

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 001-34850

PRIMO WATER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

30-0278688
(I.R.S. Employer Identification No.)

101 North Cherry Street, Suite 501, Winston-Salem,
NC

(Address of principal executive office)

27101

(Zip code)

(336) 331-4000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 4, 2017, there were 29,868,131 shares of our Common Stock, par value \$0.001 per share, outstanding.

PRIMO WATER CORPORATION
FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

INDEX

	<u>Page number</u>
PART 1. Financial Information	
Item 1. Financial Statements (Unaudited)	3
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Operations	4
Condensed Consolidated Statements of Comprehensive Income (Loss)	5
Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3. Quantitative and Qualitative Disclosures About Market Risk	24
Item 4. Controls and Procedures	25
PART II. Other Information	
Item 1. Legal Proceedings	25
Item 1A. Risk Factors	25
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 3. Defaults Upon Senior Securities	26
Item 4. Mine Safety Disclosures	26
Item 5. Other Information	26
Item 6. Exhibits	27
Signatures	28

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

PRIMO WATER CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value information)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,502	\$ 15,586
Accounts receivable, net	17,891	14,121
Inventories	7,487	6,182
Prepaid expenses and other current assets	3,396	3,086
Total current assets	33,276	38,975
Bottles, net	4,468	4,152
Property and equipment, net	104,499	100,331
Intangible assets, net	147,075	149,457
Goodwill	91,994	91,709
Investment in Glacier securities (\$3,800 available-for-sale, at fair value)	6,429	6,408
Other assets	553	353
Total assets	<u>\$ 388,294</u>	<u>\$ 391,385</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 21,440	\$ 13,788
Accrued expenses and other current liabilities	14,661	16,922
Current portion of long-term debt and capital leases	4,008	2,183
Total current liabilities	40,109	32,893
Long-term debt and capital leases, net of current portion and debt issuance costs	270,620	270,264
Deferred tax liability, net	13,979	13,607
Warrant liability	–	8,180
Other long-term liabilities	2,051	2,069
Total liabilities	326,759	327,013
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value - 10,000 shares authorized, none issued and outstanding	–	–
Common stock, \$0.001 par value - 70,000 shares authorized, 29,845 and 29,305 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	30	29
Additional paid-in capital	325,521	325,779
Common stock warrants	18,892	7,492
Accumulated deficit	(281,731)	(267,393)
Accumulated other comprehensive loss	(1,177)	(1,535)
Total stockholders' equity	61,535	64,372
Total liabilities and stockholders' equity	<u>\$ 388,294</u>	<u>\$ 391,385</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

PRIMO WATER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net sales	\$ 74,817	\$ 34,385	\$ 135,554	\$ 66,681
Operating costs and expenses:				
Cost of sales	54,079	23,968	96,892	46,915
Selling, general and administrative expenses	8,219	4,778	18,764	9,807
Non-recurring and acquisition-related costs	2,977	232	7,425	438
Depreciation and amortization	6,820	2,421	13,211	4,829
(Gain) loss on disposal and impairment of property and equipment	(11)	219	(18)	412
Total operating costs and expenses	72,084	31,618	136,274	62,401
Income (loss) from operations	2,733	2,767	(720)	4,280
Interest expense, net	5,022	489	10,024	959
Change in fair value of warrant liability	-	-	3,220	-
(Loss) income from continuing operations before income taxes	(2,289)	2,278	(13,964)	3,321
Provision for income taxes	186	-	373	-
(Loss) income from continuing operations	(2,475)	2,278	(14,337)	3,321
Loss from discontinued operations	-	(13)	-	(25)
Net (loss) income	<u>\$ (2,475)</u>	<u>\$ 2,265</u>	<u>\$ (14,337)</u>	<u>\$ 3,296</u>
Basic (loss) earnings per common share:				
(Loss) income from continuing operations	\$ (0.07)	\$ 0.08	\$ (0.44)	\$ 0.12
Loss from discontinued operations	-	-	-	-
Net (loss) income	<u>\$ (0.07)</u>	<u>\$ 0.08</u>	<u>\$ (0.44)</u>	<u>\$ 0.12</u>
Diluted (loss) earnings per common share:				
(Loss) income from continuing operations	\$ (0.07)	\$ 0.08	\$ (0.44)	\$ 0.11
Loss from discontinued operations	-	-	-	-
Net (loss) income	<u>\$ (0.07)</u>	<u>\$ 0.08</u>	<u>\$ (0.44)</u>	<u>\$ 0.11</u>
Weighted average shares used in computing (loss) earnings per share:				
Basic	<u>33,463</u>	<u>28,826</u>	<u>32,865</u>	<u>27,644</u>
Diluted	<u>33,463</u>	<u>30,101</u>	<u>32,865</u>	<u>29,656</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

PRIMO WATER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net (loss) income	\$ (2,475)	\$ 2,265	\$ (14,337)	\$ 3,296
Other comprehensive income:				
Unrealized (loss) gain on investment in Glacier securities	(17)	–	21	–
Foreign currency translation adjustments, net	247	2	337	187
Total other comprehensive income	230	2	358	187
Comprehensive (loss) income	<u>\$ (2,245)</u>	<u>\$ 2,267</u>	<u>\$ (13,979)</u>	<u>\$ 3,483</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

PRIMO WATER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net (loss) income	\$ (14,337)	\$ 3,296
Less: Loss from discontinued operations	–	(25)
(Loss) income from continuing operations	(14,337)	3,321
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	13,211	4,829
(Gain) loss on disposal and impairment of property and equipment	(18)	412
Stock-based compensation expense	3,678	1,046
Non-cash interest (income) expense	(34)	55
Change in fair value of warrant liability	3,220	–
Deferred income tax expense	373	–
Realized foreign currency exchange loss (gain) and other, net	112	(172)
Changes in operating assets and liabilities:		
Accounts receivable	(3,845)	(4,708)
Inventories	(1,301)	(1,290)
Prepaid expenses and other assets	(587)	(337)
Accounts payable	7,686	5,305
Accrued expenses and other liabilities	(3,155)	(675)
Net cash provided by operating activities	5,003	7,786
Cash flows from investing activities:		
Purchases of property and equipment	(9,089)	(5,423)
Purchases of bottles, net of disposals	(1,373)	(1,329)
Proceeds from the sale of property and equipment	27	8
Additions to intangible assets	(100)	(36)
Net cash used in investing activities	(10,535)	(6,780)
Cash flows from financing activities:		
Borrowings under prior Revolving Credit Facility	–	20,900
Payments under prior Revolving Credit Facility	–	(20,900)
Borrowings under Revolving Credit Facility	1,000	–
Payments under Revolving Credit Facility	(1,000)	–
Term loan and capital lease payments	(2,012)	(143)
Stock option and employee stock purchase activity and other, net	(3,290)	(1,177)
Debt issuance costs and other	(249)	–
Net cash used in financing activities	(5,551)	(1,320)
Cash used in operating activities of discontinued operations	–	(52)
Effect of exchange rate changes on cash and cash equivalents	(1)	97
Net decrease in cash and cash equivalents	(11,084)	(269)
Cash and cash equivalents, beginning of year	15,586	1,826
Cash and cash equivalents, end of period	\$ 4,502	\$ 1,557

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

PRIMO WATER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(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,” “us,” or “the Company”) is North America’s leading single source provider of multi-gallon purified bottled water, self-service refill water and water dispensers sold through major retailers in the United States and Canada.

Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements and notes have been prepared in accordance with our accounting practices described in our audited consolidated financial statements as of and for the year ended December 31, 2016. In the opinion of management, the unaudited interim condensed consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position, results of operations and cash flows for the periods indicated. Such adjustments, other than nonrecurring adjustments that have been separately disclosed, are of a normal, recurring nature. The operating results for interim periods are not necessarily indicative of results to be expected for a full year or future interim periods. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2016 as filed on Form 10-K. The accompanying interim condensed consolidated financial statements are presented in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and, accordingly, do not include all the disclosures required by generally accepted accounting principles in the United States (“U.S. GAAP”) with respect to annual audited financial statements. Significant accounting policies are summarized in our 2016 Form 10-K.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*. The updated guidance eliminates step two of the goodwill impairment test and specifies that goodwill impairment should be measured by comparing the fair value of a reporting unit with its carrying amount. Additionally, the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets should be disclosed. The update is effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019; early adoption is permitted. We currently anticipate that adoption of the new standard will not have a material impact to our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* requiring lessees to recognize all leases (with the exception of short-term leases) at the commencement date as: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and (2) a right-of-use (“ROU”) asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The update is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. We currently anticipate that upon adoption of the new standard, ROU assets and lease liabilities will be recognized in amounts that will be material to the consolidated balance sheets.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments (Topic 805)* which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize measurement period adjustments during the period in which it determines the amount of the adjustment. The update was effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We adopted the ASU effective January 1, 2017 as there were no measurement period adjustments during fiscal year 2016, and the adoption did not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which supersedes existing revenue recognition requirements in U.S. GAAP. The updated guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the guidance establishes a five-step approach for the recognition of revenue. In March, April, May and December 2016, the FASB issued further guidance to provide clarity regarding principal versus agent considerations, the identification of performance obligations and certain other matters. The updates are currently effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. We are currently evaluating the provisions of the new standard and its potential impact on the Company’s revenue contracts by comparing our current accounting policies and practices to the requirements of the new standard, and identifying potential differences that would result from applying the new standard to our contracts.

2. Glacier Acquisition

On December 12, 2016, we completed the acquisition by merger (the “Acquisition”) of Glacier Water Services, Inc. (“Glacier”), the leading provider of high-quality drinking water dispensed to consumers through self-service water machines located at supermarkets and other retail locations. We believe that the Acquisition will diversify our retailer and financial concentration, create operational and shared services synergies and create cross-selling opportunities with retailers and consumers.

Aggregate consideration in connection with the Acquisition was \$200,220, consisting of a combination of cash, Primo common stock, the retirement or assumption of indebtedness and minority interests, and warrants to purchase shares of Primo common stock as outlined below. We financed the transaction through a combination of cash-on-hand and borrowings under the Goldman Credit Facility (see “Note 3 – Debt and Capital Leases, net of Debt Issuance Costs”). Operations of the acquired entity are included in the condensed consolidated statement of operations from the acquisition date. We incurred fees and expenses related to the Acquisition of \$2,037 and \$3,865 during the three and six months ended June 30, 2017, respectively, as recorded within non-recurring and acquisition-related costs.

A summary of the consideration paid is as follows:

Aggregate consideration:	
Cash consideration	\$ 49,397
Common stock issued	36,767
Warrants issued	8,420
Extinguishment of debt	64,658
Noncontrolling interest retired	40,978
Purchase price	<u>\$ 200,220</u>

During the six months ended June 30, 2017, we obtained additional information regarding the fair value of certain acquired property and equipment, capital leases, and accrued expenses based on facts that existed at the date of acquisition. We have recast the fair value of certain acquired property and equipment, and accrued expenses via a measurement period adjustment as follows:

	Purchase Price Allocation	Measurement Period Adjustment	Recast Purchase Price Allocation
Cash acquired	\$ 4,294	\$ –	\$ 4,294
Property and equipment	65,605	3,916	69,521
Identifiable intangible assets	142,330	–	142,330
Investments and other assets	11,765	(340)	11,425
Goodwill	91,822	115	91,937
Deferred tax liability	(13,607)	–	(13,607)
Net liabilities assumed	(101,989)	(3,691)	(105,680)
Aggregate purchase price	<u>\$ 200,220</u>	<u>\$ –</u>	<u>\$ 200,220</u>

The estimated fair values are subject to refinement during the measurement period (which is no longer than one year after the closing date of the acquisition), as additional information regarding closing date fair value becomes available. During the measurement period, the causes of any changes in cash flow estimates are considered to determine whether the change results from circumstances that existed at the acquisition date or if the change results from an event that occurred after the date of acquisition. The primary area of the purchase price allocation that is not yet finalized is property and equipment.

Unaudited pro forma results of operations are presented below for the three and six months ended June 30, 2017 and 2016, assuming that the Acquisition occurred on January 1, 2016. The pro forma information does not necessarily reflect the results of operations that would have occurred had we acquired Glacier at the beginning of 2016 as cost saving synergies are not reflected in the unaudited pro forma amounts.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net sales	\$ 74,817	\$ 69,874	\$ 135,554	\$ 134,053
Pro forma net (loss) income	\$ (2,475)	\$ 1,023	\$ (14,337)	\$ (720)
Basic (loss) earnings per common share:				
Net (loss) earnings attributable to common shareholders	\$ (0.07)	\$ 0.03	\$ (0.44)	\$ (0.02)
Diluted (loss) earnings per common share:				
Net (loss) earnings attributable to common shareholders	\$ (0.07)	\$ 0.03	\$ (0.44)	\$ (0.02)

3. Debt and Capital Leases, net of Debt Issuance Costs

Debt and capital leases, net of debt issuance costs are summarized as follows:

	June 30, 2017	December 31, 2016
Term loans	\$ 185,070	\$ 186,000
Debt issuance costs	(3,401)	(3,794)
Total Credit Facilities	181,669	182,206
Junior Subordinated Debentures	89,054	89,529
Capital leases	3,905	712
	274,628	272,447
Less current portion	(4,008)	(2,183)
Long-term debt and capital leases, net of current portion and debt issuance costs	\$ 270,620	\$ 270,264

Goldman Credit Facility

On December 12, 2016, we entered into the Goldman Credit Facility that provides for a \$186,000 term loan facility (the "Term Loan") and a \$10,000 revolving loan facility (the "Revolving Facility"). The Goldman Credit Facility matures on December 12, 2021. The Term Loan requires annual principal payments (payable in quarterly installments beginning March 31, 2017) equal to 1% per annum, or \$1,860, with the remaining indebtedness due at maturity. The Goldman Credit Facility is secured on a first priority basis by substantially all of our assets but no more than 65% of the voting equity of non-U.S. subsidiaries.

Interest on outstanding borrowings under the Goldman Credit Facility will be calculated at our option at either a base rate (which may be derived from the federal funds effective rate) or a London Interbank Offered Rate ("LIBOR"), subject to floors of 4.0% for the base rate and 1.0% per annum for LIBOR, respectively, plus, in each case, a margin, initially set at 5.50% per annum with respect to LIBOR loans and 4.50% per annum for base rate loans. Interest rate margins for the loans will step down upon the achievement of consolidated leverage ratios. A commitment fee of 0.50% per annum will be payable quarterly on the average undrawn portion of the Revolving Credit Facility. Total costs associated with the Goldman Credit Facility were \$4,291, which have been presented either as a direct deduction from the carrying amount of the debt within long-term debt and capital leases, net of current portion and debt issuance costs, with respect to costs attributable to the Term Loan, or within other assets, with respect to costs attributable to the Revolving Facility. The costs are being amortized as part of interest expense over the term of the Goldman Credit Facility. As of June 30, 2017, we had no outstanding borrowings and our availability was \$2,958 under the Revolving Facility.

The Goldman Credit Facility contains a number of affirmative and negative covenants that use consolidated adjusted EBITDA ("Adjusted EBITDA"). Adjusted EBITDA is a non-U.S. GAAP financial measure that is calculated as income (loss) from continuing operations before depreciation and amortization; interest expense, net; change in fair value of warrant liability; non-cash stock-based compensation expense; non-recurring and acquisition-related costs; and loss on disposal and impairment of property and equipment and other.

The primary operational covenants included in the Goldman Credit Facility are as follows: (i) a maximum fixed charge coverage ratio of 1.20:1.00, (ii) a maximum total leverage ratio of 4.25:1.00, declining to 4.00:1.00 on December 31, 2017, and (iii) a minimum consolidated liquidity of \$3,500, with the financial ratios to be tested as of the last day of each fiscal quarter and the minimum liquidity to be required at all times. The required financial ratios will step down further to lower levels in future periods as provided in the Goldman Credit Facility. At June 30, 2017 we were in compliance with all operational covenants, including (i) a fixed charge coverage ratio of 1.25:1.00 and (ii) a total leverage ratio of 3.74:1.00.

Junior Subordinated Debentures

In connection with the Acquisition, we assumed \$89,529 of Junior Subordinated Debentures (the “Subordinated Debentures”) issued to Glacier Water Trust I, a wholly owned subsidiary of Primo. Interest on the Subordinated Debentures accrues at an annual rate of 9.0625% payable monthly in arrears. The Subordinated Debentures mature on January 31, 2028 but may be redeemed at our option at any time at 100% of the principal amount plus any accrued but unpaid interest.

4. Glacier Warrants

On December 12, 2016, we issued warrants to purchase 2,000 shares of our common stock in connection with the Acquisition (the “Glacier Warrants”). The Glacier Warrants are exercisable as follows: 33% exercisable on and after June 10, 2017, an additional 33% become exercisable on and after September 8, 2017 and the final 34% become exercisable on and after December 12, 2017. The Glacier Warrants are exercisable at an exercise price of \$11.88 per share and expire on December 12, 2021.

The Glacier Warrants’ fair value at the date of issuance of \$8,420 was recorded as a liability on our condensed consolidated balance sheets as part of consideration for the Acquisition.

On March 13, 2017, we entered into Amendment No. 1 to the Glacier Warrant Agreement (the “Amendment”). The Amendment provides, among other things, that under no circumstances may a Glacier Warrant holder exercise any Glacier Warrants and receive a cash payment as a net cash settlement. Thus, effective March 13, 2017, the Glacier Warrants were no longer reported as a liability on the condensed consolidated balance sheet with changes in the fair value of the warrant liability reported within the condensed consolidated statements of operations. Instead, the Glacier Warrants were reported as equity instruments on the consolidated statements of stockholders’ equity. The change in the estimated fair value of the warrant liability for the period of January 1, 2017 through March 13, 2017 resulted in non-cash expense of \$3,220 as presented on the condensed consolidated statements of operations for the six months ended June 30, 2017. The Glacier Warrants’ estimated fair value as recorded on our condensed consolidated balance sheet was \$0 and \$8,180 as of June 30, 2017 and December 31, 2016, respectively.

The estimated fair value of these Warrants was determined using Level 3 inputs and assumptions within the Black- Scholes pricing model. The key assumptions used in the Black-Scholes model were as follows:

	March 13, 2017	December 31, 2016
Expected life in years	4.75	4.95
Risk-free interest rate	2.08%	1.92%
Expected volatility	33.0%	33.0%
Dividend yield	0.0%	0.0%

The risk-free interest rate was based on the U.S. Treasury rate for the expected remaining life of common stock warrants. Our expected volatility was based on the average long-term historical volatilities of peer companies. The dividend yield assumption was based on our current intent not to issue dividends.

5. Stock-Based Compensation

Overview

Total non-cash stock-based compensation expense by award type for all of our plans, all of which is included in selling, general and administrative expenses on our condensed consolidated statements of operations, was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Stock options	\$ 145	\$ 182	\$ 299	\$ 329
Restricted stock	861	289	1,448	434
Value Creation Plan	–	–	1,482	254
Long-Term Performance Plan	301	–	401	–
Employee Stock Purchase Plan	35	15	48	29
	<u>\$ 1,342</u>	<u>\$ 486</u>	<u>\$ 3,678</u>	<u>\$ 1,046</u>

Value Creation Plan

On May 7, 2012, we established the Value Creation Plan (the “VCP”), which was subsequently amended on May 14, 2013 and amended and restated on March 3, 2016. The VCP provided awards comprised of cash or equity grants for eligible employees as determined by the Compensation Committee, based on the attainment of certain performance-based targets. The VCP provided for the issuance of up to three separate awards to eligible employees based on our attainment of financial targets of at least \$15,000, \$24,000 and \$28,000 in Adjusted EBITDA for any fiscal year between 2014 and 2019. On December 22, 2016, the Compensation Committee of our Board of Directors approved the termination of the VCP, effective December 31, 2016, eliminating the third award related to the \$28,000 Adjusted EBITDA target.

The award pool for the second issuance based on the achievement of the \$24,000 Adjusted EBITDA target equaled 17.5% of the market capital appreciation of our stock from March 11, 2016 to March 20, 2017, the market close on the third full trading day after public announcement of financial results for 2016. On March 20, 2017, 1,370 shares were issued or deferred into the Primo Water Corporation Executive Deferred Compensation Plan (the “Deferred Compensation Plan”) as a result of the achievement of the \$24,000 Adjusted EBITDA target. The deferral of certain shares did not alter the existing vesting conditions, number of awards vested or the form of the awards issued under the VCP.

Long-Term Performance Plan

On February 28, 2017, we established the Long-Term Performance Plan (the “LTPP”). The LTPP provides equity grants for eligible employees based on the attainment of certain performance-based targets. Our intention is that all awards under the LTPP will be in the form of equity grants. The LTPP provides for the issuance of awards based on our attainment of financial targets for the period of January 1, 2017 through December 31, 2019. Awards earned vary based on achievement of the established financial targets of Adjusted EBITDA and free cash flow on a cumulative basis for fiscal years 2017 through 2019.

6. Commitments and Contingencies

Omnifrio Single-Serve Beverage Business

Deferred purchase price payments totaling \$1,901 were included within accrued expenses and other current liabilities on the condensed consolidated balance sheets as of December 31, 2016. These payments were related to the April 11, 2011 acquisition of certain intellectual property and other assets from the seller, Omnifrio Beverage Company LLC (“Omnifrio”).

On March 31, 2017, we entered into a settlement and release agreement with Omnifrio in which we agreed to a cash payment of \$710 to Omnifrio and to transfer all intellectual property and other assets purchased from Omnifrio in April 2011 back to Omnifrio. The settlement resulted in a gain of \$1,191, reported within non-recurring and acquisition-related costs on the condensed consolidated statement of operations for the six months ended June 30, 2017.

Texas Regional Operator Litigation/Arbitration

On August 8, 2014, a lawsuit was commenced against us by our regional operators Artesia Springs, LLC, HOD Enterprises, L.P., and BBB Water, Inc. (the “ROs”) in the State of Texas. DS Services of America, Inc. was also named as a defendant in the lawsuit. The claims alleged against us in the lawsuit were breach of contract, conspiracy and fraud, and the ROs sought unspecified monetary damages as well as injunctive relief. On April 10, 2015, the ROs initiated an arbitration proceeding with the American Arbitration Association (the “AAA”). We resolved the claims asserted by BBB Water, Inc. as of December 31, 2015, and BBB Water, Inc. is no longer a party to the arbitration proceedings.

We entered into a settlement and mutual release agreement with Artesia Springs, LLC and HOD Enterprises, L.P. on April 5, 2017, pursuant to which we agreed to make payments including interest in April, July and October 2017 totaling \$3,783. A liability of \$2,467 is included within accrued expenses and other liabilities on the condensed consolidated balance sheet as of June 30, 2017. The settlement resulted in other expense \$3,701, reported within non-recurring and acquisition-related costs on the condensed consolidated statement of operations for the six months ended June 30, 2017. The settlement also resulted in interest expense of \$61 for the three and six months ended June 30, 2017.

Prism Arbitration

On August 5, 2014, Primo Distribution, LLC (also known as Prism Distribution) initiated an arbitration proceeding against us, claiming less than \$1,000 in damages for alleged breach of contract. The arbitration was filed with the AAA, and was amended on December 19, 2014 to include additional claims for conversion, unfair and deceptive trade practices, fraud, and unjust enrichment.

On July 24, 2017, we entered into a settlement and mutual release agreement with Prism Distribution pursuant to which we agreed to make a payment to Prism of \$825. A liability of \$825 was recorded within accrued expenses and other liabilities on the condensed consolidated balance sheet as of June 30, 2017. The settlement resulted in expense of \$825, reported within non-recurring and acquisition-related costs on the condensed consolidated statement of operations for the three and six months ended June 30, 2017.

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, we believe certain vendors have not assessed the appropriate sales tax. For purchases that are subject to sales tax in which we believe the vendor did not assess the appropriate amount, we accrue an estimate of the sales tax liability we ultimately expect to pay.

Other Contingencies

From time to time, we are involved in various claims and legal actions that arise in the normal course of business. Management believes that the outcome of such claims and legal actions will not have a significant adverse effect on our financial position, results of operations or cash flows.

7. Income Taxes

We have established a full valuation allowance to offset the net deferred tax assets that are not expected to be realized. For the three months ended June 30, 2017 and 2016, there was \$186 and \$0 income tax expense recognized, respectively, and for the six months ended June 30, 2017 and 2016, there was \$373 and \$0 income tax expense recognized respectively, related to goodwill and intangibles.

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. We believe our prior ownership changes have created an annual limit, imposed by Section 382, on the amount of net operating loss we can utilize in a given year. Realization of the loss carryforwards is dependent upon generating sufficient taxable income prior to the expiration of the loss carryforwards, subject to the Section 382 limitation.

8. Fair Value Measurements

Fair value rules currently apply to all financial assets and liabilities and for certain nonfinancial assets and liabilities that are required to be recognized or disclosed at fair value. For this purpose, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- 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.

At June 30, 2017 and December 31, 2016, we held financial assets and liabilities that are required to be measured at fair value on a recurring basis. The financial assets and liabilities held by the Company and the fair value hierarchy used to determine their fair values are as follows:

	June 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investment in money market funds (1)	\$ 1	\$ 1	\$ —	\$ —
Investment in Glacier securities	\$ 3,800	\$ —	\$ 3,800	\$ —
Total assets	<u>\$ 3,800</u>	<u>\$ —</u>	<u>\$ 3,800</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration	\$ 1,486	\$ —	\$ —	\$ 1,486
Total liabilities	<u>\$ 1,486</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,486</u>
	December 31, 2016			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investment in money market funds (1)	\$ 675	\$ 675	\$ —	\$ —
Investment in Glacier securities	\$ 3,779	\$ —	\$ 3,779	\$ —
Total assets	<u>\$ 4,454</u>	<u>\$ 675</u>	<u>\$ 3,779</u>	<u>\$ —</u>
Liabilities:				
Warrant liability	\$ 8,180	\$ —	\$ —	\$ 8,180
Contingent consideration	\$ 1,513	\$ —	\$ —	\$ 1,513
Total liabilities	<u>\$ 9,693</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,693</u>

(1) Included in cash and cash equivalents in accompanying condensed consolidated balance sheets.

The carrying amounts of cash and cash equivalents, accounts receivable, net, accounts payable, and accrued expenses and other current liabilities, approximate their fair values due to their short maturities. Liabilities of the Disposal Group classified as held for sale and reported within accrued expenses and other current liabilities, and other long-term liabilities on our condensed consolidated balance sheets are presented at their carrying value, which approximates their fair value. Based on borrowing rates currently available to us for loans with similar terms, the variable interest rate for borrowings under our Goldman Credit Facility and the fact that the Junior Subordinated Debentures were recorded at fair value at the time of the Acquisition, the carrying value of debt and capital leases approximates fair value.

The following table provides a rollforward of the Company's Level 3 fair value measurements:

	Warrant Liability	Contingent Consideration
Balance at December 31, 2016	\$ 8,180	\$ 1,513
Change in fair value	3,220	(27)
Reclass Glacier warrant to equity	(11,400)	-
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 1,486</u>

9. Earnings Per Share

The following table sets forth the calculations of basic and diluted earnings per share:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Basic:				
(Loss) income from continuing operations	\$ (2,475)	\$ 2,278	\$ (14,337)	\$ 3,321
Loss from discontinued operations	-	(13)	-	(25)
Net (loss) income	<u>\$ (2,475)</u>	<u>\$ 2,265</u>	<u>\$ (14,337)</u>	<u>\$ 3,296</u>
Weighted average shares	<u>33,463</u>	<u>28,826</u>	<u>32,865</u>	<u>27,644</u>
Basic (loss) earnings per share from continuing operations	\$ (0.07)	\$ 0.08	\$ (0.44)	\$ 0.12
Basic loss per share from discontinued operations	-	-	-	-
Basic (loss) earnings per share	<u>\$ (0.07)</u>	<u>\$ 0.08</u>	<u>\$ (0.44)</u>	<u>\$ 0.12</u>
Diluted:				
(Loss) income from continuing operations	\$ (2,475)	\$ 2,278	\$ (14,337)	\$ 3,321
Loss from discontinued operations	-	(13)	-	(25)
Net (loss) income	<u>\$ (2,475)</u>	<u>\$ 2,265</u>	<u>\$ (14,337)</u>	<u>\$ 3,296</u>
Weighted average shares	33,463	28,826	32,865	27,644
Potential shares arising from stock options, restricted stock, warrants and contingently issuable shares under the VCP	-	1,275	-	2,012
Weighted average shares - diluted	<u>33,463</u>	<u>30,101</u>	<u>32,865</u>	<u>29,656</u>
Diluted (loss) earnings per share from continuing operations	\$ (0.07)	\$ 0.08	\$ (0.44)	\$ 0.11
Diluted loss per share from discontinued operations	-	-	-	-
Diluted (loss) earnings per share	<u>\$ (0.07)</u>	<u>\$ 0.08</u>	<u>\$ (0.44)</u>	<u>\$ 0.11</u>

For the three and six months ended June 30, 2017, stock options, warrants and unvested shares of restricted stock with respect to an aggregate of 1,236 and 1,417 shares, respectively, were excluded from the computation of the number of shares used in the diluted (loss) earnings per share. These shares have been excluded because we incurred a net loss for the respective periods and their inclusion would be anti-dilutive.

For the three and six months ended June 30, 2016, stock options, warrants and unvested shares of restricted stock with respect to an aggregate of 685 and 893 shares, respectively, have been excluded from the computation of the number of shares used in the diluted earnings per share because the exercise or grant prices of the awards were greater than the average market price of the underlying common stock and the effect of their inclusion would have been anti-dilutive.

For the six months ended June 30, 2016, contingently issuable shares related to the first award under the VCP were included in the computation of the number of shares used in the diluted earnings per share through the March 11, 2016 issuance or deferral into the Deferred Compensation Plan. Subsequent to March 11, 2016, such shares were used in the computation of the number of shares used in basic earnings per share.

10. Segments

We have three operating segments and three reportable segments: Primo Refill (“Refill”), Primo Exchange (“Exchange”) and Primo Dispensers (“Dispensers”).

Our Refill segment sales consists of the sale of filtered drinking water dispensed directly to consumers through technologically advanced, self-service machines located at major retailers throughout the United States and Canada.

Our Exchange segment sales consist of the sale of multi-gallon purified bottled water offered through retailers in the United States and Canada. Our Exchange products are offered through point of purchase display racks and recycling centers that are prominently located at major retailers in space that is often underutilized.

Our Dispensers segment sells water dispensers that are designed to dispense Primo and other dispenser-compatible bottled water. Our Dispensers sales are primarily generated through major U.S. retailers, where we recognize revenues for the sale of the water dispensers when title is transferred. We support retail sell-through with domestic inventory.

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 Refill consists primarily of costs associated with routine maintenance of reverse osmosis water filtration systems and filtered water displays as well as costs associated with obtaining meter readings to determine water usage, and collecting coins from our coin-operated machines. Cost of sales for Exchange consists primarily of costs for bottling, distribution and bottles. Cost of sales for Dispensers consists of contract manufacturing, freight and duties.

Selling, general and administrative expenses for Refill, Exchange, and Dispensers consist primarily of personnel costs for operations support 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 administration. Corporate expenses also include certain professional fees and expenses and compensation of our Board of Directors.

Effective May 31, 2017 Billy D. Prim transitioned from his position as Chief Executive Officer to the Executive Chairman of the Board of Directors. At that time, Matthew T. Sheehan, President and Chief Operating Officer, assumed the role of Chief Executive Officer. Following this change, we determined that we now have three reportable segments, Refill, Exchange, and Dispensers. These segments are reflective of how the Company’s Chief Operating Decision Maker (“CODM”) reviews operating results for the purposes of allocating resources and assessing performance. Prior periods have been recast to reflect the change in reportable segments.

The following table presents segment information for the following periods:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Segment net sales:				
Refill	\$ 44,163	\$ 6,748	\$ 80,528	\$ 13,157
Exchange	18,121	17,533	34,866	33,502
Dispensers	12,533	10,104	20,160	20,022
	<u>\$ 74,817</u>	<u>\$ 34,385</u>	<u>\$ 135,554</u>	<u>\$ 66,681</u>
Segment (loss) income from operations:				
Refill	\$ 11,497	\$ 3,311	\$ 20,206	\$ 6,317
Exchange	5,381	5,404	10,533	10,128
Dispensers	1,108	785	1,686	1,483
Corporate	(5,467)	(3,861)	(12,527)	(7,969)
Non-recurring and acquisition-related costs	(2,977)	(232)	(7,425)	(438)
Depreciation and amortization	(6,820)	(2,421)	(13,211)	(4,829)
Gain (loss) on disposal and impairment of property and equipment	11	(219)	18	(412)
	<u>\$ 2,733</u>	<u>\$ 2,767</u>	<u>\$ (720)</u>	<u>\$ 4,280</u>
Depreciation and amortization expense:				
Refill	\$ 5,444	\$ 1,077	\$ 10,456	\$ 2,134
Exchange	1,232	1,211	2,437	2,437
Dispensers	47	39	92	78
Corporate	97	94	226	180
	<u>\$ 6,820</u>	<u>\$ 2,421</u>	<u>\$ 13,211</u>	<u>\$ 4,829</u>
Capital expenditures:				
Refill			\$ 8,167	\$ 4,617
Exchange			1,697	1,894
Dispensers			57	-
Corporate			541	241
			<u>\$ 10,462</u>	<u>\$ 6,752</u>
Identifiable assets:				
Refill			\$ 345,711	\$ 344,796
Exchange			23,835	19,669
Dispensers			12,636	11,202
Corporate			6,112	15,718
			<u>\$ 388,294</u>	<u>\$ 391,385</u>

As of June 30, 2017 we had goodwill of \$91,994 as a result of the Acquisition. All goodwill is reported within our Refill segment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and related notes thereto in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2016. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the "safe harbor" created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as "believe," "expect," "may," "will," "should," "could," "seek," "intend," "plan," "estimate," "anticipate" or other comparable terms. These forward-looking statements are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in "Cautionary Note Regarding Forward-Looking Statements" in this Item 2 and in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2016. We urge you to consider those risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Overview

Primo Water Corporation (together with its consolidated subsidiaries, "Primo," "we," "our," or "us," or "the Company") is North America's leading single source provider of multi-gallon purified bottled water, self-service refill water and water dispensers sold through major retailers in the United States and Canada. We believe the market for purified water continues to grow due to evolving taste preferences, perceived health benefits and concerns regarding the quality of municipal tap water. Our products provide an environmentally friendly, economical, convenient and healthy solution for consuming purified and filtered water. We are a Delaware corporation that was founded in 2004 and is headquartered in Winston-Salem, North Carolina.

On December 12, 2016, we completed the acquisition by merger (the "Acquisition") of Glacier Water Services, Inc. ("Glacier"), the leading provider of high-quality drinking water dispensed to consumers through self-service water machines located at supermarkets and other retail locations. The Acquisition was consummated pursuant to the terms of the Agreement and Plan of Merger (the "Merger Agreement"), dated October 9, 2016. Aggregate consideration was approximately \$200.2 million consisting of cash, Primo common stock and warrants, plus the assumption of approximately \$78.8 million of debt, net of cash. The Acquisition diversifies retailer concentration and offers cross-selling opportunities, while creating operational and shared service synergies. We financed the transaction through a combination of cash-on-hand and borrowings under the \$196.0 million credit agreement with Goldman Sachs Bank USA (the "Goldman Credit Facility").

Our business is designed to generate recurring demand for our purified bottled water or self-service filtered drinking water through the sale of innovative water dispensers. This business strategy is commonly referred to as "razor-razorblade" because the initial sale of a product creates a base of users who frequently purchase complementary consumable products. Once our bottled water is consumed using a water dispenser, empty bottles are exchanged at our recycling center displays, which provide a recycling ticket that offers a discount toward the purchase of a new bottle of Primo purified water ("Exchange") or they are refilled at a self-service filtered drinking water location ("Refill"). Each of our multi-gallon Exchange water bottles can be sanitized and reused up to 40 times before being taken out of use, crushed and recycled, substantially reducing landfill waste compared to consumption of equivalent volumes of single-serve bottled water. As of June 30, 2017, our products were offered in the United States and in Canada at over 46,000 combined retail locations, including Lowe's Home Improvement, Walmart, The Home Depot, Meijer, Kroger, Food Lion, H-E-B Grocery, Sobeys, Circle K, Family Dollar, Walgreens, Albertsons, Publix, and CVS. We believe the market for purified water continues to grow due to evolving taste preferences, perceived health benefits and concerns regarding the quality of municipal tap water. Our products provide an environmentally friendly, economical, convenient and healthy solution for consuming purified and filtered water.

We provide major retailers throughout the United States and Canada with a single-vendor solution for our three reporting segments, Refill, Exchange, and Dispensers, addressing a market demand that we believe was previously unmet. Our solutions are easy for retailers to implement, require minimal management supervision and store-based labor, and provide centralized billing and detailed performance reports. Exchange offers retailers attractive financial margins and the ability to optimize typically unused retail space with our displays. Refill provides filtered water for consumer purchase through the installation of self-service vending displays at retail locations. The Refill business model eliminates the bottling and distribution infrastructure required to deliver traditional bottled water, thereby allowing us to provide filtered water at a value price. Additionally, due to the recurring nature of water consumption, retailers benefit from year-round customer traffic and highly predictable revenue. We believe the Acquisition will help us build out and expand our Refill operations in particular, given Glacier's extensive Refill network.

Business Segments

We have three operating segments and three reportable segments: Refill, Exchange, and Dispensers.

Our Refill segment sales consists of the sale of filtered drinking water dispensed directly to consumers through technologically advanced, self-service machines located at major retailers throughout the United States and Canada.

Our Exchange segment sales consist of the sale of multi-gallon purified bottled water offered through retailers in the United States and Canada. Our Exchange products are offered through point of purchase display racks and recycling centers that are prominently located at major retailers in space that is often underutilized.

Our Dispensers segment sells water dispensers that are designed to dispense Primo and other dispenser-compatible bottled water. Our Dispensers sales are primarily generated through major retailers in the U.S. and Canada, where we recognize revenues for the sale of the water dispensers when title is transferred. We support retail sell-through with domestic inventory.

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 Exchange consists primarily of costs for bottling, distribution and bottles. Cost of sales for Refill consists primarily of costs associated with routine maintenance of reverse osmosis water filtration systems and filtered water displays, as well as costs associated with obtaining meter readings to determine water usage and collecting coins from our coin-operated machines. Cost of sales for Dispensers consists of contract manufacturing, freight and duties.

Selling, general and administrative expenses for Refill, Exchange, and Dispensers consist primarily of personnel costs for operations support 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 administration. Corporate expenses also include certain professional fees and expenses and compensation of our Board of Directors.

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, when we refer to "same-store unit growth", we are comparing retail locations at which our products have been available for at least 12 months at the beginning of the relevant period. In addition, "gross margin percentage" is defined as net sales less cost of sales, as a percentage of net sales.

Results of Operations

The following table sets forth our results of operations (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Consolidated statements of operations data:				
Net sales	\$ 74,817	\$ 34,385	\$ 135,554	\$ 66,681
Operating costs and expenses:				
Cost of sales	54,079	23,968	96,892	46,915
Selling, general and administrative expenses	8,219	4,778	18,764	9,807
Non-recurring and acquisition-related costs	2,977	232	7,425	438
Depreciation and amortization	6,820	2,421	13,211	4,829
(Gain) loss on disposal and impairment of property and equipment	(11)	219	(18)	412
Total operating costs and expenses	72,084	31,618	136,274	62,401
Income (loss) from operations	2,733	2,767	(720)	4,280
Interest expense, net	5,022	489	10,024	959
Change in fair value of warrant liability	—	—	3,220	—
(Loss) income from continuing operations before income taxes	(2,289)	2,278	(13,964)	3,321
Provision for income taxes	186	—	373	—
(Loss) income from continuing operations	(2,475)	2,278	(14,337)	3,321
Loss from discontinued operations	—	(13)	—	(25)
Net (loss) income	\$ (2,475)	\$ 2,265	\$ (14,337)	\$ 3,296

The following table sets forth our results of operations expressed as a percentage of net sales:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Consolidated statements of operations data:				
Net sales	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Cost of sales	72.3	69.7	71.5	70.4
Selling, general and administrative expenses	11.0	13.9	13.8	14.7
Non-recurring and acquisition-related costs	4.0	0.7	5.5	0.7
Depreciation and amortization	9.1	7.1	9.7	7.2
(Gain) loss on disposal and impairment of property and equipment	—	0.6	—	0.6
Total operating costs and expenses	96.4	92.0	100.5	93.6
Income (loss) from operations	3.6	8.0	(0.5)	6.4
Interest expense, net	6.7	1.4	7.4	1.4
Change in fair value of warrant liability	—	—	2.4	—
(Loss) income from continuing operations	(3.1)	6.6	(10.3)	5.0
Provision for income taxes	0.2	—	0.3	—
(Loss) income from continuing operations	(3.3)	6.6	(10.6)	5.0
Loss from discontinued operations	—	—	—	(0.1)
Net (loss) income	(3.3)%	6.6%	(10.6)%	4.9%

The following table sets forth our segment net sales and segment income from operations presented on a segment basis and reconciled to our consolidated income from operations (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Segment net sales				
Refill	\$ 44,163	\$ 6,748	\$ 80,528	\$ 13,157
Exchange	18,121	17,533	34,866	33,502
Dispensers	12,533	10,104	20,160	20,022
Total net sales	\$ 74,817	\$ 34,385	\$ 135,554	\$ 66,681
Segment income (loss) from operations				
Refill	\$ 11,497	\$ 3,311	\$ 20,206	\$ 6,317
Exchange	5,381	5,404	10,533	10,128
Dispensers	1,108	785	1,686	1,483
Corporate	(5,467)	(3,861)	(12,527)	(7,969)
Non-recurring and acquisition-related costs	(2,977)	(232)	(7,425)	(438)
Depreciation and amortization	(6,820)	(2,421)	(13,211)	(4,829)
Gain (loss) on disposal and impairment of property and equipment	11	(219)	18	(412)
	\$ 2,733	\$ 2,767	\$ (720)	\$ 4,280

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Net Sales. Net sales increased 117.6%, or \$40.4 million, to \$74.8 million for the three months ended June 30, 2017 from \$34.4 million for the three months ended June 30, 2016. The change was due to increases in sales for Refill, Exchange, and Dispensers of \$37.4 million, \$0.6 million, and \$2.4 million, respectively.

Refill. Refill net sales increased over six-fold to \$44.2 million, representing 59.0% of our total net sales for the three months ended June 30, 2017. The increase in Refill net sales was primarily due to the Acquisition.

Exchange. Exchange net sales increased 3.4% to \$18.1 million, representing 24.2% of our total net sales for the three months ended June 30, 2017. The Exchange sales were driven by U.S. same-store unit growth of approximately 6.2% for the three months ended June 30, 2017. Overall, five-gallon equivalent units for Exchange increased to 3.7 million units for the three months ended June 30, 2017 from 3.5 million units for the same period of the prior year.

Dispensers. Dispensers net sales increased 24.0% to \$12.5 million, representing 16.8% of our total net sales for the three months ended June 30, 2017. The increase in Dispensers net sales was due primarily to increased consumer demand and the timing of orders by major retail customers compared to the prior year. Consumer demand, which we measure as the dispenser unit sales by our retail customers to consumers, was a record 169,000.

Gross Margin Percentage. The overall gross margin percentage was 27.7% for the three months ended June 30, 2017 compared to 30.3% for the same period of the prior year primarily due to the Acquisition as well as an increase in lower margin Dispenser sales.

Refill. Gross margin as a percentage of net sales for our Refill segment was 30.2% for the three months ended June 30, 2017 compared to 53.5% for the three months ended June 30, 2016 due to the impact of the Acquisition. With revenue reported as the amount charged to end consumers, primarily through coin-operated machines, and cost of goods sold including a commission paid to retailers, the historical Glacier refill business had a lower gross margin percentage than historical Primo refill business.

Exchange. Gross margin as a percentage of net sales for our Exchange segment was 32.3% for the three months ended June 30, 2017 compared to 33.0% for the three months ended June 30, 2016. The change was primarily due to changes in product and customer mix.

Dispensers. Gross margin as a percentage of net sales for our Dispensers segment increased to 12.2% for the three months ended June 30, 2017 from 10.1% for the three months ended June 30, 2016. The increase in gross margin percentage was primarily due to a favorable change in sales mix towards higher-margin products and improved supply chain costs.

Selling, General and Administrative Expenses ("SG&A"). SG&A increased to \$8.2 million for the three months ended June 30, 2017 from \$4.8 million for the three months ended June 30, 2016. As a percentage of net sales, SG&A decreased to 11.0% for the three months ended June 30, 2017 from 13.9% for the three months ended June 30, 2016. The increase in SG&A expense was driven by an increase in employee-related expenses of \$0.8 million, as well as an increase in water quality, tax compliance, insurance, and rent expense of \$1.0 million primarily related to the Acquisition. The increase was also attributable to the \$0.9 million increase in non-cash stock-based compensation expense (see "Note 5 - Stock-Based Compensation" in the Notes to the Condensed Consolidated Financial Statements).

Non-recurring and acquisition-related costs. Non-recurring and acquisition-related costs were \$3.0 million for the three months ended June 30, 2017 compared to \$0.2 million for the same period in 2016. The increase was due to costs associated with the Acquisition which totaled \$2.1 million for the three months ended June 30, 2017 (see "Note 2 – Glacier Acquisition" in the Notes to Condensed Consolidated Financial Statements), and the settlement amount of \$0.9 million related to the settlement with Prism Distribution (see "Note 6 – Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements).

Depreciation and Amortization. Depreciation and amortization increased to \$6.8 million for the three months ended June 30, 2017 from \$2.4 million for the three months ended June 30, 2016. The increase was primarily due to property and equipment, and intangibles acquired in connection with the Acquisition.

Interest Expense, net. Interest expense increased to \$5.0 million for the three months ended June 30, 2017 from \$0.5 million for the three months ended June 30, 2016. The increase was primarily due to increased debt levels related to the Goldman Credit Facility and the Subordinated Debentures assumed in connection of the Acquisition (see "Note 3 - Debt and Capital Leases, net of Debt Issuance Costs" in the Notes to the Condensed Consolidated Financial Statements).

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net Sales. Net sales increased 103.3%, or \$68.9 million, to \$135.6 million for the six months ended June 30, 2017 from \$66.7 million for the six months ended June 30, 2016. The change was due to increases in sales for Refill, Exchange, and Dispensers of \$67.4 million, \$1.4 million, and \$0.1 million, respectively.

Refill. Refill net sales increased over six-fold to \$80.5 million, representing 59.4% of our total net sales for the six months ended June 30, 2017. The increase in Refill net sales was primarily due to the Acquisition.

Exchange. Exchange net sales increased 4.1% to \$34.9 million, representing 25.7% of our total net sales for the six months ended June 30, 2017. The Exchange sales were driven by U.S. same-store unit growth of approximately 6.2% for the six months ended June 30, 2017. Overall, five-gallon equivalent units for Exchange increased to 7.1 million units for the six months ended June 30, 2017 from 6.6 million units for the same period of the prior year.

Dispensers. Dispensers net sales increased 0.7% to \$20.2 million, representing 14.9% of our total net sales for the six months ended June 30, 2017. The increase in Dispensers net sales was primarily due to the timing of orders from major retailers compared to the prior year. Consumer demand, which we measure as the dispenser unit sales by our retail customers to consumers, was a record 312,000 for the six months ended June 30, 2017. Our dispenser unit sales to retailers increased by 6.1% for the six months ended June 30, 2017 compared to the same period in 2016. The increase in sales units was greater than the increase in sales dollars primarily due to a shift in customer and item mix.

Gross Margin Percentage. The overall gross margin percentage was 28.5% for the six months ended June 30, 2017 compared to 29.6% for the six months ended June 30, 2016 due to the Acquisition.

Refill. Gross margin as a percentage of net sales for our Refill segment was 30.8% for the six months ended June 30, 2017 compared to 52.8% for the six months ended June 30, 2016 due to the impact of the Acquisition. With revenue reported as the amount charged to end consumers, primarily through coin-operated machines, and cost of goods sold including a commission paid to retailers, the historical Glacier refill business has a lower gross margin percentage than the historical Primo refill business.

Exchange. Gross margin as a percentage of net sales for our Exchange segment was 32.8% for the six months ended June 30, 2017, compared to 32.3% for the six months ended June 30, 2016.

Dispensers. Gross margin as a percentage of net sales for our Dispensers segment increased to 11.9% for the six months ended June 30, 2017 from 10.0% for the six months ended June 30, 2016. The increase in gross margin percentage was primarily due to a favorable change in sales mix towards higher-margin products and improved supply chain costs.

Selling, General and Administrative Expenses ("SG&A"). SG&A increased 91.3% to \$18.8 million for the six months ended June 30, 2017 from \$9.8 million for the six months ended June 30, 2016. As a percentage of net sales, SG&A decreased to 13.8% for the six months ended June 30, 2017 from 14.7% for the six months ended June 30, 2016. The increase in SG&A expense was driven by an increase in employee-related expenses of \$2.9 million, as well as an increase in water quality, tax compliance, insurance, and rent expense of \$1.9 million primarily related to the Acquisition. The increase was also attributable to the \$2.6 million increase in non-cash stock-based compensation expense, which was primarily related to the \$1.2 million increase for performance-based awards granted under the VCP that were contingent on achieving certain financial targets (see "Note 5 - Stock-Based Compensation" in the Notes to the Condensed Consolidated Financial Statements).

Non-Recurring Costs. Non-recurring costs were \$7.4 million for the six months ended June 30, 2017 compared to \$0.4 million for the same period in 2016. The increase was primarily due to settlement payments and legal expenses totaling \$4.6 million associated with former Texas Regional Distributors and Prism Distribution, and costs associated with the Acquisition totaling \$3.9 million for the six months ended June 30, 2017 (see "Note 2 – Glacier Acquisition" in the Notes to Condensed Consolidated Financial Statements). These costs were partially offset by a settlement reached with Omnifrio resulting in a \$1.2 million gain (see "Note 6 – Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements).

Depreciation and Amortization. Depreciation and amortization increased to \$13.2 million for the three months ended June 30, 2017 from \$4.8 million for the three months ended June 30, 2016. The increase was primarily due to property and equipment, and intangibles acquired in connection with the Acquisition.

Interest Expense, net. Interest expense increased to \$10.0 million for the six months ended June 30, 2017 from \$1.0 million for the six months ended June 30, 2016. The increase was primarily due to increased debt levels related to the Goldman Credit Facility and the Subordinated Debentures assumed in connection of the Acquisition (see "Note 3 - Debt and Capital Leases, net of Debt Issuance Costs" in the Notes to the Condensed Consolidated Financial Statements).

Liquidity and Capital Resources

Adequacy of Capital Resources

Since our inception, we have financed our operations primarily through the sale of stock, the issuance of debt, borrowings under credit facilities and cash provided by operations. While we had no material commitments for capital expenditures as of June 30, 2017, we anticipate net capital expenditures to range between \$9.0 million and \$11.0 million for the remainder of 2017. Anticipated capital expenditures are related primarily to growth and maintenance in Refill and Exchange locations. We anticipate using cash on hand and availability under the Goldman Credit Facility to meet these capital commitments.

At June 30, 2017, our cash and cash equivalents totaled \$4.5 million and we had \$7.5 million in availability under our revolving credit facility. We anticipate that our current cash, availability under our revolving credit facility and cash flow from operations will be sufficient to meet our current needs for working capital and capital expenditures in the ordinary course of business for the foreseeable future. Given our increased indebtedness incurred under the Goldman Credit Facility in connection with the Acquisition, if we do require additional debt financing, such debt financing may not be available to us on terms favorable to us, if at all.

Our future capital requirements may vary materially from those now anticipated and will depend on many factors including: the rate of growth in new Refill or Exchange locations and related display, rack and reverse osmosis filtration system costs, cost to develop new Dispenser product lines, sales and marketing resources needed to further penetrate our markets, the expansion of our operations in the United States and Canada, the response of competitors to our solutions and products, as well as acquisition and integration of Glacier. Historically, we have experienced increases in our capital expenditures consistent with the growth in our operations and personnel, and we anticipate that our expenditures will continue to increase as we grow our business.

Our ability to satisfy our obligations or to fund planned capital expenditures will depend on our future performance, which to a certain extent is subject to general economic, financial, competitive, legislative, regulatory and other factors beyond our control. We also believe that if we pursue any material acquisitions in the foreseeable future we will need to finance this activity through the issuance of equity or additional debt financing.

Changes in Cash Flows

The following table shows the components of our cash flows for the periods presented (in millions):

	Six months ended June 30,	
	2017	2016
Net cash provided by operating activities	\$ 5.0	\$ 7.8
Net cash used in investing activities	\$ (10.5)	\$ (6.8)
Net cash used in financing activities	\$ (5.6)	\$ (1.3)

Net Cash Flows from Operating Activities

Net cash provided by operating activities decreased to \$5.0 million for the six months ended June 30 2017, from \$7.8 million for the same period of the prior year, driven primarily by the decrease in income from continuing operations, partially offset by changes in operating assets and liabilities.

Net Cash Flows from Investing Activities

Net cash used in investing activities increased to \$10.5 million for the six months ended June 30, 2017, from \$6.8 million for the same period of the prior year, primarily as a result of increased investing activities associated with our Refill segment post Acquisition. Our primary investing activities are typically capital expenditures for equipment and bottles and include expenditures related to the installation of our recycle centers, display racks, reverse osmosis filtration systems and vending equipment at new Refill and Exchange locations.

Net Cash Flows from Financing Activities

Net cash used in financing activities increased to \$5.6 million for the six months ended June 30, 2017, from \$1.3 million for the same period of the prior year, driven primarily by an increase in shares purchased to pay taxes associated with certain incentive stock award payouts, as well as an increase in debt service payments under the Goldman Credit Facility.

Adjusted EBITDA U.S. GAAP Reconciliation

Adjusted EBITDA is a non-U.S. GAAP financial measure that is calculated as income (loss) from continuing operations before depreciation and amortization; interest expense, net; change in fair value of warrant liability; non-cash stock-based compensation expense; non-recurring and acquisition-related costs; and loss on disposal and impairment of property and equipment and other. Our Credit Agreement contains financial covenants that use Adjusted EBITDA. We believe Adjusted EBITDA provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Adjusted EBITDA is used by management to compare our performance to that of prior periods for trend analyses and planning purposes and is presented to our board of directors.

Non-U.S. GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP. Adjusted EBITDA excludes significant expenses that are required by U.S. GAAP to be recorded in our financial statements and is subject to inherent limitations. In addition, other companies in our industry may calculate this non-U.S. GAAP measure differently than we do or may not calculate it at all, limiting its usefulness as a comparative measure. The table below provides a reconciliation between income (loss) from continuing operations and Adjusted EBITDA.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Loss) income from continuing operations	\$ (2,475)	\$ 2,278	\$ (14,337)	\$ 3,321
Depreciation and amortization	6,820	2,421	13,211	4,829
Interest expense, net	5,022	489	10,024	959
Provision for income taxes	186	–	373	–
EBITDA	9,553	5,188	9,271	9,109
Change in fair value of warrant liability	–	–	3,220	–
Non-cash, stock-based compensation expense	1,342	486	3,678	1,046
Non-recurring and acquisition-related costs	2,977	232	7,425	438
Loss on disposal and impairment of property and equipment and other	92	257	149	491
Adjusted EBITDA	<u>\$ 13,964</u>	<u>\$ 6,163</u>	<u>\$ 23,743</u>	<u>\$ 11,084</u>

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. Additionally, we are not a party to any derivative contracts or synthetic leases.

Inflation and Changing Prices

In the three most recent fiscal years, inflation and changing prices have not had a material effect on our business and we do not expect that inflation or changing prices will materially affect our business in the foreseeable future.

Seasonality; Fluctuations of Results

We have experienced and expect to continue to experience seasonal fluctuations in our sales and operating income. Our sales and operating income have been highest in the spring and summer and lowest in the fall and winter. Our Refill and Exchange segments, which generally enjoy higher margins than our Dispensers segment, experiences higher sales and operating income in the spring and summer. We have historically experienced higher sales and operating income from our Dispensers segment in spring and summer; however, we believe the seasonality of dispenser sales are more dependent on retailer inventory management and purchasing cycles and not correlated to weather. Sustained periods of poor weather, particularly in the spring and summer, can negatively impact our sales in our higher margin Refill and Exchange segments. Accordingly, our results of operations in any quarter will not necessarily be indicative of the results that we may achieve for a year or any future quarter.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Cautionary Note Regarding Forward-Looking Statements

This document includes and other information we make public from time to time may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements about our estimates, expectations, projections, beliefs, intentions or strategies for the future, and the assumptions underlying such statements. We use the words "anticipates," "believes," "estimates," "expects," "intends," "forecasts," "may," "will," "should," and similar expressions to identify our forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Factors that could cause these differences include, but are not limited to, the factors set forth in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There has been no material change in our exposure to market risk during the three or six months ended June 30, 2017. Please refer to "Quantitative and Qualitative Disclosures about Market Risk" contained in Part II, Item 7A of our Form 10-K for the year ended December 31, 2016 for a discussion of our exposure to market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including the chief executive officer (“CEO”) and chief financial officer (“CFO”), of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”)) pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures are effective for the purpose of providing reasonable assurance that the information required to be disclosed in the reports we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

On December 12, 2016, we completed the acquisition of Glacier. As this acquisition occurred in the fourth quarter of 2016, the scope of our assessment of the effectiveness of internal control over financial reporting does not include this recent acquisition. As of December 31, 2016, this exclusion was in accordance with the SEC’s general guidance that an assessment of a recently acquired business may be omitted from the scope of the assessment in the first year of consolidating the acquired business, if specified conditions are satisfied. We are currently integrating Glacier into our control environment. Glacier is an indirect, wholly owned subsidiary whose total assets and total revenue represent approximately 57% and 49%, respectively, of our related unaudited condensed consolidated financial statement amounts as of and for the three and six months ended June 30, 2017.

Other than the change noted above, there was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Texas Regional Operator Litigation/Arbitration

On August 8, 2014, a lawsuit was commenced against us by our regional operators Artesia Springs, LLC, HOD Enterprises, L.P., and BBB Water, Inc. (the “ROs”) in the State of Texas. DS Services of America, Inc. was also named as a defendant in the lawsuit. The claims alleged against us in the lawsuit were breach of contract, conspiracy and fraud. On April 10, 2015, the ROs initiated an arbitration proceeding with the American Arbitration Association. We resolved the claims asserted by BBB Water, Inc. as of December 31, 2015. We entered into a settlement and mutual release agreement with Artesia Springs, LLC and HOD Enterprises, L.P. on April 5, 2017, pursuant to which we agreed to make payments totaling approximately \$3.8 million.

Prism Arbitration

On August 5, 2014, Primo Distribution, LLC (also known as Prism Distribution) initiated an arbitration proceeding against us, claiming less than \$1.0 million in damages for alleged breach of contract. The arbitration was filed with the AAA, and was amended on December 19, 2014 to include additional claims for conversion, unfair and deceptive trade practices, fraud, and unjust enrichment.

We entered into a settlement and mutual release agreement with Prism Distribution on July 24, 2017, pursuant to which we agreed to make an \$0.8 million payment to Prism.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed under Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report. There have been no material changes to such risk factors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits**EXHIBIT INDEX**

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated May 18, 2017, by and among Primo Water Corporation, Primo Water Operations, Inc. and New PW Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on May 19, 2017)
3.1	Amended and Restated Certificate of Incorporation of Primo Water Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 19, 2017)
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Primo Water Corporation (incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-3 (File No. 333-200016) filed on May 19, 2017)
3.3	Bylaws of Primo Water Corporation ⁽¹⁾
4.1	Specimen Certificate representing shares of common stock of Primo Water Corporation (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on May 19, 2017)
4.2	Amendment to Sixth Amended and Restated Certificate of Incorporation of Primo Water Operations, Inc. (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on May 19, 2017)
10.1	Compensation Plan and Warrant Assignment Agreement, dated May 18, 2017, by and between Primo Water Corporation and Primo Water Operations, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 19, 2017) ⁽²⁾
31.1	Certification of Periodic Report by Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14a and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Periodic Report by Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14a and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Periodic Report by Chief Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document ⁽¹⁾
101.SCH	XBRL Taxonomy Extension Schema Document ⁽¹⁾
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document ⁽¹⁾
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document ⁽¹⁾
101.LAB	XBRL Taxonomy Extension Label Linkbase Document ⁽¹⁾
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document ⁽¹⁾

(1) Included herewith

(2) Indicates management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRIMO WATER CORPORATION
(Registrant)

Date: August 9, 2017

By: /s/ Matthew T. Sheehan
Matthew T. Sheehan
Chief Executive Officer

Date: August 9, 2017

By: /s/ Mark Castaneda
Mark Castaneda
Chief Financial Officer

**BYLAWS
OF
PRIMO WATER CORPORATION**

ARTICLE I
OFFICES

SECTION 1.01. Principal Office. The principal office of Primo Water Corporation (the “Corporation”) shall be located in Winston-Salem, North Carolina or such other place as is designated by the Board of Directors of the Corporation (the “Board of Directors”).

SECTION 1.02. Registered Office. The registered office of the Corporation required by law to be maintained in the State of Delaware shall be in the City of Wilmington, County of New Castle, and the resident agent in charge thereof shall be Corporation Trust Company, or such other office or agent as the Board of Directors shall from time to time select.

SECTION 1.03. Other Offices. The Corporation may also have an office or offices, and keep the books and records of the Corporation, except as may otherwise be required by law, at such other places, either within or without the State of Delaware, as the Board of Directors may from time to time determine or as the affairs of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

SECTION 2.01. Time and Place of Meetings. The meetings of the stockholders shall be held at such time and place, either within or without the State of Delaware, as shall from time to time be fixed by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the General Corporation Law of the State of Delaware (the “DGCL”) (or any successor provision thereto). Any previously scheduled meeting of the stockholders may be postponed by action of the Board of Directors taken prior to the time previously scheduled for such meeting of stockholders.

SECTION 2.02. Annual Meeting. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on such date and at such hour as shall from time to time be fixed by the Board of Directors.

SECTION 2.03. Notice of Meetings. Except as otherwise provided by law or by the Certificate of Incorporation of the Corporation (the “Certificate”), notice of each meeting of the stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to notice of the meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder’s address as it appears on the records of the Corporation. Each such notice shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy without protesting, prior to or at the commencement of the meeting, the lack of proper notice to such stockholder, or who shall waive notice thereof as provided in Article VIII of these Bylaws. When a meeting is adjourned for thirty (30) days or more, or when a new record date is fixed after the adjournment for the adjourned meeting, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment and a new record date is not fixed, it is not necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which the adjournment is taken.

SECTION 2.04. Voting Lists. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be produced and kept available at the times and places required by law.

SECTION 2.05. Quorum.

(a) Unless otherwise provided by law, the holders of a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. When a quorum is present at the original meeting, any business which might have been transacted at the original meeting may be transacted at an adjourned meeting, even when a quorum is not present. In the absence of a quorum at the opening of any meeting of stockholders, such meeting may be adjourned from time to time by the Board of Directors or the vote of a majority of the shares voting on the motion to adjourn, but no other business may be transacted until and unless a quorum is present. If later a quorum is present at an adjourned meeting, then any business may be transacted which might have been transacted at the original meeting.

(b) The stockholders at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of sufficient stockholders to leave less than a quorum.

SECTION 2.06. Order of Business; Advance Notice of Stockholder Proposals. At any annual meeting of stockholders, only such business shall be conducted as shall have been brought before the annual meeting (a) by or at the direction of the chairman of the meeting, or (b) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) by any stockholder who is a holder of record at the time of the giving of the notice provided for in this Section 2.06, who is entitled to vote at the meeting and who complies with the procedures set forth in this Section 2.06.

At each meeting of the stockholders, the Chairman of the Board of Directors or, in the absence of the Chairman of the Board of Directors, the President or, in the absence of the Chairman of the Board of Directors and the President, such person as shall be selected by the Board of Directors shall act as chairman of the meeting. The order of business at each such meeting shall be as determined by the chairman of the meeting. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting including the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof and the opening and closing of the voting polls.

For business properly to be brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the date of the immediately preceding annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, notice by the stockholder to be timely must be so delivered or received not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Each such notice to the Secretary shall set forth in writing:

- (a) the name and address of the stockholder and any Stockholder Associated Person (hereinafter defined) of such stockholder;
- (b) a representation that the stockholder or Stockholder Associated Person intends to appear in person or by proxy at the meeting to make the nomination or bring up the matter specified in the notice;
- (c) as to each of the stockholder and all Stockholder Associated Persons, if any, of such stockholder (i) the class or series and number of shares of the Corporation which are directly or indirectly owned beneficially and of record by such stockholder or Stockholder Associated Person; (ii) any option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder or Stockholder Associated Person, and any other direct or indirect opportunity of such stockholder or Stockholder Associated Person to profit or share in any profit derived from any increase or decrease in the value of the shares of the Corporation; (iii) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or Stockholder Associated Person has a right to vote any shares of any security of the Corporation; (iv) any short interest of such stockholder or Stockholder Associated Person in any security of the Corporation (for purposes of these Bylaws, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security); (v) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; and (vi) any performance-related fees that such stockholder or Stockholder Associated Person is entitled to receive, either directly or indirectly, based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments; in each case, if any, such information shall be as of the date of such notice, (which information shall be supplemented by such stockholder as to itself and any Stockholder Associated Person not later than 10 days after the record date for the meeting to disclose such ownership as of the record date);
- (d) a brief description of each item of business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting;
- (e) any interest of the stockholder or any Stockholder Associated Person, if any, in such business, including a description of all arrangements and understandings between or among any stockholder, any Stockholder Associated Person, if any, and any other person or persons (naming such person or persons) in connection with the proposal of such business; and
- (f) if the stockholder intends to solicit proxies in support of such stockholder's proposal, a representation to that effect.

If a stockholder who otherwise has given proper notice of a proposal does not appear or send a qualified representative to present such proposal at such annual meeting or is no longer a holder of record on the date of such meeting, the Corporation need not present such proposal for a vote at such meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 2.06. The chairman of an annual meeting may refuse to permit any business to be brought before an annual meeting which fails to comply with the foregoing procedures or, in the case of a stockholder proposal, if the stockholder solicits proxies in support of such stockholder's proposal without having made the representation required by clause (f) of the immediately preceding paragraph.

For purposes of this Section 2.06 and Section 3.04 below:

(1) The term "public announcement" shall mean disclosure (i) in a press release reported by the Dow Jones News Service, Reuters Information Service or any similar or successor news wire service or (ii) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") or any successor provisions thereto; and

(2) The term "Stockholder Associated Person" shall mean, with respect to a stockholder, (A) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (B) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder, including interests held by members of such stockholder's immediate family sharing the same household, and (C) any person controlling, controlled by or under common control with such Stockholder Associated Person.

Notwithstanding anything in this Section 2.06 to the contrary, a stockholder seeking to include a proposal in a proxy statement that has been prepared by the Corporation to solicit proxies also shall comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.06. Nothing in this Section 2.06 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

SECTION 2.07. Voting of Shares. Except as otherwise provided by law or by the Certificate, each stockholder of record of any series of preferred stock shall be entitled at each meeting of stockholders to such number of votes, if any, for each share of such stock, as may be fixed in the Certificate or in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such stock, and each stockholder of record of common stock shall be entitled at each meeting of stockholders to one vote for each share of such stock, in each case, registered in such stockholder's name on the books of the Corporation:

(a) on the date fixed pursuant to Section 6.06 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting; or

(b) if no such record date shall have been so fixed, then at the close of business on the day next preceding the day on which notice of such meeting is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

Each stockholder entitled to vote at any meeting of stockholders may authorize one or more persons to act for such stockholder by proxy. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated for holding such meeting, but in any event not later than the time designated in the order of business for so delivering such proxies. No such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

At each meeting of the stockholders, all corporate actions to be taken by vote of the stockholders (except as otherwise required by law and except as otherwise provided for or fixed by or pursuant to the Certificate or these Bylaws) shall be authorized by a majority of the votes cast by the stockholders entitled to vote thereon who are present in person or represented by proxy, and where a separate vote by class or series is required, a majority of the votes cast by the stockholders of such class or series who are present in person or represented by proxy shall be the act of such class or series.

Unless required by law or determined by the chairman of the meeting to be advisable, the vote on any matter, including the election of directors, need not be by written ballot.

SECTION 2.08. Inspectors of Election.

(a) In advance of any meeting of stockholders, the Board of Directors may appoint any persons, other than nominees for office, as inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election are not so appointed, the chairman of any such meeting may appoint inspectors of election at the meeting. The number of inspectors shall be either one or three. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting or at the meeting by the person acting as chairman.

(b) The inspectors of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all stockholders. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

(c) If there are three inspectors of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge or question or matter determined by them and shall execute a certificate of any fact found by them. Any report or certificate made by them shall be a prima facie evidence of the facts stated therein.

ARTICLE III
BOARD OF DIRECTORS

SECTION 3.01. General Powers. In accordance with the Certificate, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors or by such committees as the Board of Directors may establish pursuant to these Bylaws, except as otherwise provided by law or by the Certificate. If any such provision is made in the Certificate, the powers and duties imposed upon the Board of Directors by law shall be exercised or performed to such extent and by such person or persons as shall be provided in the Certificate.

SECTION 3.02. Number and Term. The number of directors of the Corporation shall be determined in accordance with the Certificate. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies. Directors need not be residents of the State of Delaware or stockholders of the Corporation.

SECTION 3.03. Election of Directors. Except as provided in the Certificate, the directors shall be elected at the annual meeting of stockholders. Those persons who receive the highest number of votes shall be deemed to have been elected.

SECTION 3.04. Notification of Nominations. Nominations for the election of directors may be made by or at the direction of the Board of Directors, or by any stockholder who is a stockholder of record at the time of the giving of notice of nomination provided for in this Section 3.04 and is entitled to vote for the election of directors, and who complies with the procedures set forth in this Section 3.04. Any stockholder of record entitled to vote for the election of directors at a meeting may nominate persons for election as directors only if timely written notice of such stockholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation with respect to an election to be held at an annual meeting of stockholders, not less than 90 days nor more than 120 days prior to the first anniversary of the date of the immediately preceding annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, notice by the stockholder to be timely must be so delivered or received not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Each such notice shall set forth:

(a) the name and address of the stockholder who intends to make the nomination and any Stockholder Associated Person of such stockholder, and of the person or persons to be nominated;

(b) as to such stockholder and all Stockholder Associated Persons, if any, of such stockholder (i) the class or series and number of shares of the Corporation which are directly or indirectly owned beneficially and of record by such stockholder or Stockholder Associated Person; (ii) a Derivative Instrument directly or indirectly owned beneficially by such stockholder or Stockholder Associated Person, and any other direct or indirect opportunity of such stockholder or Stockholder Associated Person to profit or share in any profit derived from any increase or decrease in the value of the shares of the Corporation; (iii) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or Stockholder Associated Person has a right to vote any shares of any security of the Corporation; (iv) any short interest of such stockholder or Stockholder Associated Person in any security of the Corporation (for purposes of these Bylaws, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security); (v) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; and (vi) any performance-related fees that such stockholder or Stockholder Associated Person is entitled to receive, either directly or indirectly, based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments; in each case, if any, such information shall be as of the date of such notice, (which information shall be supplemented by such stockholder as to itself and any Stockholder Associated Person not later than 10 days after the record date for the meeting to disclose such ownership as of the record date);

(c) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

(d) a description of all arrangements or understandings between or among the stockholder, any Stockholder Associated Person, and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;

(e) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, or to be obtained by the Corporation from such nominee in connection with such proxy statement, had each nominee been nominated, or intended to be nominated, by the Board of Directors, and an agreement by each nominee to furnish such information as may reasonably be required by the Corporation determine the eligibility of such nominee to serve as an independent director of the Corporation, or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee;

(f) the consent of each nominee to serve as a director if so elected; and

(g) if the stockholder intends to solicit proxies in support of such stockholder's nominee(s), a representation to that effect.

The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure or if the stockholder solicits proxies in favor of such stockholder's nominee(s) without having made the representation required by clause (g) of the immediately preceding paragraph. Only such persons who are nominated in accordance with the procedures set forth in this Section 3.04 shall be eligible to serve as directors of the Corporation.

Notwithstanding anything in the immediately preceding paragraph of this Section 3.04 to the contrary, in the event that the number of directors to be elected to the Board of Directors at an annual meeting of stockholders is increased and there is no public announcement naming all of the nominees for directors or specifying the size of the increased Board of Directors made by the Corporation at least 90 days prior to the first anniversary of the date of the immediately preceding annual meeting, a stockholder's notice required by this Section 3.04 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to or mailed to and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

SECTION 3.05. Chairman. There may be a Chairman of the Board of Directors elected by the directors from their number at any meeting of the Board of Directors. The Board of Directors shall designate the Chairman as either a "non-executive" Chairman of the Board of Directors or, in accordance with Section 5.05 of these Bylaws, an Executive Chairman of the Board of Directors. References in these Bylaws to the "Chairman of the Board of Directors" shall mean the non-executive Chairman or the Executive Chairman, as designated by the Board of Directors. The Chairman shall preside at all meetings of the Board of Directors and of stockholders and perform such other duties as may be directed by the Board of Directors. Until a Chairman of the Board of Directors is elected, the President of the Corporation shall preside at the meetings of the Board of Directors provided such person is a director.

SECTION 3.06. Compensation. The Board of Directors may provide for the compensation of directors for their services as such and may provide for the payment of any and all expenses incurred by the directors in connection with such services. Nothing in this Section 3.08 shall preclude any director from serving the Corporation or any of its subsidiaries in any other capacity and receiving proper compensation therefor.

SECTION 3.07. Committees. The Board of Directors, by resolution adopted by a majority of the entire Board of Directors, shall designate from among its members an Audit Committee and may designate from among its members a Nominating and Governance Committee, a Compensation Committee, and other committees, each consisting of one or more directors, with such functions, duties and powers as the Board of Directors shall by resolution prescribe. A majority of all the members of any such committee may determine its actions and rules or procedure, and fix the time, place and manner of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any such committee at any time, to fill vacancies, and to discharge any such committee, either with or without cause, at any time.

ARTICLE IV
MEETINGS OF DIRECTORS

SECTION 4.01. Regular Meetings. The Board of Directors may provide, by resolution, the time and place for the holding of regular meetings.

SECTION 4.02. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board of Directors (if one has been duly elected), the President or any two directors, and shall be held at such place, on such date and at such time as he or they, as applicable, shall fix.

SECTION 4.03. Notice of Meetings. Regular meetings of the Board of Directors may be held without notice. Notice of an adjourned meeting need not be given if the time and place are fixed at the meeting adjourning and if the period of adjournment does not exceed ten (10) days in any one adjournment. The person or persons calling a special meeting of the Board of Directors shall, at least two (2) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. A director may waive notice of any meeting. Attendance by a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 4.04. Quorum. A majority of the directors in office immediately before the meeting shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

SECTION 4.05. Manner of Acting.

(a) The act of a majority of the directors then in office shall be the act of the Board of Directors, unless a greater number is required by law, the Certificate, or these Bylaws.

(b) A director, who is present at a meeting of the Board of Directors at which action on any corporate matter is taken, shall be presumed to have assented to the action taken unless such Director's contrary vote is recorded or such director's dissent is otherwise entered in the minutes of the meeting or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or promptly following approval of the minutes of such meeting. Such right of dissent shall not apply to a director who voted in favor of such action.

SECTION 4.06. Action By Consent. Unless otherwise restricted by the Certificate or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or of any such committee, as the case may be, consent thereto in writing, by electronic transmission or transmissions, or as otherwise permitted by law, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 4.07. Participation in Meeting by Means of Communications Equipment. Any one or more directors or members of a committee may participate in a meeting of the Board of Directors or of any such committee by means of a conference telephone or similar communications device which allows all persons participating in the meeting to hear each other or as otherwise permitted by law, and such participation in the meeting shall constitute presence in person at such meeting.

ARTICLE V
OFFICERS

SECTION 5.01. Number. The officers of the Corporation shall consist of a Chief Executive Officer (who may also be the President), a President, a Secretary, a Treasurer, a Controller, and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board of Directors may from time to time elect, each to have such authority, functions or duties as provided in these Bylaws or as the Board of Directors may from time to time determine. The compensation of all officers of the Corporation shall be fixed in the manner prescribed by the Board of Directors. Any two or more offices, other than that of President and Secretary, may be held by the same person. In no event, however, may an officer act in more than one capacity where action of two or more officers is required.

SECTION 5.02. Election and Term. The officers of the Corporation shall be elected by the Board of Directors, either at a meeting of the Board of Directors or without a meeting by consent as provided in Section 4.06. Each officer shall hold office until such officer's death, resignation, retirement, removal, disqualification, or such officer's successor is elected and qualifies.

SECTION 5.03. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed with or without cause by the Board of Directors or by the Chief Executive Officer, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 5.04. Resignation. Any officer may resign at any time by giving notice to the Board of Directors, the Chief Executive Officer, the President or the Secretary. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 5.05. Chairman of the Board. The Board of Directors may, but need not, appoint from among its members an officer designated as the Chairman of the Board. The Board of Directors shall specify whether such Chairman of the Board of Directors is a non-executive Chairman of the Board of Directors or an Executive Chairman. If there is appointed a Chairman of the Board and such Chairman of the Board is also designated by the Board of Directors to be the Chief Executive Officer, then the Chairman of the Board shall have all of the duties and authority of the Chief Executive Officer and shall also, when present, preside over meetings of the stockholders and the Board of Directors. If there is a Chairman of the Board but such Chairman of the Board is not also designated as the Chief Executive Officer, then the Chairman of the Board shall, when present, preside over meetings of the stockholders and of the Board of Directors and shall have such other duties and authority as may be prescribed from time to time by the Board of Directors or as are provided for elsewhere in these Bylaws. In the event that the Board of Directors designates its Chairman of the Board of Directors as an Executive Chairman, such Executive Chairman shall, in addition to his other duties as provided by these Bylaws, advise and counsel the Chief Executive Officer and the other officers of the Corporation. The designation of and any reference to the Chairman of the Board may be shortened to "the Chairman," and all references to either "the Chairman of the Board" or "the Chairman" of the Corporation shall mean the Chairman of the Board described in this Section 5.05.

SECTION 5.06. Chief Executive Officer. If there is a Chairman of the Board and the Board of Directors designates the Chairman of the Board as the Chief Executive Officer, then the Chairman of the Board shall be the Chief Executive Officer of the Corporation. Otherwise, the President shall be the Chief Executive Officer of the Corporation. Subject to the control of the Board of Directors, the Chief Executive Officer shall supervise and control the management of the Corporation and shall have such duties and authority as are normally incident to the position of chief executive officer of a corporation and such other duties and authority as may be prescribed from time to time by the Board of Directors or as are provided for elsewhere in these Bylaws. The title of the Chairman of the Board or President, as the case may be, serving as the Chief Executive Officer may, but need not, also refer to his or her position as Chief Executive Officer.

SECTION 5.07. Chief Operating Officer. If there is appointed a Chairman of the Board who is also the Chief Executive Officer but who is not the President, then the President shall be the Chief Operating Officer. If the President is the Chief Executive Officer, then the President shall also have the duties and authority of the Chief Operating Officer unless the Board of Directors shall designate some other officer of the Corporation as the Chief Operating Officer. Subject to the direction and control of the Chief Executive Officer and the Board of Directors, the Chief Operating Officer shall supervise and control the operations of the Corporation, shall have such duties and authority as are normally incident to the position of chief operating officer of a corporation and such other duties as may be prescribed from time to time by the Chief Executive Officer or the Board of Directors, and, in the absence or disability of the Chief Executive Officer, shall have the authority and perform the duties of the Chief Executive Officer. The title of the President or other officer serving as the Chief Operating Officer may, but need not, also refer to his or her position as Chief Operating Officer.

SECTION 5.08. President. Unless the Chairman of the Board is also designated the Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation and shall have all of the duties and authority of that office. If the President is not the Chief Executive Officer, then the President shall be the Chief Operating Officer and shall have all of the duties and authority of that office. If the President shall be the Chief Executive Officer and no other officer shall have been designated by the Board of Directors as the Chief Operating Officer, then the President shall also have all of the duties and authority of the Chief Operating Officer. The President shall also have such other duties and authority as may be prescribed from time to time by the Board of Directors. He or she shall sign, with any other proper officer, certificates for shares of the Corporation and any deeds, mortgages, bonds, contracts, or other instruments which may be lawfully executed on behalf of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent; and, in general, he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time

SECTION 5.09. Vice Presidents. Each Vice President shall perform such duties and have such powers as are normally incident to the office of Vice President or as shall be prescribed by the Chief Executive Officer, the Chief Operating Officer or the Board of Directors. In addition, each Vice President shall have the authority, on behalf of the Corporation, to execute documents and take other actions (a) that have been approved by the Board of Directors, by either specific or general authorization, or (b) that otherwise are executed or taken in the ordinary course of the Corporation's business and are within the general powers normally incident to such Vice President's office or prescribed for such Vice President by the Chief Executive Officer, the Chief Operating Officer or the Board of Directors. The Board of Directors may designate a particular Vice President or particular Vice Presidents to have the authority and perform the duties of the President in the absence or disability of the President (including the duties and authority of the President as either Chief Executive Officer or Chief Operating Officer or both, if the President serves as such).

SECTION 5.10. Secretary. The Secretary shall have the responsibility and authority to maintain and authenticate the records of the Corporation; shall keep, or cause to be kept, accurate records of the acts and proceedings of all meetings of stockholders, directors and committees of the Board of Directors; shall give, or cause to be given, all notices required by law and by these Bylaws; shall have general charge of the corporate books and records and of the corporate seal, and shall affix the corporate seal to any lawfully executed instrument requiring it; shall have general charge of the stock transfer books of the Corporation and shall keep, or cause to be kept, all records of stockholders as are required by applicable law or these Bylaws; shall sign such instruments as may require the signature of the Secretary; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned to him or her from time to time by the Chief Executive Officer, the Chief Operating Officer, or the Board of Directors

SECTION 5.11. Treasurer. The Treasurer shall have custody of all funds and securities belonging to the Corporation and shall receive, deposit or disburse the same under the direction of the Board of Directors; shall keep, or cause to be kept, full and accurate accounts of the finances of the Corporation in books especially provided for that purpose, and shall generally have charge over the Corporation's accounting and financial records; shall cause a true statement of its assets and liabilities as of the close of each fiscal year, and of the results of its operations and of cash flows for such fiscal year, all in reasonable detail, including particulars as to convertible securities then outstanding, to be made as soon as practicable after the end of such fiscal year. The Treasurer shall also prepare and file, or cause to be prepared and filed, all reports and returns required by Federal, State or local law and shall generally perform all other duties incident to the office of Treasurer and such other duties as may be assigned to him or her from time to time by the Chief Executive Officer, the Chief Operating Officer or the Board of Directors

SECTION 5.12. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers shall, in the absence or disability of the Secretary or the Treasurer, perform the respective duties and exercise the respective powers of those offices, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or by the Board of Directors.

SECTION 5.13. Controller and Assistant Controllers. The Controller shall be the chief accounting officer of the Corporation. The Controller shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as may be assigned to him or her from time to time by the Chief Executive Officer, the Chief Operating Officer, or the Board of Directors. Each Assistant Controller shall have such powers and perform such duties as may be assigned by the Board of Directors, and the Assistant Controllers shall exercise the powers of the Controller during that officer's absence or inability to act.

ARTICLE VI
CERTIFICATES FOR SHARES AND OTHER TRANSFERS

SECTION 6.01. Certificates for Shares. The shares of stock of the Corporation shall be represented by certificates, or shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock, or a combination of both. To the extent that shares are represented by certificates, such certificates shall be in such form as shall be approved by the Board of Directors. The certificates representing shares of stock of each class shall be signed by or in the name of the Corporation by the Chairman of the Board or the President or a Vice President, and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary. Any or all such signatures may be facsimiles if countersigned by a transfer agent or registrar. Although any officer, transfer agent or registrar whose manual or facsimile signature is affixed to such a certificate ceases to be such officer, transfer agent or registrar before such certificate has been issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar held such position at the date of its issue. The stock ledger and blank share certificates shall be kept by the Secretary or by a transfer agent or by a registrar or by any other officer or agent designated by the Board of Directors

SECTION 6.02. Transfer of Shares. Transfer of shares shall be made on the stock transfer books of the Corporation only upon surrender of the certificates for the shares sought to be transferred by the record holder thereof or by such holder's duly authorized agent, transferee or legal representative. All certificates surrendered for transfer shall be canceled before new certificates for the transferred shares shall be issued.

SECTION 6.03. Transfer Agent and Registrar. The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars of transfer.

SECTION 6.04. Registered Stockholders and Addresses of Stockholders. The Corporation may treat as absolute owner of the shares the person in whose name the shares stand of record on its books just as if that person had full competency, capacity, and authority to exercise all rights of ownership irrespective of any knowledge or notice to the contrary or any description indicating a representative, pledge or other fiduciary relation or any reference to any other instrument or to the rights of any other person appearing upon its record or upon the share certificate; except (i) any person furnishing to the Corporation proof of his/her appointment as a fiduciary shall be treated as if he or she were a holder of record of the Corporation's shares and (ii) as otherwise provided by the laws of Delaware.

Each stockholder shall designate to the Secretary or transfer agent of the Corporation an address at which notices of meetings and all other corporate notices may be given to such person, and, if any stockholder shall fail to designate such address, corporate notices may be given to such person by mail directed to such person at such person's post office address, if any, as the same appears on the stock record books of the Corporation or at such person's last known post office address.

SECTION 6.05. Lost, Destroyed and Mutilated Certificates. The holder of any certificate representing any shares of stock of the Corporation shall immediately notify the Corporation of any loss, theft, destruction or mutilation of such certificate; the Corporation may issue to such holder a new certificate or certificates for shares, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction; the Board of Directors, or a committee designated thereby, or the transfer agents and registrars for the stock, may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or such person's legal representative, to give the Corporation a bond in such sum and with such surety or sureties as they may direct to indemnify the Corporation and said transfer agents and registrars against any claim that may be made on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 6.06. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment or any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 6.07. Regulations. The Board of Directors may make such additional rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificated or uncertificated shares of stock of each class of the Corporation and may make such rules and take such action as it may deem expedient concerning the issue of certificates in lieu of certificates claimed to have been lost, destroyed, stolen or mutilated.

ARTICLE VII
INDEMNIFICATION AND REIMBURSEMENT
OF DIRECTORS AND OFFICERS

SECTION 7.01. Indemnification of Directors and Officers in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Sections 7.03 and 7.11, the Corporation shall indemnify any person who serves or has served as a director or officer of the Corporation and who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was such a director or officer, or is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person 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 such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea or nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person 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 reasonable cause to believe that such person's conduct was unlawful.

SECTION 7.02. Indemnification of Directors and Officers in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Sections 7.03 and 7.11, the Corporation shall indemnify any person who serves or has served as a director or officer of the Corporation and who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was such a director or officer, or is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION 7.03. Authorization of Indemnification. Any indemnification under this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 7.01 or Section 7.02, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (a) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (b) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (c) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (d) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding set forth in Section 7.01 or Section 7.02 or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

SECTION 7.04. Good Faith Defined. For purposes of any determination under Section 7.03, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on good faith reliance on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 7.04 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 7.04 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 7.01 or Section 7.02, as the case may be.

SECTION 7.05. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 7.03, and notwithstanding the absence of any determination thereunder, any director or officer may apply to the Court of Chancery in the State of Delaware for indemnification to the extent otherwise permissible under Section 7.01 or Section 7.02. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standards of conduct set forth in Section 7.01 or Section 7.02. Neither a contrary determination in the specific case under Section 7.03 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 7.05 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

SECTION 7.06. Expenses Payable in Advance. Subject to Section 7.11, expenses (including attorneys' fees) actually and reasonably incurred by a current or former director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding with respect to which indemnification may be provided under Section 7.01 or Section 7.02 above shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VII. Such expenses (including attorneys' fees) incurred by former directors or officers may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate, consistent with its obligation to promptly pay all such expenses actually and reasonably incurred.

SECTION 7.07. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses are or at any time may be entitled under the DGCL, the Certificate, any agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 7.01 and Section 7.02 shall be made to the fullest extent permitted by law. The provisions of this Article VII shall not be deemed to preclude the indemnification of any person who is not specified in Section 7.01 or Section 7.02 but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL, or otherwise.

SECTION 7.08. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VII.

SECTION 7.09. Certain Definitions. For purposes of this Article VII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger with the Corporation which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agent so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VII, references to "fines" shall include any excise taxes assessed on a person with respect of any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VII.

SECTION 7.10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. Accordingly, unless the context otherwise requires, all references in this Article VII to a director or officer shall also include a former director or officer.

SECTION 7.11. Limitation on Indemnification and Advancement of Expenses. Notwithstanding anything contained in this Article VII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 7.05), the Corporation shall not be obligated under this Article VII to indemnify, or advance expenses to, any person in connection with (a) a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized by the Board of Directors, or (b) proceedings or claims involving the enforcement of any employment, severance, lock-up, non-competition, compensation, or other plan or agreement with or of the Corporation or any of its affiliates to which such person may be a party, or of which such person may be a beneficiary, or (c) any proceeding with respect to which final judgment is rendered against such person for payment or an accounting of profits arising from the purchase or sale by such person of securities in violation of Section 16(b) of the Exchange Act, any similar successor statute, or similar provisions of state statutory law or common law.

SECTION 7.12. No Retroactive Repeal or Modification. The right of any director or officer to indemnification and advancement of expenses under this Article is provided as a contract right in consideration of and as an inducement for such director's or officer's service as such, and shall fully vest at the time such officer or director first assumes his or her position with the Corporation. Any repeal or modification of the foregoing provisions granting indemnification or advancement rights shall be prospective only and shall not adversely affect any right or protection of a director or officer of the Corporation with respect to any acts or omissions of such director or officer occurring prior to such repeal or modification.

ARTICLE VIII GENERAL PROVISIONS

SECTION 8.01. Dividends. Subject to the requirements of the DGCL and the Certificate, the Board of Directors may from time to time declare at any regular or special meeting of the Board of Directors (or any action by consent in lieu thereof in accordance with Section 4.06), and the Corporation may pay, dividends on its outstanding shares.

SECTION 8.02. Seal. The corporate seal shall have the name of the corporation inscribed thereon and shall be in such form of as may be approved from time to time by the Board of Directors. Such seal may be an impression or stamp and may be used by the officers of the Corporation by causing it, or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

SECTION 8.03. Waiver of Notice. Whenever any notice is required to be given under the provisions of the DGCL, the Certificate or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

SECTION 8.04. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

SECTION 8.05. Execution of Documents. The Board of Directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute and deliver any document or instrument on behalf of the Corporation, and such authority may be general or confined to specific instances. Any resolution of the Board of Directors authorizing the execution of documents on behalf of the Corporation and not specifying particular officers to do so shall be deemed to authorize such execution by the Chief Executive Officer, the Chief Operating Officer, the Chairman of the Board, the President, or any Vice President, or by any other officer if such execution is within the scope of the duties and authority of such other office. The Board of Directors may by resolution authorize such execution by means of one or more facsimile signatures.

SECTION 8.06. Checks. All checks, drafts and other orders for the payment of money out of the funds of the Corporation, and all notes or other evidences of indebtedness of the Corporation, shall be signed on behalf of the Corporation in such manner as shall from time to time be determined (a) by resolution of the Board of Directors or of any committee thereof or (b) by any officer of the Corporation to whom power in respect of financial operations shall have been delegated by the Board of Directors or by any such committee thereof, or by these Bylaws.

SECTION 8.07. Proxies in Respect of Stock or Other Securities of Other Corporations. The Board of Directors or any committee thereof shall designate the officers of the Corporation who shall have authority from time to time to appoint an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have as the holder of stock or other securities in any other corporation or other entity, and to vote or consent in respect of such stock or securities; such designated officers may instruct the person or persons so appointed as to the manner of exercising such powers and rights; and such designated officers may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise its said powers and rights. In the absence of a contrary delegation under this Section 7.07, the Chairman, the President or any Vice President designated by the Chairman or the President shall have such authority.

SECTION 8.08. Amendments. Except as otherwise provided herein, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted (a) by the affirmative vote or consent of stockholders of record of outstanding shares representing at least a majority of the voting power of all the shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class, provided that notice of the proposed alteration, amendment or repeal or of the proposed new Bylaw or Bylaws be included in the notice of any such meeting or waiver thereof, or (b) by the affirmative vote of not less than a majority of the directors then holding office at any meeting of the Board of Directors or by unanimous written consent of the Board of Directors, provided that notice of the proposed alteration, amendment or repeal or of the proposed new Bylaw or Bylaws be included in the notice of such meeting or waiver thereof. This Section 8.08 is subject to any contrary provisions and any provisions requiring a greater vote set forth in either the Certificate or these Bylaws.

SECTION 8.09. Subject to Law and Certificate of Incorporation. All powers, duties and responsibilities provided for in these Bylaws, whether or not explicitly so qualified, are qualified by the provisions of the Certificate and applicable laws.

* * *

MANAGEMENT CERTIFICATION

I, Matthew T. Sheehan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Primo Water Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

/s/ Matthew T. Sheehan
Matthew T. Sheehan
Chief Executive Officer

MANAGEMENT CERTIFICATION

I, Mark Castaneda, certify that:

I have reviewed this Quarterly Report on Form 10-Q of Primo Water Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

/s/ Mark Castaneda
Mark Castaneda
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Primo Water Corporation, (the "Company") on Form 10-Q for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Matthew T. Sheehan, Chief Executive Officer of the Company, and Mark Castaneda, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Primo Water Corporation and will be retained by Primo Water Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Matthew T. Sheehan

Matthew T. Sheehan
Chief Executive Officer
August 9, 2017

/s/ Mark Castaneda

Mark Castaneda
Chief Financial Officer
August 9, 2017

