(109)	$ 244

(a) Includes adjustments related to our acquisition of the Refill Business.

Prepaid and other current assets

Prepaid and other current assets consist primarily of amounts due from one of our international water dispenser manufacturers. The amounts due are related to costs and charges for returns on defective water dispensers that the manufacturer guaranteed under the terms our agreement.

Inventories

Our inventories consist primarily of finished goods and are valued at the lower of cost or realizable value, with cost determined using the first-in, first-out (FIFO) method. Miscellaneous selling supplies such as labels are expensed when incurred.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

Bottles

Bottles consist of three- and five- gallon refillable polycarbonate bottles used in our exchange business and are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of three years.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. For internally developed software, certain costs during the application development stage and related to upgrades and enhancements that provide additional functionality are capitalized and amortized over the estimated useful life of the software. The vending equipment is depreciated using an estimated salvage value of 25%. Depreciation and amortization is generally calculated using straight-line methods over estimated useful lives that range from two to 10 years.

The Company incurs maintenance costs on its major equipment. Maintenance, repair and minor refurbishment costs are charged to expense as incurred, while additions, renewals, and improvements are capitalized.

Goodwill and Intangible Assets

We classify intangible assets into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill. We determine the useful lives of our identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any agreement related to the asset, the historical performance of the asset, the Company s long-term strategy for using the asset, any laws or other local regulations which could impact the useful life of the asset, and other economic factors, including competition and specific market conditions. Intangible assets that are deemed to have definite lives are amortized, primarily on a straight-line basis, over their useful lives.

We test intangible assets determined to have indefinite useful lives, including trademarks and goodwill, for impairment annually, or more frequently if events or circumstances indicate that assets might be impaired. Our Company performs these annual impairment reviews as of the first day of our fourth quarter. The goodwill impairment test consists of a two-step process, if necessary. The first step involves a comparison of the fair value of a reporting unit to its carrying value. The fair value is estimated based on a number of factors including operating results, business plans and future cash flows. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process is performed which compares the implied value of the reporting unit goodwill with the carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. No impairment charge was considered necessary at December 31, 2010. For indefinite-lived intangible assets, other than goodwill, if the carrying amount exceeds the fair value, an impairment charge is recognized in an amount equal to that excess.

Long-Lived Assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. We recorded an impairment charge in 2008 of $98 reflected in selling, general and administrative expenses in the statement of operations, related to display racks no longer in use and to be disposed.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

Fair Value Measurements

Effective January 1, 2008, we adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures,* for financial assets and liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The adoption of ASC 820 did not have a material impact on the Company s consolidated financial condition or results of operations.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also describes three levels of inputs that may be used to measure fair value:

Level 1 quoted prices in active markets for identical assets and liabilities.

Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The following is a reconciliation of the common stock warrants, which were measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Balance at January 1, 2009	$	
Initial Fair Value		600
Balance at December 31, 2009		600
Total (gains) losses recognized		(14)
Initial Fair Value		137
Fair Value transferred to stockholders equity		(723)
Balance at December 31, 2010	$	

The fair value of the warrants was initially included in other long-term liabilities in the consolidated balance sheet based upon estimated fair value as adjusted periodically until such time that the exercise price became fixed at the IPO date, at which time the then fair value was reclassified as a component of stockholders equity (deficit). In connection with our IPO the exercise price per share of the warrants was fixed at $9.60, or 80% of the IPO price per share of our common stock.

The carrying amounts of the Company s financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, and other accrued expenses, approximate their fair values due to their short maturities. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of long-term debt, capital leases and notes payable approximates fair value.

Advertising Costs

Costs incurred for producing and distributing advertising and advertising materials are expensed when incurred. Advertising costs totaled approximately $717, $270 and $296 for 2008, 2009 and 2010, respectively, and are included in selling, general, and administrative expenses.

Beneficial Conversion Charges

Our Series C Preferred Stock (Series C) was convertible into common stock and was issued with an adjustable conversion feature, which was based upon consolidated revenue for the year ending December 31, 2008 with a conversion price ranging from $13.04 to $25.04 per common equivalent share. A beneficial conversion charge is

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

measured as the difference between the initial price of $25.04 per share and the conversion price at December 31, 2008 of $13.04 per share. At December 31, 2008 we recorded a beneficial conversion charge (also referred to as a deemed dividend) of approximately $17,500 related to the adjustment in the conversion price of the Series C convertible preferred stock, based upon consolidated revenues for the year ending December 31, 2008. The beneficial conversion charge for equity instruments is recorded to additional paid in capital with no effect on total stockholders equity or the consolidated statement of operations.

In 2010, the conversion ratio of Series C was amended thus creating a contingent beneficial conversion that was measured and recorded at the time the contingency was removed, or at the time the IPO price per share was known and less than $13.04 per share. With the IPO per share price of $12.00, the Company recorded a beneficial conversion charge related to the Series C of $2,404. The charge was recorded to additional paid in capital with no effect on total stockholders equity or the consolidated statement of operations.

In 2010, our Series B Preferred Stock (Series B) was amended to provide for the mandatory conversion of at least 50% of Series B into common stock at a conversion ratio calculated by dividing the liquidation preference of Series B by 90% of the greater of the IPO price and $10.44. This amendment also created a contingent beneficial conversion that was measured at the time of the IPO. The Company recorded a beneficial conversion charge related to the Series B of $2,933. The charge was recorded to additional paid in capital with no effect on total stockholders equity or the consolidated statement of operations.

Concentrations of Risk

Our principal financial instruments subject to potential concentration of credit risk are cash and cash equivalents, trade receivables, accounts payable and accrued expenses. We invest our funds in a highly rated institution and believe the financial risks associated with cash and cash equivalents are minimal. At December 31, 2009 and 2010, approximately $0 and $441, respectively, of our cash on deposit exceeded the insured limits.

We perform ongoing credit evaluations of our customers financial condition and maintain allowances for doubtful accounts that we believe are sufficient to provide for losses that may be sustained on realization of accounts receivable. We had two customers that accounted for approximately 42% and 21% in 2008; three customers that accounted for approximately 33%, 19% and 15% of sales in 2009; and two customers that accounted for approximately 37% and 21% of sales in 2010. We had one customer with a balance that accounted for approximately 21% of total trade receivables at December 31, 2009 and two customers that accounted for approximately 35% and 12% of total trade receivables at December 31, 2010.

Basic and Diluted Net loss Per Share

Net loss per share has been computed using the weighted average number of shares of common stock outstanding during each period. Diluted amounts per share include the dilutive impact, if any, of the Company s outstanding potential common shares, such as options and warrants and convertible preferred stock. Potential common shares that are anti-dilutive are excluded from the calculation of diluted net loss per common share.

For the years ended December 31, 2008, 2009 and 2010, stock options, unvested shares of restricted stock and warrants with respect to an aggregate of 142, 139 and 430 shares, as well as 3,626, 4,101 and 3,700 shares of convertible preferred stock, have been excluded from the computation of the number of shares used in the diluted earnings per share, respectively. These shares have been excluded because the Company incurred a net loss for each of these periods and their inclusion would be anti-dilutive.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

Income Taxes

We account for income taxes using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent that utilization is not presently more likely than not.

As required by ASC 740-10, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Cumulative Translation Adjustment and Foreign Currency Transactions

The local currency of our operation in Canada is considered to be the functional currency. Assets and liabilities of the Canada subsidiary are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rate prevailing throughout the period. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the cumulative translation adjustment included in accumulated other comprehensive income (loss) in members equity. Realized gains and losses on foreign currency transactions are included in the statement of operations.

Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-28 When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. This update provides amendments to ASC Topic 350 Intangibles, Goodwill and Other that requires an entity to perform Step 2 impairment test even if a reporting unit has zero or negative carrying amount. The first step is to identify potential impairments by comparing the estimated fair value of a reporting unit to its carrying value, including goodwill. If the carrying value of a reporting unit exceeds the estimated fair value, a second step is performed to measure the amount of impairment, if any. The second step is to determine the implied fair value of the reporting unit s goodwill, measured in the same manner as goodwill is recognized in a business combination, and compare that amount with the carrying amount of the goodwill. If the carrying value of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. ASU No. 2010-28 is effective beginning January 1, 2011. As a result of this standard, goodwill impairments may be reported sooner than under current practice. We do not expect ASU No. 2010-28 to have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, which contains updated accounting guidance to clarify the acquisition date that should be used for reporting pro forma financial information when comparative financial statements are issued. This update requires that a company should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments. The provisions of this update, which are to be applied prospectively, are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The impact of this update on the Company s consolidated financial statements will depend on the size and nature of future business combinations.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

2. Bottles

Bottles are summarized as follows at December 31:

	2009	2010
Cost	$ 2,637	**$ 3,225**
Less accumulated depreciation	(640)	**(720)**
	$ 1,997	**$ 2,505**

Depreciation expense for bottles was approximately $853, $907 and $971 in 2008, 2009 and 2010, respectively.

3. Property and Equipment

Property and equipment is summarized as follows at December 31:

	2009	2010
Leasehold improvements	$ 72	**$ 75**
Machinery and equipment	3,640	**4,526**
Vending equipment		**19,169**
Racks and display panels	12,389	**15,816**
Office furniture and equipment	218	**225**
Software and computer equipment	2,770	**3,076**
Transportation racks	4,039	**4,170**
	23,128	**47,057**
Less accumulated depreciation and amortization	(8,807)	**(12,167)**
	$ 14,321	**$ 34,890**

Depreciation expense for property and equipment was approximately $2,223, $2,897 and $3,371 in 2008, 2009 and 2010, respectively.

4. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill as summarized as follows:

Balance at December 31, 2009	$
Acquisition of Refill Business	77,382
Effect of foreign currency translation	33

Balance at December 31, 2010	$ 77,415

Goodwill relates to the acquisition of the Refill Business and represents the excess of acquisition cost over the fair value of net assets acquired.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

Intangible assets are summarized as follows:

	December 31, 2009		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$ 2,985	$ (2,089)	**$ 13,289**	**$ (2,484)**
Patent costs	71	(36)	**121**	**(58)**
	3,056	(2,125)	**13,410**	**(2,542)**
Unamortized intangible assets:				
Trademarks	146		**171**	
Total	$ 3,202	$ (2,125)	**$ 13,581**	**$ (2,542)**

Intangible assets consist of customer relationships, patents, and trademarks. Patent costs are amortized using a straight-line basis over estimated lives of three years, while customer relationships are amortized on an either an accelerated or straight-line basis over an estimated useful life ranging from 10 to 15 years. In 2010, we acquired customer relationships related to the Refill Business totaling $10,300 that have a useful life of 15 years.

Amortization expense for intangible assets was approximately $542, $401 and $417, respectively, in 2008, 2009 and 2010, respectively. Amortization expense related to intangible assets, which is an estimate for each future year and subject to change, is as follows:

2011	$ 910
2012	859
2013	807
2014	764
2015	743
2016 and thereafter	6,785
Total	$ 10,868

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

5. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities are summarized as follows:

	December 31, 2009	December 31, 2010
Dividends payable	$ 2,367	**$**
Accrued payroll and related items	184	**968**
Accrued severance		**370**
Accrued professional and other expenses	580	**829**
Accrued interest	107	**6**
Accrued sales tax payable	534	**173**
Accrued advertising		
Accrued receipts not invoiced	182	**207**
Other	190	**370**
	$ 4,144	**$ 2,923**

6. Long-Term Debt, Capital Leases and Notes

Long-term debt, capital leases and notes payable are summarized as follows at December 31:

	December 31, 2009	December 31, 2010
Senior revolving credit facility	$	**$ 17,912**
Senior loan agreement	423	
Subordinated convertible notes payable, net of original issue discount	14,400	
Notes payable and capital leases	6	**44**
	14,829	**17,956**
Less current portion	(426)	**(11)**
Long-term debt, notes payable and capital leases, net of current portion	$ 14,403	**$ 17,945**

On November 10, 2010, we closed our IPO and entered into a $40,000 senior revolving credit facility with Wells Fargo Bank, National Association, Bank of America, N.A. and Branch Banking & Trust Company (Senior Revolving Credit Facility) that replaced our Senior Loan Agreement (as defined below). The Senior Revolving Credit Facility has a three-year term and is secured by substantially all of the assets of the Company.

Interest on the outstanding borrowings under the Senior Revolving Credit Facility is payable at our option at either a floating base rate plus an interest rate spread or a floating rate of LIBOR plus an interest rate spread. Both the interest rate spreads and the commitment fee rate are determined from a pricing grid based on our total leverage ratio. The Senior Revolving Credit Facility also provides for letters of credit issued to our vendors, which reduce the amount available for cash borrowings. We are required to pay a commitment fee on the unused amounts of the

commitments under the Senior Revolving Credit Facility. At December 31, 2010, the base rate and floating LIBOR borrowings outstanding were $2,912 and $15,000, respectively, at interest rates of 5.25% and 3.27%, respectively. At December 31, 2010, there were no outstanding letters of credit under the Senior Revolving Credit Facility. The availability under the Senior Revolving Credit Facility was approximately $10,000, based upon the maximum leverage ratio allowed at December 31, 2010.

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

The Senior Revolving Credit Facility contains various restrictive covenants and the following financial covenants: (i) a maximum total leverage ratio that is initially set at 3.5 to 1.0 and step downs to 2.5 to 1.0 for the quarter ending December 31, 2011; (ii) a minimum EBITDA threshold initially set at $6,500 for the quarter ended December 31, 2010 and increasing for the two quarters thereafter; (iii) a minimum interest coverage ratio of 3.0 to 1.0 beginning with the quarter ended September 30, 2011; and (iv) a maximum amount of capital expenditures of $6.0 million for the period from closing to December 31, 2010 and increasing to $25.0 million for the year ending December 31, 2011. At December 31, 2010, the Company is in compliance with all the terms and conditions of the Senior Revolving Credit Facility.

In June 2005, we entered into a Loan and Security Agreement that was amended in April 2006, April 2007, June 2008, January 2009, December 2009 and June 2010 (the Senior Loan Agreement) pursuant to which the bank originally provided a $25,000 revolving loan commitment (the Revolver). In June 2008, the Revolver commitment was reduced to $20,000 and it was subsequently reduced further to $10,000 in January 2009. The Revolver was subject to certain borrowing base restrictions based on eligible accounts receivable, eligible inventory less reserves, and the aggregate face amount of undrawn trade letters of credit of which the Company is the beneficiary. The Revolver also provided for letters of credit issued to our vendors, which reduced the amount available for cash borrowings. The Seventh Amendment to the Senior Loan Agreement extended the term of the agreement to January 30, 2011, allowed for up to a $3,000 over-advance, which was guaranteed by our CEO, and amended the agreement s financial covenants. At December 31, 2009, there were outstanding letters of credit under the Revolver totaling approximately $371.

Interest on the outstanding borrowings under the Revolver was payable quarterly at the option of the Company at (i) the LIBOR Market Index Rate (LMIR) plus the applicable margin or (ii) the greater of (a) the federal funds rate plus .50% or (b) the bank s prime rate plus in either case the applicable margin. At December 31, 2009, the interest rate on the outstanding balance on the Revolver was based on the bank s prime rate plus 2.50% (5.75% at December 31, 2009).

In December 2009 and September 2010, we issued Subordinated Convertible Promissory Notes (Notes) that had a total face value of $15,000 and $3,418, respectively, and were subordinated to borrowings under the Senior Loan Agreement. The September 2010 Notes related to borrowings outstanding at September 30, 2010 were closed in October 2010. The Notes paid quarterly interest at 14% and were paid in full in November 2010 using the proceeds from our IPO and closing of the Senior Revolving Credit Facility.

The Notes were accompanied by detachable warrants with a value at issuance equal to 4% of the face amount of the corresponding Notes. The total number of shares of common stock issuable under the warrants is 131. The initial fair value of the warrants was $737, of which $137 is attributable to the Notes issued in the third quarter of 2010, and resulted in an original issue discount on the Notes that was amortized into interest expense over the term of the Notes with the unamortized balance being expensed when the Notes were paid in full in November 2010. The fair value of the warrants was initially included in other long-term liabilities in the consolidated balance sheet based upon estimated fair value as adjusted periodically until such time that the exercise price became fixed at the IPO date, at which time the then fair value was reclassified as a component of stockholders equity (deficit). In connection with our IPO the exercise price per share of the warrants was fixed at $9.60, or 80% of the initial public offering price per share of our common stock.

In January 2009, we entered into a Loan and Security Agreement with our primary bank that was subordinated to the Senior Loan Agreement (the Prior Subordinated Loan Agreement), pursuant to which a $10,000 term loan was provided (the Prior Subordinated Loan). The bank acted as syndication agent and provided $4,100 of the facility. Twelve existing investors in the Company (including our CEO and CFO) funded the $5,900 balance of the facility. The proceeds of the Prior Subordinated Loan Agreement were used to repay the then outstanding balance on the Revolver and for working capital purposes. Interest on the Prior Subordinated Loan was at the bank s prime

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

rate plus 10.0%, payable monthly. The Prior Subordinated Loan had an original maturity of January 6, 2010; however, the balance was paid in full in December 2009. In connection with the Prior Subordinated Loan the Company paid fees totaling approximately $575, which were deferred and amortized as a component of interest expense.

In June 2010, we entered into two notes for the purchase of delivery vehicles in our Company operations totaling $46. The notes bear interest at 4.90% and are payable in 60 monthly installments of approximately $0.9.

The aggregate future maturities of long-term debt, capital leases and notes payable as of December 31, 2010 are as follows:

2011	$ 11
2012	9
2013	17,921
2014	10
2015	5
	17,956
Less: amounts representing interest	
	$ 17,956

7. Stockholders Equity

The Board of Directors and stockholders approved the Fifth Amended and Restated Certificate of Incorporation (Revised Charter) that effected a 1-for-10.435 reverse stock split of all the outstanding shares of common stock and a proportional adjustment to the existing conversion ratios for each series of preferred stock and provides that the authorized capital stock consists of (1) 70,000 shares of common stock, $0.001 par value per share and (2) 65,000 shares of preferred stock, $0.001 par value per share. Accordingly, all common share and per common share amounts for all periods presented in these consolidated financial statements and notes thereto, have been adjusted retroactively, where applicable, to reflect this reverse stock split and adjustment of the preferred stock conversion ratios.

The Revised Charter became effective in connection with the closing of our IPO. The Revised Charter resulted in the following in connection with the IPO: (i) the mandatory conversion of the Series A preferred stock (Series A) into common stock at a conversion ratio of approximately 1:0.0960, (ii) the mandatory conversion of the Series C preferred stock (Series C) into shares of common stock at a conversion ratio of approximately 1:0.2000 based upon the IPO price per share of $12.00, (iii) the mandatory conversion of at least 50% of the Series B preferred stock (Series B) into common stock at a conversion ratio of approximately 1:0.0926, calculated by dividing the liquidation preference of the Series B by 90% of IPO price of $12.00, (iv) the repurchase of the balance of the outstanding shares of the Series B within 30 days following the IPO for $1.00 per share, and (v) payment of accrued and unpaid dividends on the Series B within 30 days following the IPO.

Preferred Stock

Upon closing of our IPO 18,755 shares of the Series A were converted into shares of common stock at a conversion ratio of approximately 1:0.0960.

Upon the closing of the IPO, 50% of the then outstanding 23,280 shares of the Series B were converted into common stock at a conversion ratio of approximately 1:0.0926, calculated by dividing the liquidation preference of the Series B by 90% of IPO price of $12.00, with the remaining 50% of the Series B being repurchased for $1.00 per

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

share. The conversion of the Series B at 90% of the IPO price created a beneficial conversion charge of approximately $2,900 at the time of the IPO. The beneficial conversion charge or deemed dividend was recorded to additional paid in capital with no effect on total stockholders equity, but increased the net loss attributable to common stockholders in the fourth quarter of 2010.

In December 2009, all payment of dividends on the Series B was suspended and in January 2010 the dividends began to accrue at 10%. Series B dividends paid during the years ended December 31, 2009 and 2010, were $1,257 and $4,370, respectively. At December 31, 2009, the accrued and unpaid dividends were $2,367. Upon the closing of the IPO all accrued and unpaid dividends were paid.

Upon the closing of the IPO the then outstanding 12,520 shares of the Series C were converted into shares of common stock at a conversion ratio of approximately 1:0.2000 based upon the IPO price per share of $12.00. With the Revised Charter the conversion ratio for the Series C was adjusted from the original amount based upon $13.04 per share to an amount based upon the greater of $10.44 or the IPO price. This adjustment created a contingent beneficial conversion upon the closing of our IPO and conversion of the Series C. The beneficial conversion charge related to the conversion of the Series C preferred stock at the IPO price of $12.00 per share was approximately $2,400. The beneficial conversion charge or deemed dividend was recorded to additional paid in capital with no effect on total stockholders equity, but increased the net loss attributable to common stockholders in the fourth quarter of 2010.

In connection with the amendments to the Revised Charter, we also modified the terms of common stock warrants for the aggregate purchase of 716 shares of common stock, originally issued to the purchasers of the Series B and Series C, to remove a provision that accelerated the termination of the warrants exercise period upon the consummation of an IPO. The warrants will now expire on the date such warrants would have otherwise expired absent the IPO. At the time of the modification, a charge of approximately $2,300, the change in the estimated fair value immediately before and after the modification, as determined using the Black-Scholes pricing model, was recorded to accumulated deficit with no effect on total stockholders equity, but increased the net loss attributable to common stockholders for 2010.

In addition, in October 2010, we reduced the exercise price of the warrants issued to the holders of the Series C from $20.66 to $13.04. At the time of the modification a charge of approximately $175 was recorded to additional paid in capital with no effect on total stockholders equity, but increased the net loss attributable to common stockholders in the fourth quarter of 2010.

8. Stock-Based Compensation

2004 Stock Plan

In 2004, our Board of Directors adopted the Primo Water Corporation 2004 Stock Plan (the 2004 Plan) for employees, including officers, non-employee directors and non-employee consultants. The Plan provides for the issue of incentive or nonqualified stock options and restricted common stock. The Company has reserved 431 shares of common stock for issuance under the Plan. The Company does not intend to issue any additional awards under the 2004 Plan; however, all outstanding awards will remain in effect and will continue to be governed by their existing terms.

2010 Omnibus Long-Term Incentive Plan

In April 2010, our stockholders adopted the 2010 Omnibus Long-Term Incentive Plan (the 2010 Plan). The 2010 Plan is limited to employees, officers, non-employee directors, consultants and advisors. The 2010 Plan provides for the issuance of incentive or nonqualified stock options, restricted stock, stock appreciation rights, restricted stock units, cash- or stock-based performance awards and other stock-based awards. The Company has reserved 719 shares of common stock for issuance under the 2010 Plan.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

Stock Option Activity

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted-average fair value per share of the options granted during 2008, 2009 and 2010 was $8.66, $5.11, and $6.16, respectively. The following assumptions were used in arriving at the fair value of options granted:

	2008	2009	2010
Expected life of options in years	5.9	5.5	**6.3**
Risk-free interest rate	3.2%	2.0%	**2.8%**
Expected volatility	39.0%	39.0%	**45.5%**
Dividend yield	0.0%	0.0%	**0.0%**

The risk free interest rate is based on the U.S. Treasury rate for the expected life of the options at the time of grant. As a newly-public entity, historic volatility is not available for our shares. As a result, we estimated volatility based on a peer group of companies, which collectively provide a reasonable basis for estimating volatility. We intend to continue to consistently use the same group of publicly traded peer companies to determine volatility in the future until sufficient information regarding volatility of our share price becomes available or the selected companies are no longer suitable for this purpose. The expected life is based on the estimated average life of the options, and forfeitures are estimated on the date of grant based on certain historical data and management estimates.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

In 2008, 2009 and 2010, compensation expense related to stock options was approximately $215, $298 and $387 and is included in selling, general and administrative expenses from continuing operations, respectively, and approximately $61, $80 and $0 is included in discontinued operations, respectively. A summary of awards under the Plan at December 31, 2008, 2009 and 2010, and changes during the years then ended is presented in the table below:

	Number of Shares	Weighted Average Price per Share	Weighted Average Remaining Contractual Life (Years)	Average Intrinsic Value
Outstanding at December 31, 2007	236	$ 11.79		
Granted	53	20.66		
Exercised	(1)	13.04		
Forfeited	(17)	18.05		
Outstanding at December 31, 2008	271	13.15	7.5	$ 367
Exercisable at December 31, 2008	160	$ 10.85	6.7	$ 349
Available for grant at December 31, 2008	147			
Outstanding at December 31, 2008	271	$ 13.15		
Granted	14	13.04		
Exercised				
Forfeited	(5)	12.52		
Outstanding at December 31, 2009	280	13.15	6.6	$ 331
Exercisable at December 31, 2009	211	$ 12.63	6.2	$ 329
Available for grant at December 31, 2009	138			
Outstanding at December 31, 2009	280	$ 13.15		
Granted	**31**	**12.84**		
Exercised	**(6)**	**11.51**		
Forfeited	**(1)**	**17.88**		
Outstanding at December 31, 2010	**304**	**13.14**	**6.0**	**$ 653**
Exercisable at December 31, 2010	**304**	**$ 13.14**	**6.0**	**$ 653**
Available for grant at December 31, 2010	**712**			

During 2010, a total of 31 common stock options were granted under the 2004 Plan, all in the first quarter of 2010, at an exercise price of $12.84 per share. The estimated fair value of the common stock on the issuance date was $12.84 per share. The Company obtained a valuation from an unrelated party in December 2009 that determined the fair value of the Company s common stock to be $12.84 per share.

During 2009, a total of 14 common stock options were granted, all issued on one date during the first quarter, at an exercise price of $13.04 per share. The estimated fair value of the common stock on the issuance date was $13.04 per share. The fair value determination was based in part upon the finalization of the conversion ratio of the Series C Preferred Stock on December 31, 2008. The board of directors also considered the Company s most recent independent valuation and then current expectations of the Company s future performance in determining the fair value.

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

The total intrinsic value of the options exercised during 2008, 2009 and 2010 was approximately $8, $0 and $8, respectively, with proceeds to the Company of $13, $2 and $65, respectively. In April 2010, the Board of Directors approved the 100% vesting of all unvested stock options awards upon the successful completion of an IPO of the Company s common stock. The IPO was completed in November 2010 and all unrecognized compensation cost related to the stock option awards that became 100% vested was expensed in the fourth quarter.

Stock options are granted with an exercise price equal to 100% of the fair market value per share of the common stock on the date of grant. The options generally vest over a period of one to four years, based on graded vesting, and expire ten years from the date of grant. The terms and conditions of the awards made under the Plans vary but, in general, are at the discretion of the board of directors or its appointed committee.

Restricted Stock Activity

In 2010, we granted restricted stock awards under the 2004 Plan, all in the first quarter of 2010, that generally cliff-vest annually over a three-year period and we recognized compensation expense of $298 related to these awards, which is included in selling, general, and administrative expenses from continuing operations. In addition, in connection with the guarantee of the $3,000 over-advance line of the Senior Loan Agreement by our CEO, the Company granted a restricted stock award under the 2010 Plan, in the fourth quarter of 2010, which vested in January 2011. The value of the restricted stock was $150 and was expensed in 2010 as part of the issuance cost of the guarantee on the Senior Loan Agreement.

A reconciliation of restricted stock activity and related information is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2009		$
Granted	118	12.75
Vested		
Forfeited	(2)	12.84
Unvested at December 31, 2010	116	$ 12.75

As of December 31, 2010, there was approximately $897 of total unrecognized compensation cost, net of estimated forfeitures, related to non-vested restricted stock awards. That cost is expected to be recognized over a weighted average period of 2.1 years.

Employee Stock Purchase Plan

In April 2010, our stockholders approved the 2010 Employee Stock Purchase Plan (the 2010 ESPP) which was effective upon the consummation of the Company s IPO. The 2010 ESPP provides for the purchase of common stock and is generally available to all employees. The Company has reserved 24 shares of common stock for issuance under the 2010 ESPP. Effective January 1, 2011, employees were able to participate in the 2010 ESPP.

9. Commitments and Contingencies

Operating Leases

The Company leases office space and vehicles under various lease arrangements. Total rental expense from continuing operations for 2008, 2009 and 2010 was approximately $1,496, $1,101 and $1,288, respectively. The rental expense includes $325 in 2008 paid to PWC Leasing, LLC, which is an entity with common ownership. On June 30, 2008, we purchased the leased assets of PWC Leasing, LLC at the fair value of $3,500 and terminated the related lease agreement. At December 31, 2010, future minimum rental commitments under non-cancelable operating leases are as follows:

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

2011	$ 705
2012	548
2013	405
2014	231
2015	83
2016 and thereafter	1
Total	$ 1,973

Sales Tax

We routinely purchase equipment for use in operations from various vendors. These purchases are subject to sales tax depending on the equipment type and local sales tax regulations, however, certain vendors have not assessed the appropriate sales tax. For purchases that are subject to sales tax in which the vendor did not assess the appropriate amount, we accrue an estimate of the sales tax liability we ultimately expect to pay.

Other Contingencies

In the normal course of business the Company may be involved in various claims and legal actions. Management believes that the outcome of such legal actions will not have a significant adverse effect on the Company s financial position, results of operations or cash flows.

10. Income Taxes

There is no income tax provision (benefit) for federal or state income taxes as the Company has incurred operating losses since inception.

A reconciliation of the statutory U.S. federal tax rate and effective tax rates is as follows:

	2008	2009	2010
Federal statutory taxes	34.0%	34.0%	**34.0%**
State income taxes, net of federal tax benefit	3.9%	3.9%	**4.5%**
Foreign taxes less than the domestic rate	0.0%	0.0%	**(0.1)%**
Permanent differences	(0.2)%	(0.2)%	**(0.2)%**
Change in valuation allowance	(37.7)%	(37.9)%	**(38.2)%**
Other	0.0%	0.2%	**0.0%**
	0.0 %	0.0 %	**0.0 %**

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

Deferred income taxes are recorded based upon differences between the financial reporting and income tax basis of assets and liabilities. The following deferred income taxes are recorded:

	2009	2010
Deferred tax assets:		
Federal net operating loss carryforward	$ 18,802	**$ 22,590**
State loss carryforward	2,314	**2,462**
Intangible assets	1,325	**1,759**
Allowance for bad debts	506	**662**
Stock-based compensation	399	**616**
Accrued expenses		**143**
Inventory	3	**78**
Other	93	**125**
Total gross deferred tax assets	23,442	**28,435**
Deferred tax liabilities:		
Fixed assets	(67)	**(305)**
Total gross deferred tax liabilities	(67)	**(305)**
Valuation allowance	(23,375)	**(28,130)**
Total net deferred liability	$	**$**

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, available taxes in the carryback periods, projected future taxable income, and tax planning strategies in making this assessment. Accordingly, the Company has provided valuation allowances to fully offset the net deferred tax assets at December 31, 2009 and 2010. The $4,476 and $4,755 net increase in the valuation allowance for 2009 and 2010, respectively, primarily reflects the net increase in the federal and state loss carryfoward deferred tax assets.

The Company has approximately $66,441 in federal net operating loss carryforwards that expire between 2025 through 2030 and approximately $54,068 in state loss carryforwards that begin to expire in 2011. Section 382 of the U.S. Internal Revenue Code imposes an annual limitation on the amount of net operating loss carryforwards that might be used to offset taxable income when a corporation has undergone significant changes in stock ownership. The Company believes that an annual limit will be imposed by Section 382, however the Company expects to fully utilize its net operating loss carryforwards during their respective carryforward periods.

There were no unrecognized tax benefits recorded from the January 1, 2007 adoption of ASC 740-10 through the year ended December 31, 2010, and there are no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase within the next 12 months.

11. Segments

At December 31, 2010, we had four operating segments and three reportable segments: Primo Bottled Water Exchange (Exchange), Primo Refill (Refill) and Primo Products (Products). With the acquisition of the Refill Business, we manage and view our business as Primo Water (Water) related and Products related.

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

However in 2011, we began to integrate the Exchange and Refill operations to take advantage of synergies and to eliminate duplicate operations and costs. In integrating the businesses we have changed our internal management and reporting structure such that Exchange and Refill no longer meet the requirements of operating segments on a stand-alone basis. Beginning in 2011, we have two operating segments and two reportable segments: Water and Products. All previous periods have been retrospectively revised to conform to this presentation.

Our Water segment includes our historical business of bottled water exchange services and the Refill Business acquired in November 2010 and the operations of a unit that previously was an operating segment, but did not meet quantitative threshold for reporting purposes.

Our Water segment sales consist of the sale of multi-gallon purified bottled water (exchange services) and our self-serve filtered drinking water vending service (refill services) through retailers in each of the contiguous United States and Canada. Our Water services are offered through point of purchase display racks or self-serve filtered water vending displays and recycling centers that are prominently located at major retailers in space that is often underutilized.

As of December 31, 2010, we offered our Water services at approximately 12,600 combined locations.

Our Products segment sells water dispensers that are designed to dispense Primo and other dispenser-compatible bottled water. Our Products sales are primarily generated through major U.S. retailers. Our water dispensers are sold primarily through a direct-import model, where we recognize revenues for the sale of the water dispensers when title is transferred to our retailer customers. We support retail sell-through with limited domestic inventory. We design, market and arrange for certification and inspection of our products.

We evaluate the financial results of these segments focusing primarily on segment net sales and segment income (loss) from operations before depreciation and amortization (segment income (loss) from operations). We utilize segment net sales and segment income (loss) from operations because we believe they provide useful information for effectively allocating our resources between business segments, evaluating the health of our business segments based on metrics that management can actively influence and gauging our investments and our ability to service, incur or pay down debt.

Cost of sales for Water consists of costs for bottling and related packaging materials and distribution costs for our bottled water for our exchange services and servicing and material costs for our refill services. Cost of sales for Products consists of contract manufacturing, freight, duties and warehousing costs of our water dispensers.

Selling, general and administrative expenses for all segments consist primarily of personnel costs for sales, marketing, operations support and customer service, as well as other supporting costs for operating each segment.

Expenses not specifically related to operating segments are shown separately as Corporate. Corporate expenses are comprised mainly of compensation and other related expenses for corporate support, information systems, and human resources and administration. Corporate expenses also include certain professional fees and expenses and compensation of our Board of Directors.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

The following table presents segment information for each of the last three years:

	Years Ended December 31,		
	2008	2009	2010
Segment Net Sales			
Water	$ 21,111	$ 24,249	**29,875**
Products	13,758	22,824	**14,741**
Inter-company elimination	(222)	(92)	**(9)**
Total net revenues	$ 34,647	$ 46,981	**$ 44,607**
Segment income (loss) from operations			
Water	$ (1,383)	$ 3,340	**$ 4,767**
Products	(1,447)	(272)	**(563)**
Intercompany elimination	(13)	9	
Corporate	(7,077)	(4,789)	**(8,922)**
Depreciation and amortization	(3,618)	(4,205)	**(4,759)**
Loss from operations	$ (13,538)	$ (5,917)	**$ (9,477)**
Depreciation and amortization expense:			
Water	$ 3,210	$ 3,615	**$ 4,191**
Products	69	133	**153**
Corporate	339	457	**415**
	$ 3,618	$ 4,205	**$ 4,759**
Capital expenditures:			
Water	$ 8,412	$ 2,081	**$ 5,382**
Products	336	95	**732**
Corporate	672	248	**304**
	$ 9,420	$ 2,424	**$ 6,418**
Identifiable assets:			
Water		$ 18,286	**$ 131,630**
Products		2,655	**5,642**
Corporate		1,427	**2,339**
		$ 22,368	**$ 139,611**

12. Refill Acquisition

On November 10, 2010, we acquired certain assets of the Refill Business pursuant to an Asset Purchase Agreement dated June 1, 2010. The Refill Business provided us with an established platform to expand into the self-serve water refill business. The self-serve water refill business is

complementary to our exchange business from both a product and operational perspective. The total purchase price for the Refill Business was approximately $109,095 (including the working capital adjustment), which was paid with $74,474 in proceeds from the IPO and $34,621 from the issuance of approximately 2,588 of our common shares valued at $13.38 per share. The Refill Acquisition has been accounted for as a business combination in accordance with the acquisition method.

Assets acquired and liabilities assumed in the business combination are recorded at fair value in accordance with ASC 805 based upon appraisals obtained from an unrelated third party valuation specialist. The purchase price exceeded the fair value of the net assets acquired resulting in goodwill of approximately $77,382. The identifiable intangible assets consist primarily of customer lists and will be amortized over 15 years. Operations of the acquired

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

entity are included in the consolidated statement of operations from the acquisition date. Fees and expenses associated with the acquisition of the Refill Business were approximately $2,101. This amount was included in selling, general and administrative expenses for the year ended December 31, 2010.

The purchase price has been allocated to the assets and liabilities as follows:

Aggregate purchase price:	
Cash consideration	$ 74,474
Common stock issued	34,621
Purchase price	$ 109,095
Purchase price allocation:	
Net assets acquired	
Net current assets	$ 3,728
Property and equipment	19,054
Identifiable intangible assets	10,300
Goodwill	77,382
Liabilities assumed	(1,369)
Aggregate purchase price	$ 109,095

The amounts of net sales and earnings of the Refill Business included in the Company s consolidated income statement from the acquisition date to the year ending December 31, 2010, are as follows:

Net Sales	$ 3,418
Net income from continuing operations	$ 814

The unaudited pro forma revenue and earnings for the years ended December 31, 2009 and 2010 presented below is based upon the purchase price allocation and does not reflect any anticipated operating efficiencies or cost savings from the integration of the Refill Business into our business. Pro forma adjustments have been made as if the acquisition had occurred as of January 1 of the period presented.

	Year Ended December 31,	
	2009	**2010**
Net Sales	$ 72,988	$ 67,053
Net loss from continuing operations	$ (1,417)	$ (5,048)

Basic and diluted loss per common share:				
Net loss attributable to common shareholders	$	(0.07)	$	(0.27)
Basic and diluted weighted average common shares outstanding		19,003		19,008

These amounts have been calculated after applying the Company s accounting policies and adjusting the results of the Refill Business to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property and equipment and intangible assets had been as of January 1 of the period presented.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

13. Supplemental Cash Flow Information

	Year Ended December 31,		
	2008	2009	2010
Cash paid for interest	$ 69	$ 1,535	$ 2,370
Noncash investing and financing activities:			
Assets acquired under capital lease or seller notes payable	$ 8	$	$ 46
Accrued capital expenditures	$	$	$ 104
Issuance of common stock in connection with the Refill Acquisition	$	$	$ 34,621
Beneficial Conversion of Series B preferred stock	$	$	$ 2,933
Beneficial Conversion of Series C preferred stock	$	$	$ 2,404
Warrant modification charges	$	$	$ 2,491
Preferred dividends accrued not paid	$	$ 1,785	$

14. Discontinued Operations

In July, 2008, the Company and its Board of Directors made the decision to divest the operations of its subsidiary, Prima Bottled Water, Inc. (Prima) formerly Primo To Go, LLC. As a result, the related assets, liabilities and results of the operations of Prima are accounted for as discontinued operations. In December 2009, the Company completed the divesture by distributing the stock in Prima to existing shareholders of the Company. Each shareholder received a number of shares in Prima based upon such shareholder s proportionate ownership of our Series A, Series C and common stock on an as converted basis as of the date of distribution. This transaction is reflected as a dividend of subsidiary stock in the statement of stockholders equity (deficit) in the amount of $2,050, the book value of the net assets of Prima as of the distribution date.

Net sales and operating results classified as discontinued operations were as follows:

	Year Ended December 31,		
	2008	2009	2010
Net sales	$ 1,888	$ 561	$
Cost of sales	4,456	428	
Gross profit	(2,568)	133	
Selling, general and administrative expenses	2,930	1,313	
Impairment of assets held for sale	174	2,407	
Operating loss	(5,672)	(3,587)	

Interest (expense) income, net	(66)	(63)	
Loss from discontinued operations, before income taxes	(5,738)	(3,650)	
Provision for income taxes			
Loss from discontinued operations	$ (5,738)	$ (3,650)	$

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

15. Employee Retirement Savings Plan

The Company has the Primo Water Corporation 401(k) Plan & Trust retirement plan covering substantially all full-time employees who are at least 21 years of age and who have completed at least two months of service. Plan participants may make before tax elective contributions up to the maximum percentage of compensation and dollar amount allowed under the Internal Revenue Code. Plan participants are 100% vested in their elective contributions at all times and are vested 25% per year of service for four years in the Company s discretionary contributions. A year of service for vesting purposes is 1,000 hours of service in a Plan year. The Company did not make any matching contributions during 2008 or 2009, as the Company s matching contributions to the plan were discretionary and determined with respect to each plan year. In 2010, our Board of Directors established a Company match of up to 50% of the employee contributions up to 6% of their salaries, with 50% of the matching amount being contingent upon our achievement of certain specified objectives to be determined by our Board of Directors. Contribution expense for the plan was approximately $31 in 2010.

16. Subsequent Events

On March 8, 2011, the Company and its wholly-owned subsidiary Primo Refill Canada Corporation (Primo Canada) entered into an Asset Purchase Agreement with Culligan of Canada, Ltd. (the Seller) and Culligan International Company (Culligan International and together with the Seller, the Culligan Parties), pursuant to which Primo Canada purchased certain of the Seller s assets related to its bulk water exchange business currently conducted in Canada (the Canada Bulk Water Exchange Business). The purchase price for the Canada Bulk Water Exchange Business was approximately $5,391, which consisted of a cash payment of approximately $1,575 and the issuance of 307 shares of the Company s common stock having a value of approximately $3,816 (based upon a price per share equal to the average of the closing price of the Company s common stock for the 20 most recent trading days prior to the closing date), and the assumption of certain specified liabilities (the Canada Bulk Water Transaction). The Canada Bulk Water Transaction was intended to be effective from an economic standpoint as of December 31, 2010 and, as a result, the cash portion of the purchase price was reduced by approximately $60, which the parties mutually agreed represented a reasonable approximation of the net earnings of the Canada Bulk Water Exchange Business between January 1, 2011 and March 8, 2011. The Canada Bulk Water Exchange Business provides refill and delivery of water in 18-liter containers to commercial retailers in Canada for resale to consumers.

On March 8, 2011, the Company and its wholly-owned subsidiary Primo Products, LLC (Primo Products) entered into an Asset Purchase Agreement with Omnifrio Beverage Company, LLC (Omnifrio). The Omnifrio Asset Purchase Agreement provides that, upon the terms and subject to the conditions therein, Primo Products will purchase certain of Omnifrio s intellectual property and other assets (the Omnifrio Single-Serve Beverage Business) for a purchase price of up to $13,150, which consists of:

- a cash payment at closing of $2,000;
- the issuance at closing of 501 shares of the Company s common stock having a value of $6,150 (based upon a price per share equal to the average of the closing price of the Company s common stock for the 20 most recent trading days prior to the date of the Omnifrio Purchase Agreement);
- a cash payment of $2,000 on the 15-month anniversary of the closing date (subject to the Company s setoff rights in the Omnifrio Purchase Agreement);
- up to $3,000 in cash milestone payments; and

the assumption of certain specified liabilities relating to the Omnifrio Single-Serve Beverage Business.

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

17. Selected Quarterly Financial Information (Unaudited)

The following tables set forth a summary of our quarterly financial information for each of the four quarters ended December 31, 2010 and 2009:

	Quarter Ended			
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Net sales	$ 8,829	$ 12,173	$ 10,899	$ 12,706
Operating costs and expenses:				
Cost of sales	6,922	9,750	8,591	8,950
Selling, general and administrative expenses	2,733	2,802	3,263	3,823
Acquisition-related costs		278	29	2,184
Depreciation and amortization	995	1,015	1,103	1,646
Total operating costs and expenses	10,650	13,845	12,986	16,603
Loss from operations	(1,821)	(1,672)	(2,087)	(3,897)
Interest expense	(698)	(766)	(936)	(1,031)
Other income, net	(22)	22	33	(18)
Loss from continuing operations before income taxes	(2,541)	(2,416)	(2,990)	(4,946)
Provision for income taxes				
Loss from continuing operations	(2,541)	(2,416)	(2,990)	(4,946)
Loss from discontinued operations, net of income taxes				
Net loss	(2,541)	(2,416)	(2,990)	(4,946)
Preferred dividends, beneficial conversion and warrant modification charges	(582)	(582)	(2,896)	(5,771)
Net loss attributable to common shareholders	$ (3,123)	$ (2,998)	$ (5,886)	$ (10,717)
Basic and diluted loss per common share:				
Loss from continuing operations attributable to common shareholders	$ (2.15)	$ (2.06)	$ (4.04)	$ (0.96)
Loss from discontinued operations attributable to common shareholders				
Net loss attributable to common shareholders	$ (2.15)	$ (2.06)	$ (4.04)	$ (0.96)

Table of Contents

PRIMO WATER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

	Quarter Ended			
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Net sales	$ 9,567	$ 14,933	$ 14,595	$ 7,886
Operating costs and expenses:				
Cost of sales	7,652	12,716	12,279	6,124
Selling, general and administrative expenses	2,605	2,436	2,365	2,516
Depreciation and amortization	1,034	1,044	1,063	1,064
Total operating costs and expenses	11,291	16,196	15,707	9,704
Loss from operations	(1,724)	(1,263)	(1,112)	(1,818)
Interest expense	(477)	(560)	(571)	(650)
Other income, net				1
Loss from continuing operations before income taxes	(2,201)	(1,823)	(1,683)	(2,467)

	Quarter Ended			
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Provision for income taxes				
Loss from continuing operations	(2,201)	(1,823)	(1,683)	(2,467)
Loss from discontinued operations, net of income taxes	(486)	129	(380)	(2,913)
Net loss	(2,687)	(1,694)	(2,063)	(5,380)
Preferred dividends, beneficial conversion and warrant modification charges	(761)	(760)	(761)	(760)
Net loss attributable to common shareholders	$ (3,448)	$ (2,454)	$ (2,824)	$ (6,140)
Basic and diluted loss per common share:				
Loss from continuing operations attributable to common shareholders	$ (2.04)	$ (1.78)	$ (1.68)	$ (2.22)
Loss from discontinued operations attributable to common shareholders	(0.33)	0.09	(0.26)	(2.00)
Net loss attributable to common shareholders	$ (2.37)	$ (1.69)	$ (1.94)	$ (4.22)

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Culligan Holding S.àr.l

Culligan International Company

Culligan of Canada, Ltd.:

We have audited the accompanying combined balance sheets of the Culligan Store Solutions Group (the Group) a business of Culligan Holding S.àr.l as of December 31, 2009 and 2008, and the related combined statements of operations, parent equity and comprehensive income, and cash flows for the years then ended. These combined financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Culligan Store Solutions Group as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Chicago, Illinois

June 4, 2010

F-31

Table of Contents

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

COMBINED BALANCE SHEETS

December 31, 2009 and 2008

(in thousands)

	2009	2008
Assets		
Current assets:		
Accounts receivable, net	$ 2,885	2,627
Inventory	306	306
Service parts	456	478
Prepaid expenses and other current assets	251	234
Deferred income taxes	325	315
Total current assets	4,223	3,960
Property and equipment, net	8,202	7,932
Other assets:		
Goodwill	21,900	21,900
Other intangibles, net	1,795	2,135
Deferred income taxes	703	740
Intercompany receivable from Parent, net	21,558	16,561
Total other assets	45,956	41,336
Total assets	$ 58,381	53,228
Liabilities and Parent Equity		
Current liabilities:		
Trade payables	$ 1,224	1,140
Accrued liabilities	1,030	940
Total current liabilities	2,254	2,080
Long-term liabilities:		
Deferred income taxes	1,759	1,636
Total liabilities	4,013	3,716
Parent equity	54,368	49,512
Total liabilities and Parent equity	$ 58,381	53,228

See accompanying notes to combined financial statements

Table of Contents

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

COMBINED STATEMENTS OF OPERATIONS

Years ended December 31, 2009 and 2008

(in thousands)

	2009	2008
Net Sales	$ 26,017	25,746
Operating costs and expenses:		
Cost of sales	13,643	13,635
Selling, general, and administrative expenses	2,877	3,270
Depreciation and amortization	2,488	3,872
Total operating costs and expenses	19,008	20,777
Income before income taxes	7,009	4,969
Income tax expense	2,665	1,837
Net Income	$ 4,344	3,132

See accompanying notes to combined financial statements

F-33

Table of Contents

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

COMBINED STATEMENTS OF PARENT EQUITY AND COMPREHENSIVE INCOME

Years ended December 31, 2009 and 2008

(in thousands)

	Parent Equity	Comprehensive Income
Balance December 31, 2007	$ 47,225	
Net income	3,132	$ 3,132
Foreign currency translation adjustments	(845)	(845)
Comprehensive income		$ 2,287
Balance December 31, 2008	49,512	
Net income	4,344	$ 4,344
Foreign currency translation adjustments	512	512
Comprehensive income		$ 4,856
Balance December 31, 2009	$ 54,368	

See accompanying notes to combined financial statements

F-34

Table of Contents

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008

(in thousands)

	2009	**2008**
Cash flows from operating activities:		
Net income	$ 4,344	3,132
Adjustments to reconcile net income to net cash provided by operating activities, excluding the effects of acquisitions and divestitures:		
Provision for doubtful accounts	(27)	(3)
Depreciation and amortization	2,488	3,872
Deferred income taxes	244	(248)
Changes in operating assets and liabilities:		
Accounts receivable	(184)	130
Inventories	4	8
Service parts	22	126
Prepaid expenses and other current assets	(13)	16
Trade payables	71	172
Accrued liabilities	68	7
Net cash provided by operating activities	7,017	7,212
Cash flows from investing activity:		
Purchase of property and equipment	(2,101)	(2,405)
Net cash used in investing activity	(2,101)	(2,405)
Cash flows from financing activity:		
Transactions with Parent, net	(4,916)	(4,807)
Net cash used in financing activity	(4,916)	(4,807)
Net decrease in cash		
Cash at beginning of year		
Cash at end of year	$	

See accompanying notes to combined financial statements

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2009 and 2008

(amounts in thousands)

1. The Group and a Summary of Significant Accounting Policies

(a) Business

Culligan Store Solutions Group (the Group) is primarily engaged in the business of providing (a) vended water machines, owned by the Group, to filter and dispense drinking water to consumers at retail locations, (b) water treatment equipment, owned by the Group, to filter water for the retailer s use within their store locations, and (c) empty one-, three-, and five-gallon refillable water bottles to the retailer for their sale to consumers to carry the dispensed filtered water. The machines and water treatment equipment are owned by the Group and placed at retail locations for the purpose of providing the filtration of water. At December 31, 2009, the Group had vended water machines at approximately 4,500 retail locations.

The Group is owned by Culligan Store Solutions, LLC (CSS), which is owned by Culligan International Company (CIC), and by Culligan of Canada Ltd. (Culligan of Canada), all of which are wholly owned indirect subsidiaries of Culligan Holding S.àr.l (Culligan Holding) (collectively referred to herein, as the Parent).

(b) Principles of Combination and Basis of Presentation

These combined financial statements include the accounts and results of the Group. During the periods presented, the Group s operations were components of the Parent. The financial statements have been carved out from the books and records of the Parent and have been prepared by management using the results of operations and basis of assets of the Group. The statements of operations include all items of revenue and income generated by the Group, all items of expense directly incurred by it, and expenses charged or allocated to it by the Parent. The accompanying combined financial statements do not reflect any allocation of general corporate debt or interest expense incurred by the Parent in financing its activities as it is not specifically identifiable to the Group.

(c) Segment Information

The Group operates in a single business segment providing filtration of drinking water to consumers through self-service vending machines, along with empty bottles sold to retailers for resale and filtration systems for in-store use in retail stores.

(d) Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the combined financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. These estimates and assumptions include, but are not limited to: the recoverability of accounts receivable, useful lives of property and equipment, valuation of goodwill, intangible assets, deferred tax assets, fixed assets and repair parts, and the ability to estimate accrued revenues.

(e) Revenue Recognition

Water dispensing machines placed at the retailers are used by retail customers on a self-serve basis. Water treatment equipment is placed at retailer s location for the retailer to filter water used in its store. Revenue is earned at the time the water is filtered which is measured by the machine or equipment meter. At December 31, 2009, the Group had approximately 4,500 vending machines, making the reading of each machine meter at the end of each reporting period impractical. Consequently, the Group estimates the revenue from the last time each machine meter was read until the end of the reporting period, based on the most current average daily volume of filtered water of each machine. For the years ended December 31, 2009 and 2008, the Group recorded approximately $1,051 and $1,050, respectively, of such estimated revenues, which for both year-ends represents an average of approximately 22 days of use per machine.

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

The Group recognizes revenue when empty bottles are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Shipping and other transportation costs charged to buyers are recorded in cost of sales.

(f) Accounts Receivable

Accounts receivable consist principally of amounts due from retailers located in the United States and Canada. Accounts receivable are recorded at the invoiced amount and do not bear interest. The Group maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the Group s customers financial condition, the amount of receivables in dispute, current receivables aging, and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Group does not have any off-balance-sheet credit exposure related to its customers.

(g) Inventory

Inventories consist primarily of finished goods, which are empty bottles for sale and are valued at the lower of cost or realizable value, with cost determined using the first-in, first-out (FIFO) method. Miscellaneous selling supplies such as labels are expensed when incurred.

(h) Income Taxes

CSS is a single member limited liability company and wholly owned by CIC, a Delaware Corporation. For U.S. federal income tax purposes, CSS is treated as a division of CIC, which files a consolidated federal income tax return. CIC pays all federal and state income taxes for CSS and the payments have been reflected as intercompany transactions within Parent equity. Culligan of Canada, which includes the Group s business in Canada, files individual Canadian income tax returns. For purposes of the combined financial statements presented herein, the Group provided for income taxes as if they were separate filing taxable entities.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Beginning with the adoption of the Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* included in FASB Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes Overall,* as of January 1, 2009, the Group recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of Interpretation No. 48, the Group recognized the effect of income tax positions only if such positions were probable of being sustained.

Table of Contents

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

(i) Foreign Currency Translation

The Group s operations are in the U.S. and Canada. Assets and liabilities denominated in Canadian dollars are translated into U.S. dollars at the current rate of exchange existing at period-end. Revenues, expenses, gains, and losses are translated at average monthly exchange rates. Translation adjustments are included in the combined statements of Parent company equity and comprehensive income and cash flows.

(j) Service Parts

Service parts consist primarily of operating components used to maintain vending machines. Service parts are stated at the lower of cost or market with cost determined using the FIFO method.

(k) Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Machinery and equipment	2 6 years
Vending machines	2 10 years
Furniture and fixtures	2 6 years
Vehicles	2 6 years
Information technology	2 6 years

Depreciation expense totaled $2,114 and $3,495 for the years ended December 31, 2009 and 2008, respectively.

The Group incurs maintenance costs on its major equipment. Maintenance, repair and minor refurbishment costs are charged to expense as incurred, while additions, renewals, and improvements are capitalized. Upon the sale or retirement of an asset, the related cost and accumulated depreciation are removed from the accounts.

(l) Goodwill and Other Intangible Assets

The Group is a component of a larger reporting unit at the Parent level. Goodwill reflected in these financial statements represents an allocation of the goodwill, recorded by Culligan Holding. The relative fair value approach was used as the basis for the allocation and measured based on the relative fair value of the Group and the portion of the reporting unit to be retained. This allocated amount has been reflected retroactively back to December 31, 2008. Goodwill is not amortized but is instead tested for impairment at the reporting unit level at least annually in accordance with Accounting Standards Codification (ASC) Topic 350, *Intangibles Goodwill and Other (ASC 350).* Culligan Holding completed its annual goodwill impairment tests as of December 31, 2009 and 2008 and determined that goodwill was not impaired during these years.

(m) Impairment of Long-Lived Assets

The Group reviews whether events or circumstances of any long-lived assets have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the carrying value of those assets may not be recoverable. If events or circumstances indicate that the long-lived assets should be reviewed for possible impairment, the Group uses financial projections to assess whether future cash flows on a nondiscounted basis related to the tested assets are likely to exceed the recorded carrying amount of those assets, to determine whether a

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

write-down is appropriate. Should an impairment be identified, a loss would be recorded to the extent that the carrying value of the impaired assets exceeds their fair value as determined by valuation techniques appropriate in the circumstance, which could include the use of similar projections on a discounted basis. No such events or circumstances were identified during the years ended December 31, 2009 and 2008.

(n) Fair Value of Financial Instruments

Financial instruments consist primarily of accounts receivable, accounts payable, and accrued liabilities. The carrying amounts of such instruments are considered to be representative of their respective fair values due to the short-term maturity of the instruments.

(o) Concentrations of Risk

One customer accounted for approximately 65% and 63% of the Group s revenues in 2009 and 2008 and approximately 57% and 59% of accounts receivable as of December 31, 2009 and 2008, respectively. There is no significant supplier, product line, credit, geographic, or other concentrations that could expose the Group to adverse near term severe financial impacts.

(p) Advertising

Advertising costs are expensed as incurred. Advertising costs were $52 and $42 for the years ended December 31, 2009 and 2008, respectively. Advertising expenses are presented as part of selling, general, and administrative expenses in the accompanying combined statements of operations.

(q) Insurance

The Group participates in insurance programs sponsored by the Parent. The Group retains the risk for U.S. claims arising for general liability (up to $250), automobile (up to $100), and workers compensation (up to $500). Coverage for individual claims in excess of these limits is covered by policies purchased from insurance providers by the Parent. There were no claims in excess of the retained risk for 2009 and 2008. The cost of medical insurance for U.S. employees and insurance policies for general liability, automobile, and workers compensation is allocated to the Group based upon premium computations.

(r) Stock-Based Compensation

The Group does not have any stock compensation plans. One employee of the Group participates in a stock incentive plan and special bonus plan sponsored by Culligan Ltd. (the ultimate owner of Culligan Holding). The total compensation cost of both plans was $9 and $35 in 2009 and 2008, respectively, and has been reflected in selling, general, and administrative expenses.

(s) Recently Adopted Accounting Standards

The following are summaries of accounting pronouncements that were either recently adopted or may become applicable to the Group s combined financial statements. It should be noted, effective with the quarter ended September 30, 2009, the Group adopted Financial Accounting Standards Board (FASB) ASC Topic 105, Generally Accepted Accounting Principles (ASC 105). ASC 105 establishes the FASB Accounting Standards Codification (the Codification) as the source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied to nongovernmental entities and it is not intended to change or alter previously existing U.S. GAAP titles and references to accounting standards that have been updated to reflect ASC references, where applicable.

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

In February 2008, the FASB issued updated guidance related to fair value measurements, which is included in the Codification in ASC Topic 820, *Fair Value Measurements and Disclosures (ASC 820)*, which among other things, partially deferred the effective date of ASC 820 to fiscal years beginning after November 15, 2008 for certain nonfinancial assets and nonfinancial liabilities. In 2008, the Group adopted the provisions of ASC 820 with respect to financial assets and liabilities. The application of the provisions of ASC 820 related to nonfinancial assets and liabilities, effective January 1, 2009, did not have a material impact on the Group s combined financial statements for the year ended December 31, 2009.

In December 2007, the FASB issued revised guidance on how acquirers recognize and measure the consideration transferred, identifiable assets, liabilities assumed, noncontrolling interest, and goodwill acquired in a business combination. This guidance is included in ASC Topic 805, *Business Combinations* (ASC 805), and ASC 810, *Consolidations* (ASC 810). ASC 805 and 810 require most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value and require noncontrolling interests (previously referred to as minority interests) to be recorded as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. Both statements are effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. ASC 805 will be applied to business combinations occurring after the effective date. ASC 810 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. All of the Group s subsidiaries are wholly owned, so the adoption of ASC 810 is not expected to impact its financial position and results of operations. The Group is currently evaluating the impact of adopting ASC 805 on its financial position and results of operations.

(t) Recently Issued Accounting Standards

In October 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, *Revenue Recognition* (Topic 605): *Multiple-Deliverable Revenue Arrangements* (EITF Issue No. 08-1, *Revenue Arrangements with Multiple Deliverables*). ASU 2009-13 amends ASC 605-25, *Revenue Recognition Multiple-Element Arrangements,* to eliminate the requirement that all undelivered elements have vendor specific objective evidence of selling price (VSOE) or third-party evidence of selling price (TPE) before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered. In the absence of VSOE and TPE for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements. The overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity s estimated selling price. Application of the residual method of allocating an overall arrangement fee between delivered and undelivered elements will no longer be permitted upon adoption of ASU 2009-13. Additionally, the new guidance will require entities to disclose more information about their multiple-element revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Group expects that the adoption of ASU 2009-13 will not have a material impact on its combined financial statements.

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

2. Accounts Receivable

The following table details the changes in the allowance for doubtful accounts for 2009 and 2008:

	Balance Beginning of Year	Credits	Deductions	Balance End of Year
December 31, 2008	$ 223	(3)	(17)	203
December 31, 2009	$ 203	(27)	(2)	174

3. Property and Equipment

Property and equipment at December 31, 2009 and 2008 consist of the following:

	2009	2008
Machinery and equipment	$ 60	52
Vending machines	24,111	21,581
Furniture and fixtures	4	4
Vehicles	10	10
Information technology	343	343
Total	24,528	21,990
Less accumulated depreciation and amortization	(16,326)	(14,058)
	$ 8,202	7,932

4. Goodwill and Other Intangible Assets

The net carrying amount of goodwill and other intangible assets for the years ended December 31, 2009 and 2008 are as follows:

	$,00,000	$,00,000	$,00,000
	Goodwill	Other Intangibles, Net	Total
Balance, December 31, 2007	$ 21,900	2,569	24,469
Acquired during the year			
Amortization		(377)	(377)
Cumulative translation adjustment		(57)	(57)

Balance, December 31, 2008	21,900	2,135	24,035
Acquired during the year			
Amortization		(374)	(374)
Cumulative translation adjustment		34	34
Balance, December 31, 2009	$ 21,900	1,795	23,695

The net carrying amount of other intangibles at December 31, 2009 and 2008 is comprised of:

	$,00,0000	$,00,0000	$,00,0000
	Goodwill	**Other Intangibles, Net**	**Total**
Customer relationships	10 years	$ 1,795	2,135

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

On September 30, 2004, Culligan Holding acquired CIC, Culligan of Canada and their then affiliates in a transaction accounted for under the purchase method of accounting. The goodwill and customer relationship intangible assets recorded herein arose from this acquisition. Goodwill was allocated to the Group based on the relative fair value of the Group and the portion of the reporting unit to be retained. The customer relationship intangible assets that arose from the September 30, 2004 acquisition were specifically identified to the Group.

None of the Parent s trademarks are used exclusively in the Group s business. At December 31, 2009 and 2008, the gross carrying value of the customer relationships was $3,779 and $3,714, respectively, and the accumulated amortization was $1,984 and $1,579, respectively. Estimated amortization expense, for customer relationships, is $374, $374, $374, $374, and $299 in each of the next five years, respectively, and $0 in 2015 and beyond.

5. Accrued Liabilities

Accrued liabilities at December 31, 2009 and 2008 consist of the following:

	2009	2008
Compensation and benefits	$ 358	362
Rebates	259	173
Dealer service fees	185	184
Other taxes	90	133
Insurance	73	53
Other	65	35
Total	$ 1,030	940

6. Income Taxes

The components of income before income taxes for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
U.S.	$ 6,861	4,604
Canada	148	365
Total	$ 7,009	4,969

Table of Contents

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

Income tax expense (benefit) consists of the following:

	Current	Deferred	Total
Year ended December 31, 2009:			
U.S. federal	$ 2,175	111	2,286
State and local	329	5	334
Canada	(83)	128	45
	$ 2,421	244	2,665
Year ended December 31, 2008:			
U.S. federal	$ 1,810	(300)	1,510
State and local	289	(36)	253
Canada	(14)	88	74
	$ 2,085	(248)	1,837

Income tax expense differed from the amounts computed by applying the U.S. federal statutory income tax rate of 35% to income before income taxes as a result of the following:

	2009	2008
Computed expected tax expense	$ 2,453	1,739
Increase (decrease) in income taxes resulting from:		
Non-U.S. rate differential	(7)	(54)
State and local income taxes, net of federal income tax benefit	224	159
Other	(5)	(7)
	$ 2665	1,837

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on this review, a valuation allowance on the deferred tax assets has not been recorded as there was no significant negative evidence that such an allowance was required in the foreseeable future. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2009 and 2008 are presented below:

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

	2009	2008
Deferred income tax assets attributable to:		
Accounts receivable, principally due to allowance for doubtful accounts	$ 64	77
Inventories, principally due to reserves and additional costs inventoried for tax purposes	61	51
Property and equipment, principally due to differences in depreciation	703	740
Accrued expenses	326	314
Total gross deferred tax assets	1,154	1,182
Deferred income tax liabilities attributable to:		
Property and equipment, principally due to differences in depreciation	1,110	869
Intangibles	775	894
Total gross deferred tax liabilities	1,885	1,763
Net deferred tax liabilities	$ (731)	(581)

Deferred tax assets and liabilities are presented as follows in the balance sheets:

	2009	2008
Current assets	$ 325	315
Noncurrent assets	703	740
Noncurrent liabilities	(1,759)	(1,636)
Net deferred tax liabilities	$ (731)	(581)

7. Related-Party Transactions

(a) Cash Management

The Group participates in the cash management systems of the Parent. All cash funding requirements have been met by CIC and all cash received by the Group has either been transferred to CIC (in the United States) or retained by Culligan of Canada (in Canada). All of the Group disbursements are paid through CIC or Culligan of Canada on the Group s behalf. The Group s transactions with the Parent reflected on the combined statements of cash flows consist principally of the intercompany receivable from the Parent, net on the accompanying balance sheets.

(b) Expenses Charged by the Parent

The combined statements of operations for the Group include all direct costs of the Group, as well as certain corporate costs directly identified with the Group and allocated to the Group by the Parent. Charges for stop-loss premiums for general liability, automobile, and workers compensation insurance are allocated to the Group based upon historical experience. Costs for employee health and dental insurance are based on a predetermined rate, which combines premiums and claims. Expenses allocated by CIC for the years ended December 31, 2009 and 2008 were $654 and $540, respectively, and are reflected in selling, general and administrative expenses in the accompanying statements of operations. In the opinion of management, the costs allocated have been determined on a basis that is believed to be reasonable for a group of

businesses operating within the structure of a larger parent company. However, the costs allocated are not necessarily indicative of the level of expenses that might have been incurred by the Group operating as a stand-alone entity. The Parent has not allocated interest expense to the Group.

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

The Group s Canadian operations use the services of Culligan of Canada to provide certain administrative functions, such as general accounting, credit and collection, billing, and information technology. These allocated costs are billed to the Group based upon the level of services provided to the Group. Expenses allocated by Culligan of Canada to the Group for the years ended December 31, 2009 and 2008 were $258 and $301, respectively, and are reflected in selling, general and administrative expenses in the accompanying statements of operations.

(c) Services Provided to the Group

The Group uses the services of company owned dealer divisions (COD) of CIC and Culligan of Canada and other third-party providers to install and service its vending machines and equipment at customer locations. The amounts paid to COD for these services are at the same rate as that paid to third-party providers. Services provided by COD for installation, maintenance, and other services for the years ended December 31, 2009 and 2008 were $1,188 and $1,266, respectively, and are included in cost of sales in the accompanying statements of operations.

The Group uses the services of CIC and Culligan of Canada franchisees to install and service its vending machines and equipment at customer locations. The amounts paid to franchisees for these services are at the same rate as that paid to company owned dealers. Services provided by the franchisees for installation and maintenance services for the years ended December 31, 2009 and 2008 were $3,225 and $3,195, respectively, and are included in cost of sales in the accompanying statements of operations.

(d) Purchases from the Parent

The Group purchases equipment and service parts from CIC. Purchases from CIC for the years ended December 31, 2009 and 2008 were $167 and $413, respectively.

(e) Culligan Trademark

The Group uses the Culligan brand name, which is owned by CIC. CIC does not charge the Group for the use of the brand name. Accordingly, there are no expenses related to the use of this trademark in the accompanying statements of operations.

8. Benefit Plans

Substantially all U.S.-based employees are eligible to participate in the Culligan Retirement Savings Plan (the Plan) sponsored by CIC. The Plan is a qualified defined contribution plan, under Internal Revenue Code Section 401(k). Contributions to the Plan during the years ended December 31, 2009 and 2008 were $9 and $35, respectively. CIC temporarily suspended matching contributions in April 2009, due to economic conditions.

9. Commitments and Contingencies

(a) Commitments

The Group leases certain facilities and equipment under various noncancelable long-term and month-to-month leases. These leases typically include renewal options and escalation clauses, and are accounted for as operating leases. Rent expense for the years ended December 31, 2009 and 2008 aggregated was $151 and $157, respectively.

Table of Contents

CULLIGAN STORE SOLUTIONS GROUP (A BUSINESS OF CULLIGAN HOLDING S.ÀR.L)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

(amounts in thousands)

Future minimum rental payments under noncancelable leases at December 31, 2009 are as follows:

	Operating Leases
2010	$ 138
2011	109
2012	111
2013	113
2014	96
Thereafter	
	$ 567

(b) Contingencies

The Group encounters various claims and litigation actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Group s combined financial position, results of operations, or liquidity.

10. Parent Equity

Parent equity at December 31, 2009 and 2008 consists of the following:

	2009	2008
Contributed capital	$ 36,104	36,104
Combined accumulated earnings	16,702	12,358
Cumulative currency translation adjustment	1,562	1,050
Total	$ 54,368	49,512

11. Subsequent Event

On June 1, 2010, CSS, CIC and Culligan of Canada entered into an agreement to sell the assets of the Group to Primo Water Corporation (Primo). The purchase price is $105 million, consisting of a cash payment of $60 million and shares of Primo common stock with a value of $45 million, subject to certain working capital adjustments. The cash portion of the purchase price will be increased and the value of the shares of Primo common stock will be decreased by an amount equal to the net cash proceeds Primo receives from any exercise of the underwriters over-allotment option in connection with Primo s initial public offering (the IPO). The closing of the transaction is subject to meeting certain conditions, which include Primo s successful completion of the IPO.

The Group has performed an evaluation of events that have occurred subsequent to December 31, 2009 and as of June 4, 2010. There have been no subsequent events that occurred during such period, other than disclosed in the paragraph above, that would require disclosure or recognition in the combined financial statements as of or for the year ended December 31, 2009.

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.
The following is an itemized statement of expenses of the Company in connection with the issuance and delivery of the securities being registered hereby, other than underwriting discounts and commissions.

SEC registration fee	$ 8,595
Printing expenses	*
NASDAQ listing fees	*
Trustee fees and expenses	*
Accounting fees and expenses	*
Legal fees and expenses	*
Miscellaneous	*
Total	$ 8,595

* These fees will be dependent on the types of securities offered and number of offerings and, therefore, cannot be estimated at this time.

Item 15. Indemnification of Directors and Officers.
The Registrant is a corporation organized under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to an action by reason of the fact that he or she was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of an action by or in right of the corporation, no indemnification may generally be made in respect of any claim as to which such person is adjudged to be liable to the corporation. The Registrant s Amended and Restated Bylaws provide that the Registrant will indemnify and advance expenses to its directors and officers (and may choose to indemnify and advance expenses to other employees and other agents) to the fullest extent permitted by law; provided, however, that if the Registrant enters into an indemnification agreement with such directors or officers, such agreement controls.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

breach of a director s duty of loyalty to the corporation or its stockholders;

act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

unlawful payment of dividends or redemption of shares; or

transaction from which the director derives an improper personal benefit.

Table of Contents

The Registrant s Sixth Amended and Restated Certificate of Incorporation provides that the Registrant s directors are not personally liable for breaches of fiduciary duties to the fullest extent permitted by the Delaware General Corporation Law.

Section 145(g) of the Delaware General Corporation Law permits a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation. The Registrant s Amended and Restated Bylaws permit the Registrant to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to the Registrant, regardless of whether the Registrant s Amended and Restated Bylaws permit indemnification. The Registrant has directors and officers liability insurance.

As permitted by the Delaware General Corporation Law, the Registrant has entered into indemnity agreements with each of its directors that require the Registrant to indemnify such persons against various actions including, but not limited to, third-party actions where such director, by reason of his or her corporate status, is a party or is threatened to be made a party to an action, or by reason of anything done or not done by such director in any such capacity. The Registrant intends to indemnify directors against all costs, judgments, penalties, fines, liabilities, amounts paid in settlement by or on behalf such directors and for any expenses actually and reasonably incurred by such directors in connection with such action, if such directors acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal proceeding, had no reasonable cause to believe their conduct was unlawful. The Registrant also intends to advance to its directors expenses (including attorney s fees) incurred by such directors in advance of the final disposition of any action after the receipt by the corporation of a statement or statements from directors requesting such payment or payments from time to time, provided that such statement or statements are accompanied by an undertaking, by or on behalf of such directors, to repay such amount if it shall ultimately be determined that they are not entitled to be indemnified against such expenses by the corporation.

The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification or advancement of expenses, including, among others, provisions about providing notice to the corporation of any action in connection with which a director seeks indemnification or advancement of expenses from the corporation and provisions concerning the determination of entitlement to indemnification or advancement of expenses.

Item 16. Exhibits.
The exhibits required to be filed as a part of this Registration Statement are listed in the Exhibit Index attached hereto and incorporated herein by reference.

Item 17. Undertakings.
Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, pursuant to the provisions described under Item 15 or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Table of Contents

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement (notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement); and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that subparagraphs (i), (ii) and (iii) of this section do not apply if the information required to be included in a post-effective amendment by those subparagraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration, by means of a post-effective amendment, any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of

Table of Contents

the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser: (i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424; (ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant; (iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and (iv) any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) That for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of the registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(8) To supplement the prospectus, after the expiration of the subscription period to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

(9) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(10) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Winston-Salem, State of North Carolina, on December 29, 2011.

PRIMO WATER CORPORATION

By: /s/ Billy D. Prim
Name: Billy D. Prim
Title: Chairman, Chief Executive Officer and President

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Billy D. Prim and Mark Castaneda and each of them, his true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, severally, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement on Form S-3, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This power of attorney may be executed in counterparts.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed below by the following persons in the capacities indicated, in each case on December 29, 2011:

Signature	Title
/s/ Billy D. Prim Billy D. Prim	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ Mark Castaneda Mark Castaneda	Chief Financial Officer (Principal Financial Officer)
/s/ David J. Mills David J. Mills	Vice President Finance (Principal Accounting Officer)
/s/ Richard A. Brenner Richard A. Brenner	Director
/s/ Jack C. Kilgore Jack C. Kilgore	Director
/s/ Malcolm McQuilkin Malcolm McQuilkin	Director
/s/ David L. Warnock David L. Warnock	Director

EXHIBIT INDEX

Exhibit	Description
1.1	Form of Underwriting Agreement with respect to Common Stock*
1.2	Form of Underwriting Agreement with respect to Preferred Stock*
1.3	Form of Underwriting Agreement with respect to Debt Securities*
1.4	Form of Underwriting Agreement with respect Warrants*
1.5	Form of Underwriting Agreement with respect to Units*
3.1	Sixth Amended and Restated Certificate of Incorporation of Primo Water Corporation (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registrant s Registration Statement on Form S-1/A (File No. 333-173554) filed on May 31, 2011).
3.2	Amended and Restated Bylaws of Primo Water Corporation (incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K filed on November 16, 2010).
4.1	Specimen Certificate representing shares of common stock of Primo Water Corporation (incorporated by reference to Exhibit 4.1 to Amendment No. 5 to the Registrant s Registration Statement on Form S-1/A (File No. 333-165452) filed on August 11, 2010).
4.2	Form of certificate representing Primo s preferred stock*
4.3	Form of certificate of designations for preferred stock*
4.4	Form of Indenture relating to the issuance from time to time in one or more series of debentures, notes, bonds or other evidences of indebtedness (filed herewith)
4.5	Form of Senior Debt Security*
4.6	Form of Senior Subordinated Debt Security*
4.7	Form of Subordinated Debt Security*
4.8	Form of Warrant Agreement*
4.9	Form of Warrant Certificate*
4.10	Form of Rights Agreement*
4.11	Form of Rights Certificate*
4.12	Form of Unit Agreement*
4.13	Form of Unit Certificate*
5.1	Opinion of K&L Gates LLP (filed herewith)
12.1	Computation of Ratio of Earnings to Fixed Charges (filed herewith)
23.1	Consent of McGladrey & Pullen, LLP (filed herewith)

Table of Contents

Exhibit	Description
23.2	Consent of KPMG LLP (filed herewith)
23.3	Consent of K&L Gates LLP (contained in Exhibit 5 to this Registration Statement and filed herewith)
24.1	Power of Attorney (set forth on the signature page of this Registration Statement)
25.1	Form T-1 Statement of Eligibility of Trustee under the Trust Indenture Act of 1939, as amended**

* To be filed, if necessary, with a Current Report on Form 8-K or a Post-Effective Amendment to the registration statement.

** To be filed pursuant to Section 305(b)(2) of the Trust Indenture Act of 1939.