Primo Water Corp
Form S-1/A
May 31, 2011

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As filed with the Securities and Exchange Commission on May 31, 2011

Registration No. 333-173554

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

Amendment No. 2
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PRIMO WATER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**5149**	**30-0278688**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

104 Cambridge Plaza Drive
Winston-Salem, North Carolina 27104
(336) 331-4000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Mark Castaneda
Chief Financial Officer
Primo Water Corporation
104 Cambridge Plaza Drive
Winston-Salem, North Carolina 27104
(336) 331-4000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Please send copies of all communications to:

D. Scott Coward	**Rachel W. Sheridan**
K&L Gates LLP	**Latham & Watkins LLP**
4350 Lassiter at North Hills Avenue	**555 Eleventh Street, NW**
Suite 300	**Suite 1000**
Raleigh, NC 27609	**Washington, DC 20004-1036**
(919) 743-7328	**(202) 637-2200**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell securities, and it is not soliciting an offer to buy these securities, in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 31, 2011

PRELIMINARY PROSPECTUS

Primo Water Corporation

6,000,000 Shares
Common Stock
$ per share

We are offering 3,421,369 shares of our common stock and the selling stockholders identified in this prospectus are offering an additional 2,578,631 shares of our common stock. We will not receive any of the proceeds from the sale of shares by selling stockholders other than as described in Use of Proceeds.

Our common stock trades on the Nasdaq Global Market under the symbol PRMW. On May 26, 2011 the last reported sale price of our common stock on the Nasdaq Global Market was $14.17 per share.
Investing in our common stock involves risks. See Risk Factors beginning on page 12.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to selling stockholders	$	$

We and a selling stockholder have granted the underwriters a 30-day option to purchase up to an additional 900,000 shares of common stock to cover over-allotments, if any. Delivery of the shares is expected to be made on or about , 2011.
Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Stifel Nicolaus Weisel

BB&T Capital Markets

Janney Montgomery Scott

Signal Hill

The date of this prospectus is , 2011.

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PRIMO WATER

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different from that contained in this prospectus. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Primo®, Taste Perfection®, Zero Waste, Perfect Taste™, www.primowater.com, the Primo logo and other trademarks or service marks of Primo Water Corporation appearing in this prospectus are the property of Primo Water Corporation. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of the respective owners.

Industry and Market Data

We obtained the industry and market data used throughout this prospectus through our research, surveys and studies conducted by third-parties and industry and general publications. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as independent industry publications, government publications, reports by market research firms or other published sources. None of the independent industry publications referred to in this prospectus were prepared on our behalf or at our expense. The foregoing discussion does not, in any manner, disclaim our responsibilities with respect to the disclosures contained in this prospectus.

PROSPECTUS SUMMARY

This summary highlights information about our Company and this offering contained elsewhere herein and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. You should read this entire prospectus carefully, including Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related notes included elsewhere herein, before making an investment decision. In this prospectus, unless otherwise specified or the context otherwise requires, the terms Primo, we, us, our, our Company, or ours refer to Primo Water Corporation an consolidated subsidiaries together with the Refill Business (as defined below) that we acquired on November 10, 2010. These terms do not refer to or include information about our former subsidiary, Prima Bottled Water, Inc., which was spun off to our stockholders effective December 31, 2009.

Our Business

We are a rapidly growing provider of multi-gallon purified bottled water, self-serve filtered drinking water and water dispensers sold through major retailers in the United States and Canada. We believe the market for purified water is growing 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. On November 10, 2010, in connection with our initial public offering, we purchased certain assets from Culligan Store Solutions, LLC and Culligan of Canada, Ltd. (Culligan Canada) related to their business of providing reverse osmosis water filtration systems that generate filtered water for refill vending machines and store-use water services in the United States and Canada. This business also sells empty reusable water bottles for use at refill vending machines (such business is referred to herein as the Refill Business).

Our business is designed to generate recurring demand for our purified bottled water or self-serve 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. We believe dispenser owners consume an average of 35 multi-gallon bottles of water annually. 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-serve filtered drinking water location (refill). Each of our multi-gallon 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 March 31, 2011, our exchange and refill services were offered in each of the contiguous United States and in Canada at approximately 14,600 combined retail locations, including Lowe s Home Improvement, Walmart, Kroger, Safeway, Albertsons, Winn Dixie, H-E-B Grocery and Walgreens.

We provide major retailers throughout the United States and Canada with single-vendor solutions for water bottle exchange and refill vending services, 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. Our exchange solution offers retailers attractive financial margins and the ability to optimize typically unused retail space with our displays. Our refill solution provides filtered water through the installation and servicing of reverse osmosis water filtration systems in the back room of the retailer s store location, which minimizes the usage of the customer s retail space. The refill vending machine, which is typically accompanied by a sales display containing empty reusable bottles, is located within the retailer customer s floor space. Additionally, due to the recurring nature of water consumption, retailers benefit from year-round customer traffic and highly predictable revenue.

We benefit significantly from management experience gained over the last 15 years in exchange-based businesses, which enables us to implement best practices and develop and maintain key business relationships. Prior to founding Primo, our Chief Executive Officer founded Blue Rhino Corporation, a propane cylinder exchange business, in 1994 and, with several of our other key executive officers, led its initial public offering in 1998 and successful sale in 2004. At the time of the sale, we believe Blue Rhino was a market leader in propane grill cylinder exchange with over 29,000 retail locations in 49 states.

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Recent Developments

Purchase of Canada Bulk Water Exchange Business

On March 8, 2011, we completed the acquisition of certain of Culligan Canada s assets related to its bulk water exchange business (the Canada Bulk Water Exchange Business). The consideration paid for the Canada Bulk Water Exchange Business was approximately $5.4 million, which consisted of a cash payment of approximately $1.6 million and the issuance of 307,217 shares of our common stock, and the assumption of certain specified liabilities (the Canada Bulk Water Transaction). The Canada Bulk Water Exchange Business provides refill and delivery of water in 18-liter containers to commercial retailers in Canada for resale to consumers.

The acquisition of the Canada Bulk Water Exchange Business expands our existing exchange service offering and provides us with an immediate network of regional operators and major retailers in Canada (including Walmart, Sobeys, The Home Depot and Zellers) with approximately 780 retail locations.

Purchase of Omnifrio Single-Serve Beverage Business

On April 11, 2011, we completed the acquisition of certain intellectual property and other assets (the Omnifrio Single-Serve Beverage Business) from Omnifrio Beverage Company, LLC (Omnifrio) for total consideration of up to approximately $13.2 million, consisting of:

- a cash payment at closing of $2.0 million;
- the issuance at closing of 501,080 shares of our common stock;
- a cash payment of $2.0 million on the 15-month anniversary of the closing date (subject to our setoff rights in our Asset Purchase Agreement with Omnifrio and certain of its members (the Omnifrio Purchase Agreement));
- up to $3.0 million in cash milestone payments; and
- the assumption of certain specified liabilities relating to the Omnifrio Single-Serve Beverage Business.

The Omnifrio Single-Serve Beverage Business primarily consists of technology related to single-serve cold carbonated beverage appliances and consumable flavor cups, or S-cups , and CO_2 cylinders used with the appliances to make a variety of cold beverages.

The acquisition of the Omnifrio Single-Serve Beverage Business serves as an entry point into the U.S. market for carbonated beverages and the rapidly growing self-carbonating appliance and single-serve beverage segments. According to a November 2010 report by independent market analyst Datamonitor, *Carbonated Soft Drinks in the United States*, the U.S. carbonated beverage market generated revenues of $62 billion in 2009 and is the world s largest carbonated beverage market. We believe the Omnifrio Single-Serve Beverage Business acquisition will allow us to:

- complement our existing water bottle exchange and refill vending services with a new razor-razorblade business segment that is designed to generate recurring demand for our bottled water, consumable flavor cups, or S cups , and CO_2 cylinders through the sale of our appliances;
- broaden the single-vendor solutions that we provide existing retail relationships;
- enhance the attractiveness of our product offering for new retail relationships;
- increase our household adoption and penetration with an enhanced beverage product offering for consumers;
- provide consumers with an innovative alternative to existing packaged carbonated beverages that includes customization of flavor, carbonation level and drink volume;
- sell additional products that reduce waste in landfills;
- utilize our competitive strengths and supply chain to deliver the same benefits for retailers and consumers as our current business segments;

leverage our existing distribution infrastructure in order to offer retailers an exchange program for the CO_2 cylinders used with our appliances;

leverage our existing set of diverse nationwide retail locations to provide consumers with convenient access to our carbonated beverage appliances and consumables; and

enhance our ability to add innovative beverage and hydration solutions to our line of water dispensers.

Industry Overview

We believe there are several trends that support consumer demand for our water bottle exchange service, refill vending service and water dispensers including the following:

Emphasis on Health and Wellness.

As part of a desire to live a healthier lifestyle, we believe consumers are increasingly focused on drinking greater quantities of water.

Concerns Regarding Quality of Municipal Tap Water.

Many consumers purchase bottled water because of concerns regarding municipal tap water quality. Municipal water is typically surface water that is treated centrally and pumped to homes, which can allow contaminants to dissolve into the water through municipal or household pipes impacting taste and quality.

Growing Preference for Bottled Water.

We believe consumer preference toward bottled water relative to tap water continues to grow as bottled water has become accepted on a mainstream basis. According to an April 2010 report by independent market analyst Datamonitor, *Bottled Water in the United States*, the U.S. bottled water market generated revenues of $17.1 billion in 2009.

Increasing Demand for Products with Lower Environmental Impact.

We believe that consumers are increasingly favoring products with a lower environmental impact with a reuse, recycle, reduce mindset becoming a common driver of consumer behavior. Most single-serve polyethylene terephthalate (PET) water bottles are produced using fossil fuels and contribute to landfill waste given that only 28% of PET bottles are recycled according to a November 2010 Environmental Protection Agency report. Governmental legislation also reflects these concerns with the passage of bottle bills in many jurisdictions that tax the purchase of plastic water bottles, require deposits with the purchase of certain plastic bottles, prohibit the use of government funds to purchase plastic water bottles and ban certain plastic bottles from landfills.

Availability of an Economical Water Bottle Exchange Service, Refill Vending Service and Innovative Water Dispensers.

Based on estimates derived from industry data, we believe the current household penetration rate of multi-gallon water dispensers is approximately 4% in the United States, with the vast majority of these households utilizing traditional home delivery services. We believe the lack of innovation, design enhancement and functionality and the retail pricing structure of our competitors dispenser models have prevented greater household adoption. Compounding these issues, we believe there previously were no economical water bottle exchange and refill vending services with major retailer relationships throughout the United States and Canada to promote dispenser usage beyond the traditional home delivery model. We believe our water bottle exchange and refill vending services provide this alternative and we believe we are currently the only provider delivering single-vendor solutions to retailers throughout United States and Canada. We believe there are over 200,000 major retail locations throughout the United States and Canada that we can target to sell our dispensers or offer our bottled water services.

Our Competitive Strengths

We believe that Primo s competitive strengths include the following:

Appeal to Consumer Preferences

Environmental Awareness. Both our water bottle exchange and refill vending services incorporate the reuse of existing bottles, recycle water bottles when their lifecycle is complete and reduce landfill waste and fossil fuel usage compared to alternative methods of bottled water consumption.

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Value. We provide consumers the opportunity for cost savings when consuming our bottled water compared to both single-serve bottled water and typical home and office delivery services. Our water dispensers are sold at attractive retail prices in order to enhance consumer awareness and adoption of our water bottle exchange and refill vending services, increase household penetration and drive sales of our purified and filtered water.

Convenience. Our water bottle exchange and refill services and water dispensers are available at major retail locations in the United States and Canada. In addition, our water bottle exchange and refill services provide consumers the convenience of either exchanging empty bottles and purchasing full bottles or refilling the empty bottles at any participating retailer.

Taste. We have dedicated significant time and effort to develop our water purification process and formulate the proprietary blend of mineral ingredients included in our Primo purified water offered through our water bottle exchange service. We believe that Primo purified water has a silky smooth taste profile.

Health and Wellness. As part of a desire to live a healthier lifestyle, we believe that consumers are increasingly focused on drinking more water relative to consumption of other beverages. As we raise our brand awareness, we believe consumers will recognize that our water bottle exchange and refill vending services are an effective option for their water consumption needs.

Key Retail Relationships Served by Single-Vendor Solutions.

We believe we are the only provider of water bottle exchange and refill vending services with single-vendor solutions for retailers in the United States and Canada. Our direct sales force actively pursues headquarters-based retail relationships to better serve our retail customers and to minimize layers of approval and decision-making with regard to the addition of new retail locations. Our bottlers and distributors utilize our MIS tools and processes to optimize their production and distribution assets while servicing our retail customers. We believe the combination of our major retail relationships, unique single-vendor solutions for retail customers, bottling and distribution network and our MIS tools is difficult to replicate. We anticipate these factors will facilitate our introduction of new water-related products in the future.

Ability to Attract and Retain Consumers.

We offer razor-razorblade products designed to generate recurring demand for Primo bottled water (the razorblade) through the initial sale of our innovative water dispensers (the razor), which include a coupon for a free three- or five-gallon bottle of Primo purified water. We acquire new consumers and enhance recycling efforts by accepting most dispenser-compatible water bottles in exchange for a recycle ticket discount toward the purchase of a full bottle of Primo purified water. In addition, we believe our offering high-quality water dispensers enhances consumer awareness and adoption of our water bottle exchange and refill vending services, increases household penetration and drives sales of our water.

Efficient Business Model.

Our business model allows us to efficiently offer our solutions to our retail partners and centrally manage our bottling and distribution network without a substantial capital investment. We believe our business processes and MIS tools enable us to manage the bottling and distribution of our water, servicing of our refill locations, our product quality, retailer inventory levels and the return of used bottles on a centralized basis, leveraging our invested capital and personnel.

Benefit from Management s Proven Track Record.

We benefit greatly from management experience gained over the last 15 years in exchange businesses to implement and refine best practices and develop and maintain key business relationships. In addition to our Chief Executive Officer, our Chief Financial Officer, Senior Vice President of Operations, Vice President of Products and Vice President of National Accounts all held comparable positions within the Blue Rhino organization during its rapid sales and location growth. We believe this experience combined with our single-vendor solutions contributed to Walmart s decision to name Primo category manager for water bottle exchange and dispensers.

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Our Growth Strategy

We seek to increase our market share and drive further growth in our business by pursuing the following strategies:

Increase Penetration with Existing Retail Relationships and Develop New Retail Relationships.

We believe we have significant opportunities to increase store penetration with our existing retail relationships. As of March 31, 2011, our water bottle exchange service and our refill vending service were offered at a combined total of 11,500 of our top ten retailers locations. If we were to offer both our water bottle exchange service and our refill vending service at each of our top ten retailers approximate 20,200 individual locations, these top ten retailers would provide us with a combined total of approximately 40,400 locations to provide our services. As a result, these top ten retailers present us an opportunity to add either our water bottle exchange service or our refill vending service at a combined total of approximately 28,900 additional locations. There is minimal overlap where our water bottle exchange and refill vending services are both currently offered. We intend to further penetrate our other existing retail customers with our supplementary hydration solutions, which collectively provide us the opportunity to be present in more than a combined total 50,000 additional water bottle exchange or refill vending locations.

Our long-term strategy includes increasing our locations to 40,000 to 50,000 retail store locations (which includes new locations with our existing retail customers) within our primary retail categories of home centers, hardware stores, mass merchants, membership warehouses, grocery stores, drug stores and discount general merchandise stores for our water bottle exchange service or our refill vending service. We believe that the introduction of additional hydration solutions to our product portfolio will allow us to cross-sell products to our existing and newly-acquired retail customers.

Drive Consumer Adoption Through Innovative Water Dispenser Models.

We intend to continue to develop and sell innovative water dispensers at attractive retail prices, which we believe is critical to increasing consumer awareness and driving consumer adoption of our water services. We believe the current household penetration rate of multi-gallon water dispensers is approximately 4% in the United States. Our long-term strategy is to provide multiple water-based beverages from a single Primo water dispenser, which we believe will lead to greater household penetration, with consistent promotion of our water bottle exchange and refill vending services to supply the water. At December 31, 2010, we offered our water dispensers at approximately 5,500 locations in the United States, including Walmart, Target, Kmart, Sam s Club, Costco, and Lowes Home Improvement.

Increase Same Store Sales.

We sell our water dispensers at minimal margin and provide a coupon for a free three- or five-gallon bottle of water with the sale of various water dispensers at certain retailers to drive consumer demand for our water bottle exchange and refill vending services. We believe increasing unit sales of Primo water is dependent on generating greater consumer awareness of the environmentally friendly and economical aspects of and the convenience associated with our water bottle exchange and refill vending services. We expect that our branding, cross-promotion marketing and sales efforts will result in greater usage of our water bottle exchange and refill vending services.

Develop and Install Other Hydration Solutions.

We believe we have significant opportunities to leverage our bottling and distribution network and our systems and processes to offer other environmentally friendly, economical, convenient and healthy hydration solutions to our retail partners without significant increases in our centralized costs.

Pursue Strategic Acquisitions to Augment Geographic and Retail Relationships.

In addition to our recent acquisitions of the Refill Business, the Canada Bulk Water Exchange Business and the Omnifrio Single-Serve Beverage Business, we believe opportunities exist to expand through selective acquisitions, including smaller water bottle exchange businesses with established retail accounts, other on-premises self-service

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water refill vending machine networks and retail accounts, ice dispenser machine networks and retail accounts and water dispenser or other beverage-related appliance companies.

Risk Factors

Our business is subject to numerous risks, as more fully described in the section entitled Risk Factors beginning on page 12. You should carefully consider these risks before deciding to invest in our common stock. These risks include, among others:

- We have incurred operating losses in the past and may incur operating losses in the future.
- We depend on a small number of large retailers for most of our consumer sales. Our arrangements with these retailers for our bottled water exchange services and sales of our water dispensers are nonexclusive and may be terminated at will.
- We may experience difficulties in integrating the Refill Business, the Canada Bulk Water Exchange Business and the Omnifrio Single-Serve Beverage Business with our current business and may not be able to fully realize all of the anticipated synergies from these acquisitions.
- The success of our business depends on retailer and consumer acceptance of our water bottle exchange and refill vending services and water dispensers.
- If we lose key personnel, in particular our Chairman, President and Chief Executive Officer, Billy D. Prim, or are unable to recruit qualified personnel, our ability to implement our business strategies could be delayed or hindered.
- In our bottled water business, we depend on independent bottlers, distributors and suppliers for our business to operate.
- We operate in a highly competitive industry, face competition from companies with far greater resources than we have and could encounter significant competition from these companies in our niche market of water bottle exchange services and related products and refill vending services.
- If the water we sell became contaminated, our business could be seriously harmed.
- Interruption or disruption of our supply chain, distribution channels or bottling and distribution network could adversely affect our business, financial condition and results of operations.
- While many members of our senior management have experience as executives of a products and exchange services business, there can be no assurances that this experience and past success will result in our business becoming profitable.
- We depend on key management information systems.

Our Corporate Information

We were incorporated as a Delaware corporation on October 20, 2004. Our headquarters are located at 104 Cambridge Plaza Drive, Winston-Salem, North Carolina 27104 and our telephone number is (336) 331-4000. Our website is *www.primowater.com*. Information on, or accessible through, our website is not a part of and is not incorporated into this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

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THE OFFERING

Issuer	Primo Water Corporation
Common stock offered by us	3,421,369 shares (3,626,652 shares if the underwriters exercise in full their option to purchase additional shares to cover over-allotments, if any)
Common stock offered by selling stockholders	2,578,631 shares (3,273,348 shares if the underwriters exercise in full their option to purchase additional shares to cover over-allotments, if any)
Common stock to be outstanding after this offering	23,353,550 shares (23,558,833 shares if the underwriters exercise in full their option to purchase additional shares to cover over-allotments, if any)
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $45.6 million (or approximately $48.3 million if the underwriters exercise in full their option to purchase additional shares to cover over-allotments, if any). This estimate is based upon an assumed public offering price of $14.17 per share, which was the last reported sale price of our common stock on May 26, 2011, less estimated underwriting discounts and commissions and offering expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by our selling stockholders other than as described in Use of Proceeds. We intend to use the net proceeds from this offering for the following purposes: $28.7 million to repay borrowings under our current senior revolving credit facility; and $16.9 million for working capital and general corporate purposes, including establishing new store locations for our water bottle exchange and refill vending services.
Nasdaq Global Market symbol	PRMW
Conflict of Interest	Branch Banking & Trust Company, an affiliate of BB&T Capital Markets, a division of Scott & Stringfellow, LLC, is a lender under our senior revolving credit facility. Because an affiliate of BB&T Capital Markets, a division of Scott & Stringfellow, LLC, will receive more than 5% of the net proceeds of the offering, BB&T Capital Markets, a division of Scott & Stringfellow, LLC, is deemed to have a conflict of interest under Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA. Because a bona fide public market (as defined in

FINRA Rule 5121) exists for the common stock, a qualified independent underwriter is not required to be appointed; however, this offering will be conducted in accordance with all other applicable provisions of FINRA Rule 5121.

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The number of shares of our common stock outstanding after this offering is based on 19,932,181 shares outstanding as of May 26, 2011 and:

- includes 68,823 shares of unvested restricted common stock;
- excludes 475,761 shares of common stock issuable upon the exercise of outstanding stock options;
- excludes 82,568 shares of common stock issuable in connection with outstanding restricted stock units that are to be settled in shares of common stock;
- excludes 846,393 shares of common stock issuable upon the exercise of outstanding warrants;
- excludes an additional 457,441 shares of common stock issuable under our 2010 Omnibus Long-Term Incentive Plan that are not currently subject to outstanding awards;
- excludes an aggregate of 23,958 shares of common stock issuable under our 2010 Employee Stock Purchase Plan; and
- assumes no exercise of the underwriters over-allotment option to purchase up to 900,000 additional shares of our common stock from us and the selling stockholders.

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SUMMARY HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth, for the periods and dates indicated, our summary historical and pro forma consolidated financial and other data. The summary historical consolidated financial data as of and for the three years ended December 31, 2010 was derived from our audited historical consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data as of and for the three months ended March 31, 2010 and 2011 was derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for those periods. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The historical results included here and elsewhere in this prospectus are not necessarily indicative of future performance or results of operations.

The summary unaudited pro forma consolidated statement of operations data for the year ended December 31, 2010 have been prepared to give pro forma effect to (1) our initial public offering at $12.00 per share, (2) our entry into and making of borrowings under our current senior revolving credit facility, (3) the application of the net proceeds from our initial public offering and borrowings under our current senior revolving credit facility for the purposes described in our Registration Statement on Form S-1 (Registration No. 333-165452) and (4) the consummation of our acquisition of the Refill Business. These pro forma adjustments have been made as if these events had occurred on January 1, 2010. This data is subject and gives effect to the assumptions and adjustments described in the notes accompanying the unaudited pro forma consolidated statement of operations included elsewhere in this prospectus. The summary unaudited pro forma consolidated statement of operations data is presented for informational purposes only and should not be considered indicative of actual results of operations that would have been achieved had our acquisition of the Refill Business and such other transactions described above been consummated on the dates indicated, and do not purport to be indicative of the results of operations as of any future date or for any future period.

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The summary historical consolidated financial data presented below represent portions of our consolidated financial statements and are not complete. You should read this information in conjunction with Use of Proceeds, Capitalization, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Consolidated Statement of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Historical					Pro Forma Year Ended
	Year Ended December 31,			Three Months Ended March 31,		December 31,
	2008	2009	2010	2010	2011	2010
				(Unaudited)		(Unaudited)
	(In thousands, except per share data)					
Consolidated statements of operations data:						
Net sales	$ 34,647	$ 46,981	$ 44,607	$ 8,829	$ 17,139	$ 67,053
Operating costs and expenses:						
Cost of sales	30,776	38,771	34,213	6,922	12,113	45,534
Selling, general and administrative expenses	13,791	9,922	12,621	2,733	4,059	14,967
Acquisition-related costs			2,491		703	2,491
Depreciation and amortization	3,618	4,205	4,759	995	1,901	8,275
Total operating costs and expenses	48,185	52,898	54,084	10,650	18,776	71,267
Loss from operations	(13,538)	(5,917)	(9,477)	(1,821)	(1,637)	(4,214)
Interest (expense) and other income, net	(70)	(2,257)	(3,416)	(720)	(287)	(834)
Loss from continuing operations before income taxes	(13,608)	(8,174)	(12,893)	(2,541)	(1,924)	(5,048)
Provision for income taxes					(190)	
Loss from continuing operations	(13,608)	(8,174)	(12,893)	(2,541)	(2,114)	(5,048)
Loss from discontinued operations, net of income taxes	(5,738)	(3,650)				
Net loss	(19,346)	(11,824)	(12,893)	(2,541)	(2,114)	(5,048)
Preferred dividends and beneficial conversion charge[(1)]	(19,875)	(3,042)	(9,831)	(582)		(7,828)
Net loss attributable to common stockholders	$ (39,221)	$ (14,866)	$ (22,724)	$ (3,123)	$ (2,114)	$ (12,876)

Basic and diluted loss per common share:												
Loss from continuing operations attributable to common stockholders	$	(23.06)	$	(7.72)	$	(5.81)	$	(2.15)	$	(0.11)	$	(0.68)
Loss from discontinued operations attributable to common stockholders		(3.96)		(2.51)								
Net loss attributable to common stockholders	$	(27.02)	$	(10.23)	$	(5.81)	$	(2.15)	$	(0.11)	$	(0.68)
Basic and diluted weighted average common shares outstanding:		1,452		1,453		3,910		1,453		19,115		19,008

(1) In 2008, we recorded a non-cash beneficial conversion charge or deemed dividend of $17.6 million on our Series C preferred stock. This was a result of the adjustment of the conversion ratio on the Series C preferred stock based upon a formula taking into account our net sales for the year ending December 31, 2008, which resulted in a conversion ratio of 1:0.184.

In 2010, we recorded non-cash charges related to (i) the effect of the beneficial conversion charge of $2.9 million recorded upon the completion of the IPO related to the conversion of the Series B preferred stock at 90% of the IPO price; (ii) the effect of the beneficial conversion charge of $2.4 million recorded upon the completion of the IPO related to the conversion of the Series C preferred stock at the IPO price of $12.00 per share; (iii) the effect of the $2.3 million charge related to the modification of the terms of the common stock warrants originally issued to the purchasers of the Series B preferred stock and Series C preferred stock to remove a provision that accelerated the termination of the warrants exercise period upon the consummation of the IPO; and (iv) the effect of the $0.2 million charge related to the modification of the exercise price of the warrants issued to the holders of the Series C preferred stock.

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	As of December 31, 2010	As of March 31, 2011 (unaudited)
	(In thousands)	
Consolidated balance sheet data:		
Cash	$ 443	$ 1,073
Total assets	139,611	152,128
Current portion of long-term debt	11	11
Long-term debt, net of current portion	17,945	20,613

	Year Ended December 31,			Three Months Ended March 31,
	2008	2009	2010	2011
				(Unaudited)
	(In thousands, except location data)			
Other information:				
Primo water operations locations at period end	6,400	7,000	12,600	14,600
Primo water operations units (5 gallon equivalents) sold	3,071	3,694	8,137	9,050
Primo water dispenser units sold	177	272	191	58

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should read and consider carefully each of the risks and uncertainties described below together with the financial and other information contained in this prospectus before you decide to invest in our common stock. Our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected by any of these risks. As a result, the market price of our common stock could decline and you could lose all or part of your investment.

Risks Relating to Our Business and Industry

We have incurred operating losses in the past and may incur operating losses in the future.

We have incurred operating losses in the past and expect to incur operating losses in the future. As of March 31, 2011, our accumulated deficit was approximately $115.8 million. Our losses from continuing operations were $13.6 million for the year ended December 31, 2008, $8.2 million for the year ended December 31, 2009, $12.9 million for the year ended December 31, 2010 and $2.1 million for the three months ended March 31, 2011. We have not been profitable since our inception, and we may not become profitable in the future. Our losses may continue as we incur additional costs and expenses related to acquired businesses, branding and marketing, expansion of operations, product development and development of relationships with strategic business partners. If our operating expenses exceed our expectations, our financial performance will be adversely affected. If our sales do not grow to offset these increased expenses, we may not become profitable. If we do not achieve sustained profitability, we may be unable to continue operations.

We depend on a small number of large retailers for most of our consumer sales. Our arrangements with these retailers for our bottled water exchange services and sales of our water dispensers are nonexclusive and may be terminated at will.

Certain retailers make up a significant percentage of our retail sales volume, such that if one or more of these retailers were to materially reduce or terminate its business with us, our sales would suffer. For 2010, Lowe s Home Improvement and Walmart represented approximately 37% and 21% of our consolidated net sales, respectively. While we sell a small percentage of our dispensers directly to consumers through our online store, the vast majority of our sales are made through our retail partners.

While we have arrangements with certain retailers for our products and services, we cannot provide any assurance of any future sales. None of our significant retail accounts are contractually bound to offer our water dispensers or water bottle exchange service. As a result, retailers can discontinue our dispenser products or water bottle exchange services at any time and offer a competitor s products or services, or none at all. Additionally, the contractual commitments of the Refill Business with its retail customers are not long-term in nature. Continued positive relations with a retailer depend upon various factors, including price, customer service, consumer demand and competition. Certain of our retailers have multiple vendor policies and may seek to offer a competitor s products or services at new or existing locations. If any significant retailer materially reduces, terminates or is unwilling to expand its relationship with us, or requires price reductions or other adverse modifications in our selling terms, our sales would suffer.

Additionally, most major retailers continually evaluate and often modify their in-store retail strategies, including product placement, store set-up and design and demographic targets. Our business could suffer significant setbacks in net sales and operating income if one or more of our major retail customers modified its current retail strategy resulting in a termination or reduction of its business relationship with us, a reduction in store penetration or an unfavorable product placement within such retailer s stores, any or all of which could materially adversely affect our business, financial condition, results of operations and cash flows.

We may experience difficulties in integrating the Refill Business, the Canada Bulk Water Exchange Business and the Omnifrio Single-Serve Beverage Business with our current business and may not be able to fully realize all of the anticipated synergies from these acquisitions.

We may not be able to fully realize all of the anticipated synergies from the acquisition of the Refill Business, the Canada Bulk Water Exchange Business and the Omnifrio Single-Serve Beverage Business. The ability to realize the

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anticipated benefits of these acquisitions will depend, to a large extent, on our ability to successfully integrate these businesses with our water bottle exchange and dispenser businesses. The integration of independent businesses is a complex, costly and time-consuming process. In addition, we are integrating multiple businesses that are different from our water bottle exchange and dispenser business in several respects, including with respect to the types of products and services offered, the manner in which such products and services are provided to retail customers and pricing dynamics. As a result, we are devoting significant management attention and resources to integrating our business practices and operations with these newly acquired businesses. This integration process may disrupt the Refill Business, the Canada Bulk Water Exchange Business, the Omnifrio Single-Serve Beverage Business or our water bottle exchange and dispenser business and, if implemented ineffectively, would preclude realization of the full benefits we expect to realize. The failure to meet the challenges involved in integrating successfully the operations of these new businesses with ours or otherwise to realize the anticipated benefits of the acquisition transactions could cause an interruption of, or a loss of momentum in, our business activities or those of the newly acquired businesses, and could seriously harm our results of operations. In addition, the overall integration may result in unanticipated problems, expenses, liabilities, competitive responses, loss of customer and supplier relationships, and diversion of management s attention. The challenges we face in integrating the operations of the newly acquired businesses with ours include, among others:

- maintaining employee morale and retaining and hiring key personnel;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- minimizing the diversion of management s attention from ongoing business concerns;
- coordinating geographically dispersed organizations;
- addressing unanticipated issues in integrating information technology, communications and other systems; and
- managing tax costs or inefficiencies associated with integrating operations.

In addition, even if we successfully integrate these new businesses with our water bottle exchange and dispenser business, we may not realize the full benefits of the acquisition transactions, including synergies, cost savings or sales or growth opportunities. These benefits may not be achieved within the anticipated timeframe, or at all.

We may not be able to introduce or sell products to be developed by the Omnifrio Single-Serve Beverage Business within the anticipated timeframe or at all.

The Omnifrio Single-Serve Beverage Business that we recently acquired primarily consists of technology related to single-serve cold carbonated beverage appliances and consumable flavor cups, or S-cups , and CO_2 cylinders used with the appliances to make a variety of cold beverages. We have not yet introduced these products into the market and we may never be successful in selling them. We cannot predict with any certainty that the sale of these products will ever generate any revenues, and a market for these products may never develop. Our introduction and sale of these products into the market may also be negatively affected because we have not previously participated in the carbonated beverage segment of the nonalcoholic beverage industry, which could put our products at a disadvantage compared to those sold by our competitors, many of which are leading consumer products companies with substantially greater financial and other resources than we have and many of which have established a strong brand presence with consumers.

Our introduction of these products into the market may also be adversely affected by certain factors that are out of our control, including the willingness of market participants to try new products, the emergence of newer technologies and the cost competitiveness of our products. In addition, our efforts to introduce these products will cause us to incur costs, including significant advertising and marketing expenses, before we generate any revenues and may cause a diversion of management time and attention. If the Omnifrio Single-Serve Beverage Business products do not achieve market acceptance, this could have a material adverse effect on our business, result of operations and financial condition.

The success of our business depends on retailer and consumer acceptance of our water bottle exchange and refill vending services and water dispensers.

We are a consumer products and services company operating in the highly-competitive bottled water market and rely on continued consumer demand or preference for our products and services. To generate sales and profits, we

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must sell products that appeal to retailers and to consumers. Our future success depends on consumer acceptance, particularly at the household level, of our bottled water products, water bottle exchange and refill vending services and water dispensers. There is no guarantee that there will be significant market acceptance of our water bottle exchange or refill vending services or that we will be successful in selling our water dispensers on a scale necessary to achieve sustained profitability.

The market for bottled water related products and services is evolving rapidly and we may not be able to accurately assess the size of the market or trends that may emerge and affect our business. Consumer preference can change due to a variety of factors, including social trends, negative publicity and economic changes. If we are unable to convince current and potential retail customers and individual consumers of the advantages of our products and services, our ability to sell our bottled water products and water dispensers will be limited. Consumer acceptance also will affect, and be affected by, our existing retail partners and potential new retail partners decision to sell our products and services and their perception of the likelihood of consumers purchasing our products and services. Even if retail customers purchase our products or services, there is no guarantee that they will be successful in selling our products or services to consumers on a scale necessary for us to achieve sustained profitability. Any significant changes in consumer preferences for purified bottled water could result in reduced demand for our water bottle exchange and refill vending services and our water dispensers and erosion of our competitive and financial position.

If we lose key personnel or are unable to recruit qualified personnel, our ability to implement our business strategies could be delayed or hindered. In addition, we may not be able to attract and retain the highly skilled employees we need to support our planned growth.

We are highly dependent upon the services of our senior management because of their experience, industry relationships and knowledge of the business. We are particularly dependent on the services of Billy D. Prim, our Chairman, President and Chief Executive Officer. We do not have a formal succession plan in place for Mr. Prim. While our employment agreements with members of our senior management include customary confidentiality, non-competition and non-solicitation covenants, there can be no assurance that such provisions will be enforceable or adequately protect us.

The loss of one or more of our key employees could seriously harm our business and we may not be able to attract and retain individuals with the same or similar level of experience or expertise. We face competition for qualified employees from numerous sources and there can be no assurance that we will be able to attract and retain qualified personnel on acceptable terms. Our ability to recruit and retain such personnel will depend upon a number of factors, such as our results of operations, prospects and the level of competition then prevailing in the market for qualified personnel. Failure to recruit and retain such personnel could materially adversely affect our business, financial condition and results of operations.

In our bottled water business, we depend on independent bottlers, distributors and suppliers for our business to operate.

We are and will continue to be for the foreseeable future, substantially dependent on independent bottlers, distributors and suppliers to bottle and deliver our bottled water products and provide our water bottle exchange service to our retail customers. We do not have our own manufacturing facilities to produce bottled water products. We are and will continue to be for the foreseeable future, entirely dependent on third parties to supply the bottle pre-forms, bottles, water and other materials necessary to operate our bottled water business. We rely on third-party supply companies to manufacture our three- and five-gallon water bottles and deliver them to our bottlers. In turn, we rely on bottlers to properly purify the water, include our mineral enhancements and bottle the finished product without contamination and pursuant to our quality standards and preparation procedures. Finally, we rely upon our distributors to deliver bottled water to our retail partners in a timely manner, accurately enter information regarding the delivery of the bottles into our management information system, manage our recycling center displays and return used bottles to the bottlers to be sanitized or crushed and recycled.

We can make no assurance that we will be able to maintain these third-party relationships or establish additional relationships as necessary to support growth and profitability of our business on economically viable terms. As independent companies, these bottlers, distributors and suppliers make their own business decisions. Suppliers may choose not to do business with us for a variety of reasons, including competition, brand identity, product standards and concerns regarding our economic viability. They may have the right to determine whether, and to what extent, they produce and distribute our products, our competitors products and their own products. Some of the business for these bottlers, distributors and suppliers comes from producing or selling our competitors products. These bottlers, distributors and suppliers may devote more resources to other products or take other actions detrimental to our brands. In addition, their financial condition could also be adversely affected by conditions beyond our control and our business could suffer. In addition, we will face risks associated with any bottler s or distributor s failure to adhere to quality control and service guidelines we establish or failure to ensure an adequate and timely supply of product and services at retail locations. Any of these factors could negatively affect our business and financial performance. If we are unable to obtain and maintain a source of supply for bottles, water and other materials, our business will be materially and adversely affected.

In our bottled water business, if our distributors do not perform to our retailers expectations, if we encounter difficulties in managing our distributor operations or if we or our distributors are not able to manage growth effectively, our retail relationships may be adversely impacted and business may suffer.

We rely on our distributors to deliver our three- and five-gallon bottled water and provide our water bottle exchange service to retailers. Accordingly, our success depends on our ability to manage our retail relationships through the performance of our distributor partners. The majority of our current distributors are independent and we exercise only limited influence over the resources they devote to delivery and exchange of our three- and five-gallon water bottles. Our success depends on our ability to establish and maintain distributor relationships and on the distributors ability to operate viable businesses. We can provide no assurance that we will be able to maintain such relationships or establish additional relationships as necessary to support growth and profitability of our business on economically viable terms. Our retailers impose demanding service requirements on us and we could suffer a loss of consumer or retailer goodwill if our distributors do not adhere to our quality control and service guidelines or fail to ensure an adequate and timely supply of bottled water at retail locations. The poor performance of a single distributor to a major retailer could jeopardize our entire relationship with that retailer and cause our bottled water sales and exchange service to suffer. In addition, the number of retail locations offering our water bottle exchange service and our corresponding sales have grown significantly over the past several years along with our national distributor network. Accordingly, our distributors must be able to adequately service an increasing number of retail accounts. If we or our distributors fail to manage our growth effectively, our bottled water sales and exchange service may suffer.

We are dependent on the network of distributors of the Refill Business and we may be unable to maintain these relationships or achieve the cost savings we anticipate creating with the post-acquisition consolidation of this network.

The Refill Business is dependent on its network of primarily independent distributors to provide a number of services with respect to its reverse osmosis water systems. We are party to a dealer services agreement with Culligan International Company (Culligan International) pursuant to which we have access to this network of distributors through December 2011. There can be no assurance that the distributors will continue to provide these services after the termination of the dealer services agreement.

Additionally, we are in the process of consolidating the current network of approximately 500 distributors in order to achieve cost savings. There can be no assurance that we can successfully consolidate the current network of distributors or that we will be able to achieve any cost savings if we are able to consolidate the network. If we are unable to rely on the service provider network of the Refill Business to continue providing the services currently provided or we are unable to achieve cost savings through a consolidation of this network, we may not realize the full benefits of the acquisition of the Refill Business and our business, financial condition, results of operations and cash flows could suffer.

If the distributors of the Refill Business do not perform to retailer expectations, its retail relationships may be adversely impacted and business may suffer.

The Refill Business primarily relies on third-party distributors to install, maintain and repair the reverse osmosis water systems at its retail customers locations. These third-party distributors are also responsible for providing retail customer training with respect to the reverse osmosis water systems, submitting water for testing and conducting monthly meter readings to determine water usage for billing purposes. Accordingly, the success of the Refill Business depends on its ability to manage its retail relationships through the performance of these distributors. The significant majority of these distributors are independent dealers and the Refill Business exercises only limited influence over the resources they devote to their responsibilities with respect to its retail customers. The success of the Refill Business currently depends on its ability to establish and maintain relationships with these third-party distributors and on the distributors ability to operate viable businesses. There can be no assurance that we will be able to continue to maintain such relationships. Retail customers of the Refill Business impose demanding service requirements and we could suffer a loss of retailer or consumer goodwill if these distributors do not perform to the retail customers expectations. The poor performance of a single service provider to a major retailer could jeopardize our entire relationship with that retailer potentially preventing future installations at additional retail locations and causing sales to suffer.

We operate in a highly competitive industry, face competition from companies with far greater resources than we have and could encounter significant competition from these companies in our niche market of water bottle exchange services and related products and refill vending services.

We participate in the highly competitive bottled water segment of the nonalcoholic beverage industry. While the industry is dominated by large and well-known international companies, numerous smaller firms are also seeking to establish market niches. In our business model, we not only offer multi-gallon bottled water but also provide consumers the ability to exchange their used containers as part of our exchange service or refill their used containers as part of our refill vending service. While we are aware of a few direct competitors that operate water bottle exchange networks at retail, we believe they operate on a much smaller scale than we do and we believe they do not have equivalent MIS tools or bottling and distribution capabilities to effectively support major retailers nationwide. Competitive factors with respect to our business include pricing, taste, advertising, sales promotion programs, product innovation, increased efficiency in production and distribution techniques, the introduction of new packaging and brand and trademark development and protection.

Our primary competitors in our bottled water business include Nestlé, The Coca-Cola Company, PepsiCo, Dr Pepper Snapple Group and DS Waters of America. While none of these companies currently offers a nationwide water bottle exchange service at retail, Nestlé and DS Waters of America offer this service on a regional basis. Many of these competitors are leading consumer products companies, have substantially greater financial and other resources than we do, have established a strong brand presence with consumers and have established relationships with retailers, manufacturers, bottlers and distributors necessary to start an exchange at retail locations nationwide should they decide to do so. The Refill Business faces direct competition in its industry and for its retail customers from Glacier Water Services, Inc., which has a strong brand presence and greater financial and other resources than we have. In addition to competition between companies within the bottled water industry, the industry itself faces significant competition from other non-alcoholic beverages, including carbonated and non-carbonated soft drinks and waters, juices, sport and energy drinks, coffees, teas and spring and tap water.

We also compete directly and indirectly in the water dispenser marketplace. While we have had recent success in our sales of water dispensers to retailers, there are many large consumer products companies with substantially greater financial and other resources than we do, a larger brand presence with consumers and established relationships with retailers that could decide to enter the marketplace. Should any of these consumer products companies so decide to enter the water dispenser marketplace, sales of our water dispensers could be materially and adversely impacted, which, in turn, could materially and adversely affect our sales of bottled water.

Finally, our bottled water business faces competition from other methods of purified water consumption such as countertop filtration systems, faucet mounted filtration systems, in-line whole-house filtration systems, water filtration dispensing products such as pitchers and jugs, standard and advanced feature water coolers and refrigerator-dispensed filtered and unfiltered water.

In addition, as a result of our acquisition of the Omnifrio Single-Serve Beverage Business, we now participate in the highly-competitive carbonated beverage segment of the nonalcoholic beverage industry and will face significant competition as we enter this market from competitors that are leading consumer products companies, have substantially greater financial and other resources than we do, have established a strong brand presence with consumers and have established relationships with retailers, manufacturers, bottlers and distributors.

In our water dispenser business, because all of our dispensers are manufactured in China, a significant disruption in the operations of these manufacturers or political unrest in China could materially adversely affect us.

We have only three manufacturers of water dispensers. Any disruption in production or inability of our manufacturers to produce quantities of water dispensers adequate to meet our needs could significantly impair our ability to operate our water dispenser business on a day-to-day basis. Our manufacturers are located in China, which exposes us to the possibility of product supply disruption and increased costs in the event of changes in the policies of the Chinese government, political unrest or unstable economic conditions in China or developments in the U.S. that are adverse to trade, including enactment of protectionist legislation. In addition, our dispensers are shipped directly from the manufacturer to our retail partners. Although we routinely inspect and monitor our manufacturing partners activities and products, we rely heavily upon their quality controls when producing and delivering the dispensers to our retail partners. Any of these matters could materially adversely affect our water dispenser business and, as a result, our profitability.

If the water we sell became contaminated, our business could be seriously harmed.

We have adopted various quality, environmental, health and safety standards. However, our products may still not meet these standards or could otherwise become contaminated. A failure to meet these standards or contamination could occur in our operations or those of our bottlers, distributors or suppliers. Such a failure or contamination could result in expensive production interruptions, recalls and liability claims. Moreover, negative publicity could be generated even from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business and financial performance.

Interruption or disruption of our supply chain, distribution channels or bottling and distribution network could adversely affect our business, financial condition and results of operations.

Our ability and that of our business partners, including suppliers, bottlers, distributors and retailers, to manufacture, sell and deliver products and services is critical to our success. Interruption or disruption of our supply chain, distribution channels or service network due to unforeseen events, including war, terrorism and other international conflicts, public health issues, natural disasters such as earthquakes, fires, hurricanes or other adverse weather and climate conditions, strikes and other labor disputes, whether occurring in the United States or abroad, could impair our ability to manufacture, sell or deliver our products and services.

The consolidation of retail customers may adversely impact our operating margins and profitability.

Our customers, such as mass merchants, supermarkets, warehouse clubs, food distributors and drug and pharmacy stores, have consolidated in recent years and consolidation may continue. As a result of these consolidations, our large retail customers may seek lower pricing or increased promotions from us. If we fail to respond to these trends in our industry, our volume growth could slow or we may need to lower prices or increase trade promotions and consumer marketing for our products and services, both of which would adversely affect our financial results. These retailers may use floor or shelf space currently used for our products and services for their own private label products and services. In addition, retailers are increasingly carrying fewer brands in any one category and our results of operations will suffer if we are not selected by our significant customers to remain a vendor. In the event of consolidation involving our current retailers, we may lose key business if the surviving entities do not continue to purchase products or services from us.

While many members of our senior management have experience as executives of a products and exchange services business, there can be no assurances that this experience and past success will result in our business becoming profitable.

Many members of our senior management have had experience as senior managers of a company engaged in the supply, distribution and exchange of propane gas cylinders. While the business model for that company and the model for our business are similar, the propane gas industry and the bottled water industry are very different. For example, there are no assurances that consumer demand will exist for our bottled water products, water bottle exchange or refill vending services or water dispensers sufficient to enable us to be profitable. While we believe our business model will be successful, any similarity between our business model and that of our senior management s predecessor employer should not be viewed as an indication that we will be profitable.

We depend on key management information systems.

We depend on our management information systems (MIS) to process orders, manage inventory and accounts receivable, maintain distributor and customer information, maintain cost-efficient operations and assist distributors in delivering products and services on a timely basis. Any disruption in the operation of our MIS tools, the loss of employees knowledgeable about such systems, the termination of our relationships with third-party MIS partners or our failure to continue to effectively modify such systems as business expands could require us to expend significant additional resources or to invest additional capital to continue to manage our business effectively, and could even affect our compliance with public reporting requirements. Additionally, our MIS tools are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or telecommunications failures, processing errors, computer viruses, hackers, other security issues or supplier defaults. Security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Any disruption or failure of these systems or services could cause substantial errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions, all of which could negatively affect our business and financial performance.

Our results of operations could be adversely affected as a result of the impairment of goodwill or other intangibles.

When we acquire a business, we record an asset called goodwill equal to the excess amount we pay for the business, including liabilities assumed, over the fair value of the tangible and intangible assets of the business we acquire. In accordance with accounting principles generally accepted in the United States of America (GAAP), we must identify and value intangible assets that we acquire in business combinations, such as customer arrangements, customer relationships and non-compete agreements, that arise from contractual or other legal rights or that are capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged. The fair value of identified intangible assets is based upon an estimate of the future economic benefits expected to result from ownership, which represents the amount at which the assets could be bought or sold in a current transaction between willing parties, other than in a forced or liquidation sale.

GAAP provides that goodwill and other intangible assets that have indefinite useful lives not be amortized, but instead must be tested at least annually for impairment, and intangible assets that have finite useful lives should continue to be amortized over their useful lives. GAAP also provides specific guidance for testing goodwill and other non-amortized intangible assets for impairment. GAAP requires management to make certain estimates and assumptions to allocate goodwill to reporting units and to determine the fair value of reporting unit net assets and liabilities, including, among other things, an assessment of market conditions, projected cash flows, investment rates, cost of capital and growth rates, which could significantly impact the reported value of goodwill and other intangible assets. Fair value is determined using a combination of the discounted cash flow, market multiple and market capitalization valuation approaches. Absent any impairment indicators, we perform our impairment tests annually during the fourth quarter.

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We review our intangible assets with definite lives for impairment when events or changes in business conditions indicate the carrying value of the assets may not be recoverable, as required by GAAP. An impairment of intangible assets with definite lives exists if the sum of the undiscounted estimated future cash flows expected is less than the carrying value of the assets. If this measurement indicates a possible impairment, we compare the estimated fair value of the asset to the net book value to measure the impairment charge, if any.

We cannot predict the occurrence of certain future events that might adversely affect the reported value of goodwill and other intangible assets that totaled $88.5 million at December 31, 2010. Such events include strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on our customer base, material negative changes in our relationships with material customers and other parties breaching their contractual obligations under non-compete agreements. Future impairments, if any, will be recognized as operating expenses.

If we are unable to build and maintain our brand image and corporate reputation, our business may suffer.

We are a relatively new company, having been formed in late 2004 and commenced operations in June 2005. Our success depends on our ability to build and maintain the brand image for our existing products and services and effectively build the brand image for any new products. We cannot assure you, however, that any additional expenditures on advertising and marketing will have the desired impact on our products brand image and on consumer preferences. Actual or perceived product quality issues or allegations of product contamination, even if false or unfounded, could tarnish the image of our brand and may cause consumers to choose other products. Allegations of product defects or product contamination, even if untrue, may require us from time to time to recall a product from all of the markets in which the affected product was distributed. Product recalls would negatively affect our profitability and brand image. Also, adverse publicity surrounding water usage and any campaigns by activists attempting to connect our system to environmental issues, water shortages or workplace or human rights violations in certain developing countries in which we or our business partners operate, could negatively affect our overall reputation and our products acceptance by consumers.

Adverse weather conditions could negatively impact our business.

Unseasonable or unusual weather may negatively impact demand for our products. The sales of our bottled water products, water dispensers and refill vending services are influenced to some extent by weather conditions in the markets in which we operate. Unusually cool or rainy weather may reduce temporarily the demand for our products and contribute to lower sales, which would have an adverse effect on our results of operations for such periods.

We may be required to make substantial capital expenditures in connection with our recent acquisition transactions.

Maintenance of refill equipment located at the stores of current and future retail customers of the Refill Business may be substantially costlier than we currently anticipate and there may be unanticipated capital expenditures in connection with our continued operations the Refill Business and the Canada Bulk Water Exchange Business. Additionally, the development of a market-ready Omnifrio single-serve cold carbonated beverage appliance may be substantially costlier than we currently anticipate.

We may incur substantial capital expenditures in growing each of these new businesses. If we are required to make greater than anticipated capital expenditures in connection with continued operations or growth of any of these businesses, our business, financial condition and cash flows could be materially and adversely affected.

We are required to rebrand the Refill Business under our Primo or another new brand and the rebranding may be more costly than anticipated or may fail to achieve its intended result.

We are required to rebrand the Refill Business to eliminate all ties to Culligan International before November 10, 2011. Our rebranding efforts may not achieve their intended results, which include increasing our retail business. Our rebranding efforts could turn out to be substantially more expensive than we currently anticipate, which would materially adversely affect our results of operations. Additionally, the rebranding of the Refill Business could result in the loss of current Refill Business retail customers and consumers, which would prevent us from realizing the full

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benefits of the Refill Acquisition and would negatively affect our business, financial condition, results of operations and cash flows.

The Refill Business and the Canada Bulk Water Exchange Business have substantial Canadian operations and are exposed to fluctuations in currency exchange rates and political uncertainties.

The Refill Business and the Canada Bulk Water Exchange Business have substantial Canadian operations, and as a result, we are subject to risks associated with doing business internationally. Risks inherent to operating internationally include:

- changes in a country s economic or political conditions;
- changes in foreign currency exchange rates; and
- unexpected changes in regulatory requirements.

To the extent the United States dollar strengthens against the Canadian dollar, our foreign revenues and profits will be reduced when translated into United States dollars.

Water scarcity and poor quality could negatively impact our long-term profitability.

Water is a limited resource facing unprecedented challenges from overexploitation, population growth, increasing pollution, poor management and climate change. As demand for water continues to increase and as water becomes scarcer and the quality of available water deteriorates, our business may incur increasing costs or face capacity constraints which could adversely affect our profitability or net sales in the long run.

We may pursue acquisitions and investments in new product lines, businesses or technologies that involve numerous risks, which could disrupt our business or adversely affect our financial condition and results of operations.

In addition to our recent acquisitions of the Refill Business, the Culligan Bulk Water Exchange Business and the Omnifrio Single-Serve Beverage Business, we may in the future acquire or invest in new product lines, businesses or related technologies to expand our current bottled water products and services. Acquisitions or investments in new product lines, businesses or related technologies present a number of potential risks and challenges that could disrupt our business operations, increase our operating costs or capital expenditure requirements and reduce the value of the acquired product line, business or related technology. For example, if we identify an acquisition candidate, we may not be able to successfully negotiate or finance the acquisition on favorable terms or at all. The process of negotiating acquisitions and integrating acquired products, services, technologies, personnel or businesses might result in significant transaction costs, operating difficulties or unexpected expenditures and might require significant management attention that would otherwise be available for ongoing development of our business. If we are successful in consummating an acquisition, we may not be able to integrate the acquired product line, business or technology into our existing business and products and we may not achieve the anticipated benefits of any acquisition. Furthermore, potential acquisitions and investments may divert our management s attention, require considerable cash outlays and require substantial additional expenses that could harm our existing operations and adversely affect our results of operations and financial condition. To complete future acquisitions, we may issue equity securities, incur debt, assume contingent liabilities or incur amortization expenses and write-downs of acquired assets, any of which could dilute the interests of our stockholders or adversely affect our profitability or cash flow.

Changes in taxation requirements could affect our financial results.

We are subject to income tax in the numerous jurisdictions in which we generate net sales. In addition, our water dispensers are subject to certain import duties and sales taxes in certain jurisdictions in which we operate. Increases in income tax rates could reduce our after-tax income from affected jurisdictions, while increases in indirect taxes could affect our products and services affordability and therefore reduce demand for our products and services.

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Our ability to use net operating loss carryforwards in the United States may be limited.

As of December 31, 2010, we had net operating losses of approximately $66 million for federal income tax purposes, which expire at various dates through 2030. To the extent available and not otherwise utilized, we intend to use any net operating loss carryforwards to reduce the U.S. corporate income tax liability associated with our operations. Section 382 of the Internal Revenue Code of 1986, as amended, generally imposes an annual limitation on the amount of net operating loss carryforwards that may be used to offset taxable income when a corporation has undergone certain changes in stock ownership. While we believe that an annual limit will be imposed by Section 382 as a result of a prior ownership change, we expect to fully utilize our net operating loss carryforwards during their carryforward periods. However, to the extent our use of net operating loss carryforwards is significantly limited as a result of this ownership change or any subsequent ownership changes, an additional portion of our income could be subject to U.S. corporate income tax earlier than it would if we were able to use net operating loss carryforward without limitation, which could result in lower profits.

Our financial results may be negatively impacted by the recent global financial events.

The recent global financial events have resulted in the consolidation, failure or near failure of a number of institutions in the banking, insurance and investment banking industries and have substantially reduced the ability of companies to obtain financing. Additionally, geopolitical tensions in the Middle East and other foreign regions have caused great uncertainty in the financial markets and led to escalating fuel prices. These events could have a number of different effects on our business, including:

- a reduction in consumer spending, which could result in a reduction in our sales volume;
- a shift in the purchasing habits of our target consumers;
- a negative impact on the ability of our retail customers to timely pay their obligations to us, thus reducing our cash flow;
- increased costs related to our distribution channels;
- a negative impact on the ability of our vendors to timely supply materials; and
- an increased likelihood that our lender may be unable to honor its commitments under our new senior revolving credit facility.

Other events or conditions may arise directly or indirectly from the global financial events that could negatively impact our business.

Risks Relating to Regulatory and Legal Issues

Our inability to protect our intellectual property, or our involvement in damaging and disruptive intellectual property litigation, could adversely affect our business, results of operations and financial condition or result in the loss of use of products or services.

We have filed certain patent applications and trademark registration applications and intend to seek additional patents, to develop additional trademarks and seek federal registrations for such trademarks and to develop other intellectual property. We consider our Primo name and related trademarks and our other intellectual property to be valuable to our business and the establishment of a national branded bottled water exchange program. We rely on a combination of patent, copyright, trademark and trade secret laws and other arrangements to protect our proprietary rights and could incur substantial expense to enforce our rights under such laws. A number of other companies, however, use trademarks similar or identical to the Primo® mark to identify their products, and we may not be able to stop these other companies from using such trademarks. The requirement to change any of our trademarks, service marks or trade names could entail significant expense and result in the loss of any goodwill associated with that trademark, service mark or trade name. While we have filed, and intend to file in the future, patent applications, where appropriate, and to pursue such applications with the patent authorities, we cannot be sure that patents will be issued on such applications or that any issued patents will not be successfully contested by third parties. Also, since issuance of a patent does not prevent other companies from using alternative, non-infringing technology or designs, we cannot be sure that any issued patents, or patents that may be issued to others and licensed to us, will provide significant or any commercial protection, especially as new competitors enter the market.

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In addition to patent protection, we also rely on trade secrets and other non-patented proprietary information relating to our product development, business processes and operating activities. We seek to protect this information through appropriate efforts to maintain its secrecy, including confidentiality agreements. We cannot be sure that these efforts will be successful or that confidentiality agreements will not be breached. We also cannot be sure that we would have adequate remedies for any breach of such agreements or other misappropriation of our trade secrets, or that our trade secrets and proprietary know-how will not otherwise become known or be independently discovered by others.

Where necessary, we may initiate litigation to enforce our patent or other intellectual property rights. Any such litigation may require us to spend a substantial amount of time and money and could distract management from its day-to-day operations. Moreover, there is no assurance that we will be successful in any such litigation or that such litigation will not result in successful counterclaims or challenges to the validity of our intellectual property rights. Our failure to successfully develop intellectual property, or to successfully obtain, maintain and enforce patents, trademarks and other intellectual property, could affect our ability to distinguish our products and services from those of our competitors and could cause our sales to suffer.

Our business and our ability to provide products and services may be impaired by claims that we infringe the intellectual property rights of others. Vigorous protection and pursuit of intellectual property rights characterize the consumer products industry. These traits can result in significant, protracted and materially expensive litigation. In addition, parties making infringement and other claims may be able to obtain injunctive or other equitable relief that could effectively block our ability to provide our products, services or utilize our business methods and could cause us to pay substantial damages. In the event of a successful claim of infringement, we may need to obtain one or more licenses from third parties, which may not be available at a reasonable cost, or at all. It is possible that our intellectual property rights may not be valid or that we may infringe existing or future proprietary rights of others. Any successful infringement claims could subject us to significant liabilities, require us to seek licenses on unfavorable terms, prevent us from manufacturing or selling products, providing services and utilizing business methods and require us to redesign or, in the case of trademark claims, re-brand our Company, products or services, any of which could have a material adverse effect on our business, results of operations or financial condition.

The three- and five-gallon polycarbonate plastic bottles that we use to bottle our water contain bisphenol A (BPA), a chemical that can possibly have adverse health effects on consumers, particularly young children. Any significant change in state, provincial or federal legislation, government regulation or perception by our customers of polycarbonate plastic in food and beverage products could adversely affect our operations and financial results.

Our three- and five-gallon polycarbonate plastic bottles contain BPA. The use of BPA in food packaging materials has been subject to safety assessments by several international, federal and state authorities. For instance, in January 2010, the U.S. Food and Drug Administration (the FDA) issued an updated report regarding its current perspective on the safety of BPA in food packaging materials, asserting the need for additional studies on BPA and issuing its interim public health recommendations. BPA is an industrial chemical used to make hard, clear plastic known as polycarbonate, which is currently used in our three- and five-gallon water bottles. BPA is regulated by the FDA as an indirect food additive. While the FDA notes that studies employing standardized toxicity tests support the safety of human exposure to BPA at the low levels currently experienced by consumers, the FDA s report additionally acknowledges the results of certain recent studies which suggest some concern regarding potential developmental and behavioral effects of BPA exposure, particularly on infants and young children.

The FDA is continuing to evaluate these low dose toxicity studies, as well as other recent peer-reviewed studies related to BPA, and solicited public comment and inter-agency scientific input in connection with updating its formal assessment of the safety of BPA for use in food contact applications. In the interim, the FDA s public health recommendations include taking reasonable steps to reduce exposure of infants to BPA in the food supply and working with industry to support and evaluate manufacturing practices and alternative substances that could reduce exposure in other populations. Further, the FDA indicates that it plans to review its existing authority to shift to a more robust regulatory framework for oversight of BPA.

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Consistent with the findings of numerous international regulatory bodies, we believe that the scientific evidence suggests that polycarbonate plastic made with BPA is a safe packing material for all consumers. Nonetheless, media reports and the FDA report have prompted concern in our marketplace among existing and potential customers. It is possible that developments surrounding this issue could lead to adverse effects on our business. Such developments could include:

- increased publicity that changes public or regulatory perception regarding packaging that uses BPA, so that significant numbers of consumers stop purchasing products that are packaged in polycarbonate plastic;
- the emergence of new scientific evidence that suggests that the low doses of BPA to which consumers may be exposed when using polycarbonate plastic is unsafe;
- interpretations of existing evidence by the FDA or other regulatory agencies that lead to prohibitions on the use of polycarbonate plastic as packaging for consumable products;
- the listing of BPA by California s Office of Environmental Health Hazard Assessment on the state s Proposition 65 list, which would require us to label our products with information about BPA content and could obligate us to evaluate the levels of exposure to BPA associated with the use of our products;
- additional regulation of the use of BPA in food contact applications by the Canadian government, which has recently added BPA to the list of toxic substances in Schedule 1 of the Canadian Environmental Protection Act, 1999; and
- the inability of sellers of consumable products to find an adequate supply of alternative packaging if polycarbonate plastic containing BPA becomes an undesirable or prohibited packaging material.

In addition, federal, state and local governmental authorities have and continue to introduce proposals intended to restrict or ban the use of BPA in food and beverage packaging materials, and indeed, a number of states have recently enacted BPA-related legislation. At this juncture, we cannot predict with certainty the impact that this enacted and proposed legislation may have on our business.

If any of these events were to occur, our sales and operating results could be materially adversely affected.

Our products and services are heavily regulated in the United States and Canada. If we are unable to continue to comply with applicable regulations and standards in any jurisdiction, we might not be able to sell our products in that jurisdiction or they could be recalled, and our business could be seriously harmed.

The production, distribution and sale of our products in the United States are subject to regulation by the FDA under the Federal Food, Drug and Cosmetic Act (the FDCA), and by other regulatory authorities under the Occupational Safety and Health Act, the Lanham Act and various environmental statutes. In Canada, these activities are subject to regulation by Health Canada and the Canadian Food Inspection Agency (the CFIA) under the Canadian Food and Drugs Act. We are also subject to various other federal, state, provincial and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, promotion, labeling and ingredients of such products. For example, measures have been enacted in various localities and states that require a deposit to be charged for certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other deposit, recycling or product stewardship proposals have been introduced in various jurisdictions. We anticipate that similar legislation or regulations may be proposed in the future at the local, state and federal levels.

The FDA regulates bottled water as a food under the FDCA. Our bottled water must meet FDA and CFIA requirements of safety for human consumption, identity, quality and labeling. Further, any claims we make in marketing our products, such as claims related to the beneficial health effects of drinking water, are subject to FDA s advertising and promotion requirements and restrictions. In addition, the FDA has established current good manufacturing practices, regulations which govern the facilities, methods, practices and controls used for the processing, bottling and distribution of bottled drinking water. We and our third-party bottling and distribution partners are subject to these requirements. In addition, all public drinking water must meet Environmental Protection Agency standards established under the Safe Drinking Water Act for mineral and chemical concentration and drinking water quality and treatment. We also must comply with overlapping and, in some cases, inconsistent state regulations in a variety of areas. These state-level regulations, among other things, set standards for approved water sources and the information that must be provided and the basis on which any therapeutic claims for water

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may be made. In Canada, we are subject to similar regulations administered by Health Canada and the CFIA, as well as provincial authorities. We must expend resources to continuously monitor national, state and provincial legislative and regulatory activities in order to identify and ensure compliance with laws and regulations that apply to our bottled water business in each state and province in which we operate.

Additionally, the manufacture, sale and use of resins used to make water bottles are subject to regulation by the FDA. These regulations relate to substances used in food packaging materials, not with specific finished food packaging products. Our beverage containers are deemed to be in compliance with FDA regulations if the components used in the containers: (i) are approved by the FDA as indirect food additives for their intended uses and comply with the applicable FDA indirect food additive regulations; or (ii) are generally recognized as safe for their intended uses and are of suitable purity for those intended uses. We may be subject to additional or changing requirements under the recently enacted Federal Food Safety Modernization Act of 2011, which requires among other things, that food facilities conduct contamination hazard analyses, implement risk-based preventive controls and develop track and trace capabilities.

The Consumer Product Safety Commission, FDA, Health Canada, CFIA or other applicable regulatory bodies may require the recall, repair or replacement of our products if those products are found not to be in compliance with applicable standards or regulations. The failure of our third party manufacturers or bottlers to produce merchandise that adheres to our quality control standards could damage our reputation and lead to customer litigation against us. If our manufacturers or distributors are unable or unwilling to recall products failing to meet our quality standards, we may be required to remove merchandise or recall those products at a substantial cost to us. We may be unable to recover costs related to product recalls.

We believe that our self-imposed standards meet or exceed those set by federal, state, provincial and local regulations. In addition, we voluntarily comply with the Federal Trade Commission s Green Guides concerning the making of environmental claims in marketing materials. Nevertheless, our failure or the failure of our suppliers, bottlers, distributors or third-party services providers to comply with federal, state, provincial or local laws, rules or regulations could subject us to potential governmental enforcement action for violation of such regulations, which could result in warning letters, fines, product recalls or seizures, civil or criminal penalties and/or temporary or permanent injunctions, each of which could materially harm our business, financial condition and results of operations. In addition, our failure, or even our perceived failure, to comply with applicable laws, rules or regulations could cause retailers and others to determine not to do business with us or reduce the amount of business they do with us.

Legislative and executive action in state and local governments enacting local taxes on bottled water to include multi-gallon bottled water could adversely affect our business and financial results.

Regulations have been enacted or proposed in some localities where we operate to enact local taxes on bottled water. These actions are purportedly designed to discourage the use of bottled water due in large part to concerns about the environmental effects of producing and discarding large numbers of plastic bottles. While we have not to date directly experienced any adverse effects from these concerns, and we believe that our products are sufficiently different from those affected by recent enactments, there is no assurance that our products will not be subject to future legislative and executive action by state and local governments, which could have a material adverse effect on our business, results of operations or financial condition.

Litigation or legal proceedings could expose us to significant liabilities, including product liability claims, and damage our reputation.

We are from time to time party to various litigation claims and legal proceedings. We evaluate these claims and proceedings to assess the likelihood of unfavorable outcomes and estimate, if possible, the amount of potential losses.

If our products are not properly manufactured or designed, personal injuries or property damage could result, which could subject us to claims for damages. The costs associated with defending product liability and other claims, and the payment of damages, could be substantial. Our reputation could also be adversely affected by such claims, whether or not successful.

We may establish a reserve as appropriate based upon assessments and estimates in accordance with our accounting policies. We base our assessments, estimates and disclosures on the information available to us at the

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time and rely on legal and management judgment. Actual outcomes or losses may differ materially from assessments and estimates. Actual settlements, judgments or resolutions of these claims or proceedings may negatively affect our business and financial performance. A successful claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages and could materially adversely affect our results of operations and financial condition.

Risks Relating to Our Common Stock

The value of our common stock could be volatile, and the market price of our common stock after this offering may drop below the price you pay.

The overall market and the price of our common stock may fluctuate greatly. Shares of our common stock were sold in our November 2010 initial public offering at a price of $12.00 per share, and, as of May 26, 2011, our common stock has subsequently traded as high as $16.45 and as low as $10.17. An active, liquid and orderly market for our common stock may not develop or be sustained, which could depress the trading price of our common stock. The trading price of our common stock may be significantly affected by various factors, including:

- quarterly fluctuations in our operating results;
- changes in investors and analysts perception of the business risks and conditions of our business;
- our ability to meet the earnings estimates and other performance expectations of financial analysts or investors;
- unfavorable commentary or downgrades of our stock by equity research analysts;
- termination of lock-up agreements or other restrictions on the ability of our existing stockholders to sell their shares; and
- general economic or political conditions.

Future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at times or prices that we deem appropriate.

As of May 26, 2011, we had 19,932,181 outstanding shares of common stock. The 9,583,333 shares sold in our initial public offering are generally tradable without restriction. Certain of the remaining 10,348,848 shares are subject to lock-up agreements and, in some cases, subject to volume and other restrictions of Rule 144 and Rule 701 under the Securities Act.

In connection with this offering, holders of 7,027,187 shares of our common stock and holders of 740,543 shares of our common stock issuable upon exercise of outstanding equity awards, including in each case all of our officers and directors and the selling stockholders, have entered into lock-up agreements that are expected to expire 90 days from the date of this offering (subject to extension in certain circumstances). Culligan International s lock-up agreement is subject to early termination on July 15, 2011 if a registration statement for an underwritten public offering providing for the sale by Culligan International of at least 2,200,000 shares of our common stock (and the sale of the first 694,717 shares in excess of 6,000,000 total shares sold) (a Qualifying Offering) has not been declared effective by the Securities and Exchange Commission prior to July 15, 2011. The representative of the underwriters for this offering may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

In addition, Culligan International and Omnifrio Beverage Company, LLC both have rights with respect to the registration of their shares under the Securities Act. When we register their shares of common stock, these stockholders could sell those shares in the public market following the expiration of lock-up agreements without being subject to the volume and other restrictions of Rule 144 and Rule 701. In connection with this offering, Culligan International entered into an amendment to its registration rights agreement with the Company that provides that a resale registration statement registering Culligan International s shares is required to be effective no later than (a) July 15, 2011 or (b) if the Company files a registration statement in connection with a Qualifying

Offering which is declared effective by the Securities and Exchange Commission before July 15, 2011, the date which is 75 days after the effective date of that registration statement.

In addition, we intend to register 1,108,578 shares of common stock that are issuable in connection with our equity compensation plans.

In addition to the shares of common stock we are offering hereby, we may in the future issue additional shares of common stock to raise capital or complete acquisitions, which could result in additional dilution to our stockholders.

Our certificate of incorporation authorizes the issuance of up to 70,000,000 shares of common stock, par value $0.001 per share. As of May 26, 2011, we had 19,932,181 shares of common stock issued and outstanding. We will have 23,353,550 shares of common stock outstanding after this offering (assuming no exercise by the underwriters of their option to purchase additional shares of common stock to cover over-allotments, if any). If (i) our cash flows are less than we anticipate or we have less than expected availability under our senior revolving credit facility, (ii) we choose to accelerate our rate of organic growth beyond its currently anticipated level or (iii) we pursue additional strategic acquisitions, in addition to the shares of common stock we are offering hereby, we may in the future issue a substantial number of additional shares of our common stock to raise capital or to fund such acquisitions. The issuance of such additional shares of our common stock may result in significant dilution to our existing stockholders and adversely affect the prevailing market price for our common stock.

Concentration of ownership among our existing executive officers, directors and their affiliates may prevent new investors from influencing significant corporate decisions.

As of May 26, 2011, our executive officers, directors and their affiliates beneficially own, in the aggregate, approximately 17.6% of our outstanding shares of common stock. In particular, Billy D. Prim, our Chairman, Chief Executive Officer and President, beneficially owns approximately 12.4% of our outstanding shares of common stock as of May 26, 2011. In addition, Culligan International owns approximately 14.5% of our outstanding shares of common stock as of May 26, 2011. As a result, these stockholders will be able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our Company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these stockholders.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. We currently have research coverage by a limited number securities and industry analysts. If one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Anti-takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our Company more difficult without the approval of our Board of Directors. These provisions:

authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;

eliminate the ability of our stockholders to act by written consent in most circumstances;

establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;

- provide that the Board of Directors is expressly authorized to make, alter or repeal our amended and restated bylaws; and
- establish a classified board of directors the members of which will serve staggered three-year terms.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our Company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

If we do not timely satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, the trading price of our common stock could be adversely affected.

As a company with publicly-traded securities, we are subject to Section 404 of the Sarbanes-Oxley Act of 2002. This law requires us to document and test the effectiveness of our internal control over financial reporting in accordance with an established internal control framework and to report on our conclusion as to the effectiveness of our internal control over financial reporting. The cost to comply with this law will affect our net income adversely. Any delays or difficulty in satisfying the requirements of Section 404 could, among other things, cause investors to lose confidence in, or otherwise be unable to rely on, the accuracy of our reported financial information, which could adversely affect the trading price of our common stock. In addition, failure to comply with Section 404 could result in the Nasdaq Stock Market imposing sanctions on us, which could include the delisting of our common stock.

Risks Relating to Our Indebtedness

Restrictive covenants in our senior revolving credit facility restrict or prohibit our ability to engage in or enter into a variety of transactions, which could adversely restrict our financial and operating flexibility and subject us to other risks.

Our senior revolving credit facility contains various restrictive covenants that limit our and our subsidiaries ability to take certain actions. In particular, these agreements limit our and our subsidiaries ability to, among other things:

- incur additional indebtedness;
- make restricted payments (including paying dividends on, redeeming or repurchasing capital stock);
- make certain investments or acquisitions;
- create liens on our assets to secure debt;
- engage in certain types of transactions with affiliates;
- engage in sale-and-leaseback or similar transactions; and
- transfer or sell assets, merge, liquidate or wind-up.

Any or all of these covenants could have a material adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities and to fund our operations. Any future debt could also contain financial and other covenants more restrictive than those to be imposed under our senior revolving credit facility.

A breach of a covenant or other provision in any debt instrument governing our current or future indebtedness could result in a default under that instrument and, due to customary cross-default and cross-acceleration provisions, could result in a default under any other debt instrument that we may have. If the lenders under our indebtedness were to so accelerate the payment of the indebtedness, we cannot assure you that our assets or cash flow would be

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sufficient to repay in full our outstanding indebtedness, in which event we likely would seek reorganization or protection under bankruptcy or other, similar laws.

We may be unable to generate sufficient cash flow to service our debt obligations. In addition, our inability to generate sufficient cash flows to support operations and other activities without debt financing could prevent future growth and success.

Our ability to generate cash, make scheduled payments or refinance our obligations depends on our successful financial and operating performance. Our financial and operating performance, cash flow and capital resources depend upon prevailing economic conditions and various financial, business and other factors, many of which are beyond our control. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt, any or all of which could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions on terms acceptable to us, or at all, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt agreements.

If we are unable to generate sufficient cash flows to support capital expansion, business acquisition plans and general operating activities, and are unable obtain the necessary funding for these items through debt financing, our business could be negatively affected and we may be unable to expand into existing and new markets. Our ability to generate cash flows is dependent in part upon obtaining necessary financing at favorable interest rates. Interest rate fluctuations and other capital market conditions may prevent us from doing so.

Global capital and credit market issues could negatively affect our liquidity, increase our costs of borrowing and disrupt the operations of our suppliers, bottlers, distributors and customers.

The global capital and credit markets have experienced increased volatility and disruption in recent years, making it more difficult for companies to access those markets. There can be no assurance that continued or increased volatility and disruption in the capital and credit markets will not impair our liquidity or increase our costs of borrowing. Our business could also be negatively impacted if our suppliers, bottlers, distributors or retail customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management s beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Business sections of this prospectus. Forward-looking statements include information concerning our possible future results of operations, business strategies, competitive position, potential growth opportunities, potential market opportunities and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as anticipates, believes, could, seeks, estimates, expects, may, plans, potential, predicts, projects, should, will, would or similar expressions and the negatives of

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the Risk Factors section and elsewhere in this prospectus. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management s beliefs and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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USE OF PROCEEDS

We estimate that the net proceeds from our sale of shares of common stock in this offering will be approximately $45.6 million (or approximately $48.3 million if the underwriters exercise in full their option to purchase additional shares to cover over-allotments, if any). This estimate is based on an assumed public offering price of $14.17 per share, which was the last reported sale price of our common stock on May 26, 2011, less estimated underwriting discounts and commissions and offering expenses payable by us. We will not receive any proceeds from the sale of shares by the selling stockholders except as described below. We intend to use the net proceeds from this offering for the following purposes:

- $28.7 million to repay borrowings and estimated accrued interest under our current senior revolving credit facility; and
- $16.9 million for working capital and general corporate purposes, including establishing new store locations for our water bottle exchange and refill vending services.

As of May 26, 2011, we had $28.7 million of outstanding borrowings, including accrued interest, under our senior revolving credit facility that is scheduled to expire in November 2013. Interest on outstanding borrowings under the senior revolving credit facility is payable at our option at either a floating base rate plus an interest rate spread or a floating LIBOR rate plus an interest rate spread. At May 26, 2011, we had $28.7 million in base rate borrowings that bore interest at 5.25%. Borrowings under our current senior revolving credit facility during the past 12 months were made (a) to fund a portion of the purchase price for the Refill Business and the other transactions that occurred in connection with the closing of our initial public offering, (b) to fund the cash portion of the consideration paid for the Canada Bulk Water Exchange Business and the Omnifrio Single-Serve Beverage Business and (c) for working capital and general corporate expenses, including establishing new store locations for our water bottle exchange and refill vending services.

We issued 307,217 shares of our common stock to Culligan International on March 8, 2011 as payment of a portion of the purchase price for the Canada Bulk Water Exchange Business. Any profits realized by Culligan International upon the sale of up to 307,217 shares of common stock prior to September 7, 2011 are recoverable by the Company under Section 16(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, Culligan International agreed that it will pay us the amount of any profit realized as a result of the sale of 307,217 of the shares of common stock it sells in this offering, less direct transaction expenses. Based upon an assumed offering price of $14.17, we estimate that Culligan International will disgorge approximately $241,000 to us. This estimated amount to be disgorged is calculated by reference to Culligan International s gross proceeds from the sale of such 307,217 shares in this offering (approximately $4,353,000) less its direct transaction expenses (approximately $293,000 consisting of the underwriting discount and legal fees and expenses directly related to the offering) less its purchase price for such shares (approximately $3,819,000). We intend to use any such amounts paid to us for working capital and general corporate purposes as described above.

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PRICE RANGE OF COMMON STOCK

We completed the initial public offering of our common stock on November 10, 2010. The principal United States market on which the Company s common stock is listed and traded is the Nasdaq Global Market under the symbol PRMW .

The table below presents the high and low sales prices per share of our common stock as reported on the Nasdaq Global Market for the periods indicated:

Year Ended December 31, 2011:	**High**	**Low**
First Quarter	$ 14.74	$ 10.17
Second Quarter (through May 26, 2011)	$ 16.45	$ 11.84

Year Ended December 31, 2010:	**High**	**Low**
Fourth Quarter (Beginning November 5, 2010)	$ 15.00	$ 11.53

On May 26, 2011, the last reported sale price of our common stock on the Nasdaq Global Market was $14.17.

As of May 26, 2011, we had approximately 90 shareholders of record.

DIVIDEND POLICY

We have never paid or declared cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to finance the development and expansion of our business. We do not expect to pay any dividends on our common stock in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend upon various factors, including our results of operations, financial condition, capital requirements, debt levels, statutory and contractual restrictions applicable to the payment of dividends, investment opportunities and other factors that our Board of Directors deems relevant.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2011:

- on an actual basis; and
- on a pro forma basis to reflect (i) the sale of shares in this offering at an assumed offering price of $14.17 per share, which was the last reported sale price of our common stock on May 26, 2011, after deducting estimated underwriting discounts and commissions and offering expenses payable by us, and (ii) the application of a portion of the net proceeds from such sale of common stock to repay borrowings under our current senior revolving credit facility and to pay fees and expenses in connection with the foregoing.

You should read this table in conjunction with Use of Proceeds, Selected Financial Data, and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	As of March 31, 2011	
	Actual	Pro Forma
	(In thousands, except par value data) (Unaudited)	
Cash	$ 1,073	$ 26,048
Current portion of long-term debt, capital leases and notes payable	$ 11	$ 11
Long-term debt, capital leases and notes payable, net of current portion	20,613	31
Stockholders equity (deficit)		
Common stock ($0.001 par value, 70,000 shares authorized and 19,362 shares issued and outstanding, actual; and 70,000 shares authorized and 22,784 shares issued and outstanding, pro forma	19	23
Preferred stock, $0.001 par value, 65,000 shares authorized and no shares issued and outstanding		
Additional paid-in capital	223,532	269,086
Common stock warrants	6,966	6,966
Accumulated deficit	(115,836)	(115,836)
Accumulated other comprehensive income	537	537
Total stockholders equity	115,218	160,776
Total capitalization	$ 135,842	$ 160,818

The shares outstanding data in the preceding table as of March 31, 2011:

- excludes 68,823 shares of unvested restricted common stock;
- excludes 466,211 shares of common stock issuable upon the exercise of outstanding stock options;

- excludes 81,000 shares of common stock issuable in connection with outstanding restricted stock units that are to be settled in shares of common stock;
- excludes 846,393 shares of common stock issuable upon the exercise of outstanding warrants;
- excludes an additional 468,559 shares of common stock issuable under our 2010 Omnibus Long-Term Incentive Plan that were not subject to outstanding awards;
- excludes an aggregate of 23,958 shares of common stock issuable under our 2010 Employee Stock Purchase Plan; and
- assumes no exercise of the underwriters over-allotment option to purchase up to 900,000 additional shares of our common stock from us and the selling stockholders.

SELECTED FINANCIAL DATA

The following tables set forth, for the periods and dates indicated, our selected historical consolidated financial and other data. We prepared the selected historical consolidated financial data using our consolidated financial statements for each of the periods presented. The selected historical consolidated financial data for each year in the three-year period ended December 31, 2010, was derived from our audited historical consolidated financial statements appearing elsewhere in this prospectus, and the selected historical consolidated financial data for each year in the two-year period ended December 31, 2007, was derived from our audited historical consolidated financial statements not appearing in this prospectus. The selected historical consolidated financial data as of and for the three months ended March 31, 2010 and 2011 was derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for those periods. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The historical results included here and elsewhere in this prospectus are not necessarily indicative of future performance or results of operations.

The selected historical consolidated financial data presented below represent portions of our financial statements and are not complete. You should read this information in conjunction with Use of Proceeds, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Consolidated Statement of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007	2008	2009	2010	2010	2011
						(unaudited)	
	(In thousands, except per share data)						
Consolidated statements of operations data:							
Net sales	$ 6,589	$ 13,453	$ 34,647	$ 46,981	$ 44,607	$ 8,829	$ 17,139
Operating costs and expenses:							
Cost of sales	6,141	11,969	30,776	38,771	34,213	6,922	12,113
Selling, general and administrative expenses	7,491	10,353	13,791	9,922	12,621	2,733	4,059
Acquisition-related costs					2,491		703
Depreciation and amortization	3,681	3,366	3,618	4,205	4,759	995	1,901
Total operating costs and expenses	17,313	25,688	48,185	52,898	54,084	10,650	18,776
Loss from operations	(10,724)	(12,235)	(13,538)	(5,917)	(9,477)	(1,821)	(1,637)

Interest and other (expense) income, net	116	65	(70)	(2,257)	(3,416)	(720)	(287)
Loss from continuing operations before income taxes	(10,608)	(12,170)	(13,608)	(8,174)	(12,893)	(2,541)	(1,924)
Provision for income taxes							(190)
Loss from continuing operations	(10,608)	(12,170)	(13,608)	(8,174)	(12,893)	(2,541)	(2,114)
Loss from discontinued operations, net of income taxes		(1,904)	(5,738)	(3,650)			
Net loss	(10,608)	(14,074)	(19,346)	(11,824)	(12,893)	(2,541)	(2,114)
Preferred dividends, beneficial conversion and warrant modification charges	(851)	(2,147)	(19,875)	(3,042)	(9,831)	(582)	
Net loss attributable to common stockholders	$ (11,459)	$ (16,221)	$ (39,221)	$ (14,866)	$ (22,724)	(3,123)	(2,114)
Basic and diluted loss per common share:							
Loss from continuing operations attributable to common shareholders	$ (7.94)	$ (9.88)	$ (23.06)	$ (7.72)	$ (5.81)	$ (2.15)	$ (0.11)
Loss from discontinued operations attributable to common shareholders		(1.32)	(3.96)	(2.51)			
Net loss attributable to common shareholders	$ (7.94)	$ (11.20)	$ (27.02)	$ (10.23)	$ (5.81)	$ (2.15)	$ (0.11)
Basic and diluted weighted average common shares outstanding	1,443	1,448	1,452	1,453	3,910	1,453	19,115

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	As of December 31,					As of March 31, 2010 (unaudited)
	2006	2007	2008	2009	2010	
	(In thousands)					
Consolidated balance sheet data:						
Cash	$ 7,638	$ 5,776	$ 516	$	$ 443	$ 1,073
Total assets	20,904	21,909	30,570	22,368	139,611	152,128
Current portion of long-term debt	74	13	7,009	426	11	11
Long-term debt, net of current maturities	13		5	14,403	17,945	20,613
Other long-term obligations			481	1,048	748	938

	As of December 31,					Three Months Ended March 31, 2011
	2006	2007	2008	2009	2010	
	(In thousands, except location amounts)					
Other information:						
Primo water operations locations at period end	2,300	4,700	6,400	7,000	12,600	14,600
Primo water operations units (5 gallon equivalents) sold	701	1,897	3,071	3,694	8,137	9,050
Primo water dispenser units sold		12	177	272	191	58

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company s financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report.

Overview

We are a rapidly growing provider of multi-gallon purified bottled water, self-serve filtered drinking water, and water dispensers sold through major retailers in the United States and Canada. Our business is designed to generate recurring demand for Primo purified bottled water through the sale of our innovative water dispensers. Once our bottled water is consumed using a water dispenser, empty bottles are either 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 services) or they can be refilled at a self-serve filtered drinking water vending location (refill services). We provide major retailers throughout the United States and Canada with single-vendor solutions for water bottle exchange services and refill services. Our solutions are easy for retailers to implement, require minimal customer management supervision and store-based labor and provide centralized billing and detailed performance reports. As of March 31, 2011, our Water services were offered in each of the contiguous United States and Canada at approximately 14,600 retail locations. For 2008, 2009 and 2010, we generated net sales of $34.6 million, $47.0 million and $44.6 million, respectively.

On November 10, 2010, we completed our initial public offering (IPO) of 8.3 million shares of our common stock at a price of $12.00 per share. In addition on November 18, 2010, we issued an additional 1.3 million shares upon the exercise of the over-allotment option by the underwriters of our IPO. The net proceeds of the IPO after deducting underwriting discounts and commissions were approximately $106.9 million.

On November 10, 2010, we acquired certain assets of Culligan Store Solutions, LLC and Culligan Canada (the Refill Business or Refill Acquisition) pursuant to an Asset Purchase Agreement dated June 1, 2010 for a purchase price of approximately $109.1 million. The purchase price was paid by $74.5 million in proceeds from the IPO and the issuance of approximately 2.6 million shares of our common stock with a value of approximately $34.6 million based upon the $13.38 average price of our common stock on November 10, 2010.

In addition to the acquisition of the Refill Business, we used the proceeds of our IPO along with $15.0 million in borrowings under our senior revolving credit facility to: (i) repay the outstanding borrowings under our prior senior loan agreement of approximately $7.9 million; (ii) repay subordinated debt and accrued interest of approximately $18.7 million; (iii) redeem 50% of the outstanding Series B preferred stock along with all unpaid and accrued dividends totaling approximately $15.8 million; and (iv) to pay fees and expenses of approximately $5.0 million in connection with all of the foregoing items.

In this Management s Discussion and Analysis of Financial Condition and Results of Operations, when we refer to same-store unit growth for our Water segment, we are comparing retail locations at which our exchange services have been available for at least 12 months at the beginning of the relevant period.

Business Segments

At March 31, 2011, we had two operating segments and two reportable segments: Primo Water (Water) and Primo Products (Products). The Water segment includes our historical business of bottled water exchange services

(Exchange), the Refill Business (Refill) acquired in November 2010, the Canada Bulk Water Exchange Business (Canada Exchange) acquired in March 2011 and the operations of a unit that previously was an operating segment, but did not meet quantitative threshold for reporting purposes. Historically, we have disclosed Exchange, Refill and Products as reportable segments. However in 2011, we have begun to integrate the Exchange and Refill operations to take advantage of synergies and to eliminate duplicate operations and costs. In integrating the businesses we have changed our internal management and reporting structure such that Exchange and Refill no longer meet the requirements of operating segments on a stand-alone basis. The recently acquired Canada Exchange business will be reported within the Water segment. All previous periods have been retrospectively revised to conform to this presentation.

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

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

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

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

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

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

In December 2009, we completed the divestiture of our former subsidiary, Prima Bottled Water, Inc. (Prima), by distributing the stock in Prima to our existing stockholders on a pro rata basis based upon each such stockholder s proportionate ownership of our common stock, Series A preferred stock and Series C preferred stock on an as-converted basis. The assets, liabilities and results of operations of Prima are accounted for as discontinued operations. For 2008 and 2009, we recognized losses from discontinued operations of $5.7 million and $3.7 million, respectively.

Recent Transactions

Canada Bulk Water Exchange Business

On March 8, 2011, we completed the acquisition of certain of Culligan Canada s assets related to its bulk water exchange business (the Canada Bulk Water Exchange Business). The consideration paid for the Canada Bulk Water Exchange Business was approximately $5.4 million, which consisted of a cash payment of approximately $1.6 million and the issuance of 307,217 shares of our common stock, and the assumption of certain specified liabilities. The Canada Bulk Water Exchange Business provides refill and delivery of water in 18-liter containers to commercial retailers in Canada for resale to consumers. The acquisition of the Canada Bulk Water Exchange Business expands our existing exchange service offering and provides us with an immediate network of regional operators and major retailers in Canada (including Walmart, Sobeys, The Home Depot and Zellers) with approximately 780 retail locations. The Canada Bulk Water Exchange Business has been accounted for as a business combination in accordance with the acquisition method.

Omnifrio Single-Serve Beverage Business

On April 11, 2011, we completed the acquisition of certain intellectual property and other assets (the Omnifrio Single-Serve Beverage Business) from Omnifrio Beverage Company, LLC (Omnifrio) for total consideration of

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up to approximately $13.2 million, consisting of: (i) a cash payment at closing of $2.0 million; (ii) the issuance at closing of 501,080 shares of the Company s common stock; (iii) a cash payment of $2.0 million on the 15-month anniversary of the closing date (subject to the Company s setoff rights in the asset purchase agreement); (iv) up to $3.0 million in cash milestone payments; and (v) the assumption of certain specified liabilities relating to the Omnifrio Single-Serve Beverage Business. The Omnifrio Single-Serve Beverage Business has been accounted for as a business combination in accordance with the acquisition method.

The Omnifrio Single-Serve Beverage Business primarily consists of technology related to single-serve cold carbonated beverage appliances and consumable flavor cups, or S-cups , and CO_2 cylinders used with the appliances to make a variety of cold beverages. The acquisition of the Omnifrio Single-Serve Beverage Business serves as an entry point into the U.S. market for carbonated beverages and the rapidly growing self-carbonating appliance and single-serve beverage segments.

Results of Operations

The following table sets forth our results of operations:

	Years Ended December 31,			Three Months Ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
				(Unaudited)	
	(In thousands)				
Consolidated statements of operations data:					
Net sales	$ 34,647	$ 46,981	$ 44,607	$ 8,829	$ 17,139
Operating costs and expenses:					
Cost of sales	30,776	38,771	34,213	6,922	12,113
Selling, general and administrative expenses	13,791	9,922	12,621	2,733	4,059
Acquisition-related costs			2,491		703
Depreciation and amortization	3,618	4,205	4,759	995	1,901
Total operating costs and expenses	48,185	52,898	54,084	10,650	18,776
Loss from operations	(13,538)	(5,917)	(9,477)	(1,821)	(1,637)
Interest expense and other, net	(70)	(2,257)	(3,416)	(720)	(287)
Loss from continuing operations before income taxes	(13,608)	(8,174)	(12,893)	(2,541)	(1,924)
Provision for income taxes					(190)
Loss from continuing operations	(13,608)	(8,174)	(12,893)	(2,541)	(2,114)
Loss from discontinued operations, net of income taxes	(5,738)	(3,650)			
Net loss	(19,346)	(11,824)	(12,893)	(2,541)	(2,114)
Preferred dividends, beneficial conversion and warrant modification charges	(19,875)	(3,042)	(9,831)	(582)	

Net loss attributable to common shareholders	$ (39,221)	$ (14,866)	$ (22,724)	$ (3,123)	$ (2,114)

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

	Years Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
Consolidated statements of operations data:					
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:					
Cost of sales	88.8	82.5	76.7	78.4	70.7
Selling, general and administrative expenses	39.8	21.1	28.3	31.0	23.7
Acquisition-related costs			5.6		4.1
Depreciation and amortization	10.5	9.0	10.6	11.2	11.1
Total operating costs and expenses	139.1	112.6	121.2	120.6	109.6
Loss from operations	(39.1)	(12.6)	(21.2)	(20.6)	(9.6)
Interest expense and other, net	(0.2)	(4.8)	(7.7)	(8.2)	(1.6)
Loss from continuing operations before income taxes	(39.3)	(17.4)	(28.9)	(28.8)	(11.2)
Provision for income taxes					(1.1)
Loss from continuing operations	(39.3)	(17.4)	(28.9)	(28.8)	(12.3)
Loss from discontinued operations, net of income taxes	(16.5)	(7.8)			
Net loss	(55.8)%	(25.2)%	(28.9)%	(28.8)%	(12.3)%

The following table sets forth our segment net sales and segment income (loss) from operations presented on a segment basis and reconciled to our consolidated loss from operations.

	Years Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
Segment net sales					
Water	$ 21,111	$ 24,249	$ 29,875	$ 5,920	$ 13,146
Products	13,758	22,824	14,741	2,909	3,993
Inter-company elimination	(222)	(92)	(9)		
Total net sales	$ 34,647	$ 46,981	$ 44,607	$ 8,829	$ 17,139
Segment income (loss) from operations					
Water	$ (1,383)	$ 3,340	$ 4,767	$ 792	$ 3,194
Products	(1,447)	(272)	(563)	(61)	(430)

Intercompany elimination	(13)	9			
Corporate	(7,077)	(4,789)	(8,922)	(1,557)	(2,500)
Depreciation and amortization	(3,618)	(4,205)	(4,759)	(995)	(1,901)