

**United States
Securities and Exchange Commission
Washington, D.C. 20549**

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended: **July 3, 2021**

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission File Number: **001-31410**

PRIMO WATER CORPORATION

(Exact name of registrant as specified in its charter)

Ontario
(State or Other Jurisdiction of
Incorporation or Organization)
4221 West Boy Scout Boulevard
Suite 400
Tampa, Florida
United States
(Address of principal executive offices)

98-0154711
(IRS Employer
Identification No.)

33607

(Zip Code)

Registrant's telephone number, including area code: **(813) 313-1732**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value per share	PRMW	New York Stock Exchange Toronto Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at August 4, 2021</u>
Common Shares, no par value per share	160,371,811

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Primo Water Corporation

Consolidated Statements of Operations

(in millions of U.S. dollars, except share and per share amounts)
Unaudited

	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Revenue, net	\$ 526.1	\$ 456.8	\$ 1,004.5	\$ 931.0
Cost of sales	228.9	202.1	442.8	403.0
Gross profit	297.2	254.7	561.7	528.0
Selling, general and administrative expenses	259.9	246.7	507.9	501.8
Loss on disposal of property, plant and equipment, net	3.3	2.5	5.4	3.9
Acquisition and integration expenses	2.4	4.3	3.7	25.1
Goodwill and intangible asset impairment charges	—	115.2	—	115.2
Operating income (loss)	31.6	(114.0)	44.7	(118.0)
Other expense (income), net	25.6	(1.6)	25.2	5.4
Interest expense, net	17.7	20.7	36.7	40.4
Loss from continuing operations before income taxes	(11.7)	(133.1)	(17.2)	(163.8)
Income tax (benefit) expense	(3.4)	(1.4)	1.3	(4.7)
Net loss from continuing operations	\$ (8.3)	\$ (131.7)	\$ (18.5)	\$ (159.1)
Net (loss) income from discontinued operations, net of income taxes	—	(4.3)	—	26.6
Net loss	\$ (8.3)	\$ (136.0)	\$ (18.5)	\$ (132.5)
Net (loss) income per common share				
Basic:				
Continuing operations	\$ (0.05)	\$ (0.82)	\$ (0.11)	\$ (1.06)
Discontinued operations	\$ —	\$ (0.03)	\$ —	\$ 0.18
Net loss	\$ (0.05)	\$ (0.85)	\$ (0.11)	\$ (0.88)
Diluted:				
Continuing operations	\$ (0.05)	\$ (0.82)	\$ (0.11)	\$ (1.06)
Discontinued operations	\$ —	\$ (0.03)	\$ —	\$ 0.18
Net loss	\$ (0.05)	\$ (0.85)	\$ (0.11)	\$ (0.88)
Weighted average common shares outstanding (in thousands)				
Basic	161,561	159,931	161,097	150,535
Diluted	161,561	159,931	161,097	150,535

The accompanying notes are an integral part of these consolidated financial statements.

Primo Water Corporation
Condensed Consolidated Statements of Comprehensive Loss
(in millions of U.S. dollars)
Unaudited

	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net loss	\$ (8.3)	\$ (136.0)	\$ (18.5)	\$ (132.5)
Other comprehensive income (loss):				
Currency translation adjustment	2.0	8.4	8.5	(10.3)
Loss on derivative instruments, net of tax ¹	—	—	—	(11.2)
Comprehensive loss	\$ (6.3)	\$ (127.6)	\$ (10.0)	\$ (154.0)

¹ Net of the effect of \$3.0 million tax benefit and of \$1.3 million associated tax impact that resulted in a decrease to the gain on sale of discontinued operations for the six months ended June 27, 2020.

The accompanying notes are an integral part of these consolidated financial statements.

Primo Water Corporation
Consolidated Balance Sheets
(in millions of U.S. dollars, except share amounts)
Unaudited

	July 3, 2021	January 2, 2021
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 114.2	\$ 115.1
Accounts receivable, net of allowance of \$23.1 (\$20.7 as of January 2, 2021)	287.2	222.3
Inventories	86.3	83.8
Prepaid expenses and other current assets	24.8	21.3
Total current assets	512.5	442.5
Property, plant and equipment, net	678.4	685.6
Operating lease right-of-use-assets	179.3	180.6
Goodwill	1,279.9	1,284.3
Intangible assets, net	958.2	987.6
Other long-term assets, net	23.6	24.1
Total assets	\$ 3,631.9	\$ 3,604.7
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Short-term borrowings	\$ 151.6	\$ 107.7
Current maturities of long-term debt	13.8	17.9
Accounts payable and accrued liabilities	420.3	387.7
Current operating lease obligations	35.1	35.5
Total current liabilities	620.8	548.8
Long-term debt	1,321.5	1,345.1
Operating lease obligations	147.4	148.0
Deferred tax liabilities	148.3	148.1
Other long-term liabilities	67.9	67.8
Total liabilities	2,305.9	2,257.8
<i>Shareholders' Equity</i>		
Common shares, no par value - 161,604,393 (January 2, 2021 - 160,406,464) shares issued	1,287.7	1,268.0
Additional paid-in-capital	80.1	84.5
Retained earnings	36.4	81.1
Accumulated other comprehensive loss	(78.2)	(86.7)
Total shareholders' equity	1,326.0	1,346.9
Total liabilities and shareholders' equity	\$ 3,631.9	\$ 3,604.7

The accompanying notes are an integral part of these consolidated financial statements.

Primo Water Corporation
Consolidated Statements of Cash Flows
(in millions of U.S. dollars)
Unaudited

	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cash flows from operating activities of continuing operations:				
Net loss	\$ (8.3)	\$ (136.0)	\$ (18.5)	\$ (132.5)
Net (loss) income from discontinued operations, net of income taxes	—	(4.3)	—	26.6
Net loss from continuing operations	(8.3)	(131.7)	(18.5)	(159.1)
Adjustments to reconcile net loss from continuing operations to cash flows from operating activities:				
Depreciation and amortization	52.0	52.8	105.1	97.8
Amortization of financing fees	0.9	0.9	1.7	1.8
Share-based compensation expense	3.8	4.9	6.2	7.3
Benefit for deferred income taxes	(4.2)	(0.9)	(0.6)	(4.4)
Loss on extinguishment of debt	27.2	—	27.2	—
Gain on sale of business	—	(0.6)	—	(0.6)
Goodwill and intangible asset impairment charges	—	115.2	—	115.2
Loss on disposal of property, plant and equipment, net	3.3	2.5	5.4	3.9
Other non-cash items	(1.2)	(1.5)	(1.0)	4.5
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(52.2)	39.0	(61.9)	10.1
Inventories	(6.3)	3.1	(3.1)	2.5
Prepaid expenses and other current assets	(2.0)	1.9	(4.2)	0.4
Other assets	0.2	(1.3)	0.3	(0.6)
Accounts payable and accrued liabilities and other liabilities	46.4	(18.8)	31.7	(8.6)
Net cash provided by operating activities from continuing operations	59.6	65.5	88.3	70.2
Cash flows from investing activities of continuing operations:				
Acquisitions, net of cash received	(0.3)	(11.9)	(0.3)	(434.5)
Additions to property, plant and equipment	(34.8)	(28.7)	(61.8)	(63.6)
Additions to intangible assets	(1.8)	(2.4)	(4.1)	(5.4)
Proceeds from sale of property, plant and equipment	0.6	0.5	0.7	0.8
Other investing activities	—	1.1	—	1.1
Net cash used in investing activities from continuing operations	(36.3)	(41.4)	(65.5)	(501.6)

Cash flows from financing activities of continuing operations:				
Payments of long-term debt	(753.6)	(2.6)	(757.0)	(5.3)
Issuance of long-term debt	750.0	—	750.0	—
Proceeds from short-term borrowings	45.0	188.0	45.0	323.9
Payments on short-term borrowings	(10.0)	(100.0)	(10.0)	(209.9)
Premiums and costs paid upon extinguishment of long-term debt	(20.6)	—	(20.6)	—
Issuance of common shares	14.7	0.2	15.7	0.8
Common shares repurchased and canceled	(13.2)	(0.2)	(16.3)	(32.1)
Financing fees	(10.6)	(0.3)	(11.3)	(2.8)
Equity issuance fees	—	—	—	(1.1)
Dividends paid to common shareholders	(9.9)	(10.5)	(19.6)	(20.3)
Payment of deferred consideration for acquisitions	(0.1)	(1.0)	(1.8)	(1.2)
Other financing activities	(0.9)	2.4	4.3	11.2
Net cash (used in) provided by financing activities from continuing operations	(9.2)	76.0	(21.6)	63.2
Cash flows from discontinued operations:				
Operating activities of discontinued operations	(2.6)	(0.7)	(1.8)	(18.0)
Investing activities of discontinued operations	—	(1.6)	—	392.9
Financing activities of discontinued operations	—	—	—	(0.1)
Net cash (used in) provided by discontinued operations	(2.6)	(2.3)	(1.8)	374.8
Effect of exchange rate changes on cash	0.5	1.1	(0.3)	(1.0)
Net increase (decrease) in cash, cash equivalents and restricted cash	12.0	98.9	(0.9)	5.6
Cash and cash equivalents and restricted cash, beginning of period	102.2	112.2	115.1	205.5
Cash and cash equivalents and restricted cash, end of period	<u>\$ 114.2</u>	<u>\$ 211.1</u>	<u>\$ 114.2</u>	<u>\$ 211.1</u>
Supplemental Non-cash Investing and Financing Activities:				
Shares issued in connection with business combination	\$ —	\$ —	\$ —	\$ 377.6
Accrued deferred financing fees	—	—	—	0.6
Dividends payable issued through accounts payable and accrued liabilities	—	—	0.1	0.2
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	11.9	9.0	19.4	12.7
Financing lease right-of-use assets obtained in exchange for lease obligations	3.3	2.3	5.9	24.0
Operating lease right-of-use assets obtained in exchange for lease obligations	11.5	7.6	18.2	14.9
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	\$ 16.9	\$ 23.0	\$ 40.2	\$ 38.6
Cash paid for income taxes, net	4.3	0.3	6.2	2.7

The accompanying notes are an integral part of these consolidated financial statements.

Primo Water Corporation
Consolidated Statements of Equity
(in millions of U.S. dollars, except share and per share amounts)
Unaudited

	Number of Common Shares (In thousands)	Common Shares	Additional Paid- in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at April 3, 2021	160,818	\$ 1,274.2	\$ 81.6	\$ 61.1	\$ (80.2)	\$ 1,336.7
Net loss	—	—	—	(8.3)	—	(8.3)
Other comprehensive income, net of tax	—	—	—	—	2.0	2.0
Common shares dividends (\$0.06 per common share)	—	—	—	(9.7)	—	(9.7)
Share-based compensation	—	—	3.8	—	—	3.8
Common shares repurchased and canceled	(803)	(6.5)	—	(6.7)	—	(13.2)
Common shares issued - Equity Incentive Plan	1,554	19.4	(5.2)	—	—	14.2
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	34	0.6	(0.1)	—	—	0.5
Balance at July 3, 2021	161,604	\$ 1,287.7	\$ 80.1	\$ 36.4	\$ (78.2)	\$ 1,326.0

	Number of Common Shares (In thousands)	Common Shares	Additional Paid- in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 2, 2021	160,406	\$ 1,268.0	\$ 84.5	\$ 81.1	\$ (86.7)	\$ 1,346.9
Net loss	—	—	—	(18.5)	—	(18.5)
Other comprehensive income, net of tax	—	—	—	—	8.5	8.5
Common shares dividends (\$0.12 per common share)	—	—	—	(19.5)	—	(19.5)
Share-based compensation	—	—	6.2	—	—	6.2
Common shares repurchased and canceled	(982)	(9.6)	—	(6.7)	—	(16.3)
Common shares issued - Equity Incentive Plan	2,119	28.3	(10.5)	—	—	17.8
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	60	1.0	(0.1)	—	—	0.9
Balance at July 3, 2021	161,604	\$ 1,287.7	\$ 80.1	\$ 36.4	\$ (78.2)	\$ 1,326.0

	Number of Common Shares (In thousands)	Common Shares	Additional Paid- in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholder's Equity
Balance at March 28, 2020	159,826	\$ 1,262.7	\$ 71.5	\$ 244.9	\$ (98.4)	\$ 1,480.7
Cumulative effect of changes in accounting principle, net of taxes	—	—	—	0.7	—	0.7
Net loss	—	—	—	(136.0)	—	(136.0)
Other comprehensive income, net of tax	—	—	—	—	8.4	8.4
Common shares dividends (\$0.06 per common share)	—	—	—	(9.9)	—	(9.9)
Share-based compensation	—	—	4.2	—	—	4.2
Common shares repurchased and canceled	(20)	(0.3)	—	—	—	(0.3)
Common shares issued - Equity Incentive Plan	175	0.6	(0.4)	—	—	0.2
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	37	0.3	(0.1)	—	—	0.2
Balance at June 27, 2020	160,019	\$ 1,263.3	\$ 75.2	\$ 99.7	\$ (90.0)	\$ 1,348.2

	Number of Common Shares (In thousands)	Common Shares	Additional Paid- in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 28, 2019	134,803	\$ 892.3	\$ 77.4	\$ 265.0	\$ (68.5)	\$ 1,166.2
Cumulative effect of changes in accounting principle, net of taxes	—	—	—	(3.6)	—	(3.6)
Net loss	—	—	—	(132.5)	—	(132.5)
Other comprehensive loss, net of tax	—	—	—	—	(21.5)	(21.5)
Common shares dividends \$0.12 per common share)	—	—	—	(19.5)	—	(19.5)
Share-based compensation	—	—	7.3	—	—	7.3
Common shares issued in connection with business combination and assumed vested awards, net of equity issuance costs of \$1.1 million	26,497	376.5	2.9	—	—	379.4
Common shares repurchased and canceled	(2,796)	(22.5)	—	(9.7)	—	(32.2)
Common shares issued - Equity Incentive Plan	1,452	16.3	(12.2)	—	—	4.1
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	62	0.7	(0.2)	—	—	0.5
Balance at June 27, 2020	160,019	\$ 1,263.3	\$ 75.2	\$ 99.7	\$ (90.0)	\$ 1,348.2

The accompanying notes are an integral part of these consolidated financial statements.

Primo Water Corporation
Notes to the Consolidated Financial Statements
Unaudited

Note 1—Business and Recent Accounting Pronouncements

Description of Business

As used herein, “Primo,” “the Company,” “our Company,” “Primo Water Corporation,” “we,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries. Primo is a leading provider of sustainable drinking water solutions direct to customers in North America and Europe. Primo operates largely under a recurring razor/razorblade revenue model. The razor in Primo’s revenue model is its industry leading line-up of sleek and innovative water dispensers, which are sold through retailers and online at various price points. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 22-country footprint direct to the customer’s door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units.

Primo’s water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. During 2020, our U.S. operations achieved a carbon neutral certification under the CarbonNeutral Protocol, an international standard administered by Natural Capital Partners. This certification is in addition to the certifications in our European operations where we have maintained carbon neutrality for the past nine consecutive years in many of our markets.

Basis of Presentation

The accompanying interim unaudited Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. The Consolidated Balance Sheet as of January 2, 2021 included herein was derived from the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2021 (our “2020 Annual Report”). This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited Consolidated Financial Statements and accompanying notes in our 2020 Annual Report. The accounting policies used in these interim Consolidated Financial Statements are consistent with those used in the annual Consolidated Financial Statements.

The presentation of these interim Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes.

COVID-19 Pandemic

In response to the novel coronavirus (“COVID-19”) pandemic, certain government authorities have enacted programs which provide various economic stimulus measures, including several tax provisions. Among the business tax provisions is the deferral of certain payroll and other tax remittances to future years and wage subsidies as reimbursement for a portion of certain furloughed employees’ salaries. During the three and six months ended July 3, 2021, we received wage subsidies under these programs totaling \$0.8 million and \$2.2 million, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. We have adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative (“SG&A”) expenses. In addition, deferred payroll and other taxes totaling \$8.1 million and \$9.0 million were included in accounts payable and accrued liabilities and \$7.5 million was included in other long-term liabilities on our Consolidated Balance Sheets as of July 3, 2021 and January 2, 2021, respectively.

Significant Accounting Policies

Included in Note 1 of our 2020 Annual Report is a summary of the Company's significant accounting policies. Provided below is a summary of additional accounting policies that are significant to the financial results of the Company.

Cost of sales

We record costs associated with the manufacturing of our products in cost of sales. Shipping and handling costs incurred to store, prepare and move products between production facilities or from production facilities to branch locations or storage facilities are recorded in cost of sales. Shipping and handling costs incurred to deliver products from our North America and Rest of World reporting segment branch locations to the end-user consumer of those products are recorded in SG&A expenses. All other costs incurred in the shipment of products from our production facilities to customer locations are reflected in cost of sales. Shipping and handling costs included in SG&A expenses were \$118.6 million and \$228.7 million for the three and six months ended July 3, 2021, respectively, and \$99.8 million and \$219.8 million for the three and six months ended June 27, 2020, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

Recently adopted accounting pronouncements

Update ASU 2018-14 – Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)

In August 2018, the Financial Accounting Standards Board ("FASB") amended its guidance on disclosure requirements for defined benefit plans. The update amends existing annual disclosure requirements applicable to all employers that sponsor defined benefit pension and other postretirement plans by adding, removing, and clarifying certain disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2020, with early adoption permitted, and are to be applied on a retrospective basis to all periods presented. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

Recently issued accounting pronouncements

Update ASU 2020-04 – Reference Rate Reform (Topic 848)

In March 2020, the FASB issued guidance which provides optional expedients and exceptions to account for contracts, hedging relationships and other transactions that reference LIBOR or any other reference rates expected to be discontinued because of reference rate reform. This guidance is effective as of March 12, 2020 through December 31, 2022 and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company has not adopted any of the optional expedients or exceptions through July 3, 2021 but will continue to evaluate the possible adoption of any such expedients or exceptions during the effective period as circumstances evolve.

Note 2—Discontinued Operations

In February 2020, the Company completed the sale of our coffee, tea and extract solutions business, S. & D. Coffee, Inc. ("S&D") to Westrock Coffee Company, LLC, a Delaware limited liability company ("Westrock"), pursuant to which Westrock acquired all of the issued and outstanding equity of S&D from the Company ("S&D Divestiture"). The consideration was \$405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of \$1.5 million from the Company to Westrock.

The Company used the proceeds of the S&D Divestiture to finance a portion of the acquisition of Primo Water Corporation ("Legacy Primo" and such transaction, the "Legacy Primo Acquisition"). See Note 4 to the Consolidated Financial Statements for additional information on the Legacy Primo Acquisition.

The major components of net (loss) income from discontinued operations, net of income taxes in the accompanying Consolidated Statement of Operations include the following:

(in millions of U.S. dollars)	For the Three Months Ended	For the Six Months Ended
	June 27, 2020	June 27, 2020
Revenue, net ¹	\$ —	\$ 97.1
Cost of sales	—	71.1
Operating loss from discontinued operations	—	(0.5)
(Loss) gain on sale of discontinued operations	(5.6)	54.9
Net (loss) income from discontinued operations, before income taxes	(5.5)	54.3
Income tax (benefit) expense ²	(1.2)	27.7
Net (loss) income from discontinued operations, net of income taxes	\$ (4.3)	\$ 26.6

¹ Includes \$1.0 million of related party sales to continuing operations for the six months ended June 27, 2020.

² The S&D Divestiture resulted in tax expense on the gain on sale of \$28.0 million and utilized a significant portion of the existing U.S. net operating loss carry-forwards.

Note 3—Revenue

Our principal sources of revenue are from bottled water delivery direct to consumers primarily in North America and Europe and from providing multi-gallon purified bottled water, self-service refill drinking water and water dispensers through retailers in North America. Revenue is recognized, net of sales returns, when a customer obtains control of promised goods or services in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We measure revenue based on the consideration specified in the customer arrangement, and revenue is recognized when the performance obligations in the customer arrangement are satisfied. A performance obligation is a contractual promise to transfer a distinct service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when the customer receives the benefit of the performance obligation. Customers typically receive the benefit of our services as they are performed. Substantially all our customer contracts require that we be compensated for services performed to date. This may be upon shipment of goods or upon delivery to the customer, depending on contractual terms. Shipping and handling costs paid by the customer to us are included in revenue and costs incurred by us for shipping and handling activities that are performed after a customer obtains control of the product are accounted for as fulfillment costs. In addition, we exclude from net revenue and cost of sales taxes assessed by governmental authorities on revenue-producing transactions. Although we occasionally accept returns of products from our customers, historically returns have not been material.

Contract Estimates

The nature of certain of our contracts give rise to variable consideration including cash discounts, volume-based rebates, point of sale promotions, and other promotional discounts to certain customers. For all promotional programs and discounts, we estimate the rebate or discount that will be granted to the customer and record an accrual upon invoicing. These estimated rebates or discounts are included in the transaction price of our contracts with customers as a reduction to net revenues and are included as accrued sales incentives in accounts payable and accrued liabilities in the Consolidated Balance Sheets. Accrued sales incentives were \$10.9 million and \$9.9 million on July 3, 2021 and January 2, 2021, respectively.

We do not disclose the value of unsatisfied performance obligations for contracts (i) with an original expected length of one year or less or (ii) for which we recognize revenue at the amount in which it has the right to invoice as the product is delivered.

Contract Balances

Contract liabilities relate primarily to advances received from our customers before revenue is recognized. These amounts are recorded as deferred revenue and are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. The advances are expected to be earned as revenue within one year of receipt. Deferred revenues at July 3, 2021 and January 2, 2021 were \$14.6 million and \$11.7 million, respectively. The amount of revenue recognized in the three and six months ended July 3, 2021 that was included in the January 2, 2021 deferred revenue balance was \$1.5 million and \$9.6 million, respectively.

The Company does not have any material contract assets as of July 3, 2021 and January 2, 2021.

Disaggregated Revenue

In general, our business segmentation is aligned according to the nature and economic characteristics of our products and customer relationships and provides meaningful disaggregation of each business segment's results of operations.

Further disaggregation of net revenue to external customers by geographic area based on customer location is as follows:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
United States	\$ 378.1	\$ 350.1	\$ 728.0	\$ 684.7
United Kingdom	38.2	25.6	74.9	68.1
Canada	18.6	14.0	34.5	30.1
All other countries	91.2	67.1	167.1	148.1
Total	\$ 526.1	\$ 456.8	\$ 1,004.5	\$ 931.0

Note 4—Acquisitions

Legacy Primo Acquisition

In March 2020, the Company completed the Legacy Primo Acquisition, adding North America's leading single source provider of multi-gallon purified bottled water, self-service refill drinking water and water dispensers sold through retailers to the Company's catalog of residential and commercial bottled water delivery businesses in North America and Europe. The Legacy Primo Acquisition was structured as an exchange offer to purchase all of the outstanding shares of common stock of Legacy Primo for per-share consideration of (i) \$14.00 in cash, (ii) 1.0229 common shares plus cash in lieu of any fractional common share, or (iii) \$5.04 in cash and 0.6549 common shares, at the election of Legacy Primo's stockholders, subject to the proration procedures set forth in the merger agreement. Immediately following the consummation of the exchange offer, we indirectly acquired the remaining Legacy Primo shares through a merger between Legacy Primo and one of our wholly-owned subsidiaries.

The total cash and stock consideration paid by us in the Legacy Primo Acquisition is summarized below:

(in millions of U.S. dollars, except share and per share amounts)	
Fair value of common shares issued to holders of Legacy Primo common stock (26,497,015 shares issued at \$14.25 per share)	\$ 377.6
Cash to holders of Legacy Primo common stock	216.1
Cash paid to retire outstanding indebtedness on behalf of Legacy Primo	196.9
Settlement of pre-existing relationship	4.7
Fair value of replacement common share options and restricted stock units for Legacy Primo awards	2.9
Total consideration	\$ 798.2

The table below summarizes the previously reported estimated acquisition date fair values, measurement period adjustments recorded, and the final purchase price allocation of the assets acquired and the liabilities assumed:

(in millions of U.S. dollars)	Originally Reported	Measurement Period Adjustments	Acquired Value
Cash and cash equivalents	\$ 1.3	\$ —	\$ 1.3
Accounts receivable	21.6	—	21.6
Inventory	18.4	—	18.4
Prepaid expenses and other current assets	5.3	—	5.3
Property, plant and equipment	107.8	—	107.8
Operating lease right-of-use-assets	4.3	—	4.3
Goodwill	301.2	1.3	302.5
Intangible assets	421.6	—	421.6
Other assets	0.4	—	0.4
Current maturities of long-term debt	(2.3)	—	(2.3)
Accounts payable and accrued liabilities	(42.0)	(0.2)	(42.2)
Current operating lease obligations	(1.4)	—	(1.4)
Long-term debt	(5.6)	—	(5.6)
Operating lease obligations	(3.0)	—	(3.0)
Deferred tax liabilities	(27.6)	(1.1)	(28.7)
Other long-term liabilities	(1.8)	—	(1.8)
Total	<u>\$ 798.2</u>	<u>\$ —</u>	<u>\$ 798.2</u>

Measurement period adjustments recorded during the six months ended July 3, 2021 include a deferred tax adjustment related to the final valuation and an adjustment to accounts payable and accrued liabilities based on a review of the respective fair value as of the date of the Legacy Primo Acquisition. The measurement period adjustment did not have a material effect on our results of operations in prior periods.

Supplemental Pro Forma Data (unaudited)

The following unaudited pro forma financial information for the three and six months ended June 27, 2020, represent the combined results of our operations as if the Legacy Primo Acquisition had occurred on December 30, 2018.

(in millions of U.S. dollars, except per share amounts)	For the Three Months Ended June 27, 2020	For the Six Months Ended June 27, 2020
Revenue	\$ 456.8	\$ 971.5
Net loss from continuing operations	\$ (131.7)	\$ (144.7)
Net loss	\$ (136.0)	\$ (118.1)
Net loss per common share from continuing operations, diluted	\$ (0.82)	\$ (0.96)
Net loss per common share, diluted	\$ (0.85)	\$ (0.78)

Note 5—Share-based Compensation

In the second quarter of 2021, we granted 70,920 common shares with an aggregate grant date fair value of approximately \$1.2 million to the non-management members of our Board of Directors under the Amended and Restated Primo Water Corporation Equity Incentive Plan. The common shares were issued in consideration of the directors' annual board retainer fee and are fully vested upon issuance.

Note 6—Income Taxes

Income tax benefit was \$3.4 million on pre-tax loss from continuing operations of \$11.7 million for the three months ended July 3, 2021, as compared to income tax benefit of \$1.4 million on pre-tax loss from continuing operations of \$133.1 million in the comparable prior year period. Income tax expense was \$1.3 on pre-tax loss from continuing operations of \$17.2 million for the six months ended July 3, 2021, as compared to income tax benefit of \$4.7 million on pre-tax loss of continuing operations of \$163.8 million in the comparable prior year period. The effective income tax rates for the three and six months ended July 3, 2021 were 29.1% and (7.6)%, respectively, compared to 1.1% and 2.9% in the comparable prior year periods.

The effective tax rate for the three and six months ended July 3, 2021 varied from the effective tax rate in the comparable prior year period due primarily to increased earnings in taxable jurisdictions and impairment charges incurred in the prior year period for which minimal tax benefit was recognized.

The effective tax rate for the three and six months ended July 3, 2021 varied from the statutory tax rate primarily due to losses in tax jurisdictions for which no tax benefit is recognized due to existing valuation allowances, as well as income in tax jurisdictions with tax rates lower than the Canadian statutory tax rate.

Note 7—Common Shares and Net (Loss) Income per Common Share***Common Shares***

On May 4, 2021, our Board of Directors approved a new share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021 (the "Repurchase Plan"). For the three and six months ended July 3, 2021, we repurchased 786,017 common shares for approximately \$13.0 million through open market transactions under the Repurchase Plan. Shares purchased under the Repurchase Plan were subsequently canceled. There can be no assurance as to the precise number of common shares, if any, that will be repurchased under the Repurchase Plan in the future, or the aggregate dollar amount of common shares to be purchased in future periods. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

Net (Loss) Income per Common Share

Basic net (loss) income per common share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the periods presented. Diluted net (loss) income per common share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, performance-based RSUs, and time-based RSUs during the periods presented. Set forth below is a reconciliation of the numerator and denominator for the diluted net (loss) income per common share computations for the periods indicated:

	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Numerator (in millions of U.S. dollars):				
Net (loss) income from continuing operations	\$ (8.3)	\$ (131.7)	\$ (18.5)	\$ (159.1)
Net (loss) income from discontinued operations	—	(4.3)	—	26.6
Net loss	(8.3)	(136.0)	(18.5)	(132.5)
Basic Earnings Per Share				
Denominator (in thousands):				
Weighted average common shares outstanding - basic	161,561	159,931	161,097	150,535
Basic Earnings Per Share:				
Continuing operations	(0.05)	(0.82)	(0.11)	(1.06)
Discontinued operations	—	(0.03)	—	0.18
Net loss	(0.05)	(0.85)	(0.11)	(0.88)
Diluted Earnings Per Share				
Denominator (in thousands):				
Weighted average common shares outstanding - basic	161,561	159,931	161,097	150,535
Dilutive effect of Stock Options	—	—	—	—
Dilutive effect of Performance-based RSUs	—	—	—	—
Dilutive effect of Time-based RSUs	—	—	—	—
Weighted average common shares outstanding - diluted	161,561	159,931	161,097	150,535
Diluted Earnings Per Share:				
Continuing operations	(0.05)	(0.82)	(0.11)	(1.06)
Discontinued operations	—	(0.03)	—	0.18
Net loss	(0.05)	(0.85)	(0.11)	(0.88)

The following table summarizes anti-dilutive securities excluded from the computation of diluted net income (loss) per common share for the periods indicated:

(in thousands)	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Stock Options	5,719	6,510	5,719	6,510
Performance-based RSUs ¹	836	924	836	924
Time-based RSUs	481	511	481	511

¹ Performance-based RSUs represent the number of shares expected to be issued based primarily on the estimated achievement of performance targets for these awards.

Note 8—Segment Reporting

Our broad portfolio of products includes bottled water, water dispensers, purified bottled water, self-service refill drinking water, premium spring, sparkling and flavored water, mineral water, filtration equipment, and coffee.

(in millions of U.S. dollars)	North America		Rest of World		All Other		Total
For the Three Months Ended July 3, 2021							
Revenue, net	\$	396.7	\$	129.4	\$	—	\$ 526.1
Depreciation and amortization		36.5		15.2		0.3	52.0
Operating income (loss)		40.1		1.6		(10.1)	31.6
Additions to property, plant and equipment		24.1		10.7		—	34.8
For the Six Months Ended July 3, 2021							
Revenue, net	\$	762.2	\$	242.3	\$	—	\$ 1,004.5
Depreciation and amortization		74.3		30.1		0.7	105.1
Operating income (loss)		66.2		(2.0)		(19.5)	44.7
Additions to property, plant and equipment		44.3		17.4		0.1	61.8

(in millions of U.S. dollars)	North America		Rest of World		All Other		Total	
For the Three Months Ended June 27, 2020								
Revenue, net	\$	363.9	\$	92.9	\$	—	\$	456.8
Depreciation and amortization		38.0		14.3		0.5		52.8
Operating income (loss) ¹		24.0		(128.1)		(9.9)		(114.0)
Additions to property, plant and equipment		25.2		3.7		(0.2)		28.7
For the Six Months Ended June 27, 2020								
Revenue, net	\$	714.6	\$	216.4	\$	—	\$	931.0
Depreciation and amortization		68.6		28.6		0.6		97.8
Operating income (loss) ¹		47.1		(130.5)		(34.6)		(118.0)
Additions to property, plant and equipment		48.9		14.9		(0.2)		63.6

¹ We revised the allocation of information technology costs from the All Other category to our North America and Rest of World reporting segments to reflect how the Chief Executive Officer, who is our chief operating decision maker, measures the performance of our segments. As a result of the change, operating income (loss) for the prior periods have been recast to decrease operating income in our North America reporting segment by \$0.4 million, increase operating loss in our Rest of World reporting segment by \$1.5 million, and decrease operating loss in the All Other category by \$1.9 million for the three months ended June 27, 2020. Operating income (loss) for the six months ended June 27, 2020 has been recast to decrease operating income in our North America reporting segment by \$1.0 million, increase operating loss in our Rest of World reporting segment by \$3.4 million, and decrease operating loss in the All Other category by \$4.4 million.

Revenues by channel by reporting segment were as follows:

(in millions of U.S. dollars)	For the Three Months Ended July 3, 2021			
	North America	Rest of World	All Other	Total
<u>Revenue, net</u>				
Water Direct/Water Exchange	\$ 264.9	\$ 58.1	\$ —	\$
Water Refill/Water Filtration	45.1	8.0	—	
Other Water	42.2	22.4	—	
Water Dispensers	17.6	—	—	
Other	26.9	40.9	—	
Total	\$ 396.7	\$ 129.4	\$ —	\$

(in millions of U.S. dollars)	For the Six Months Ended July 3, 2021			
	North America	Rest of World	All Other	Total
<u>Revenue, net</u>				
Water Direct/Water Exchange	\$ 503.7	\$ 106.9	\$ —	\$
Water Refill/Water Filtration	90.2	15.9	—	
Other Water	83.1	37.8	—	
Water Dispensers	32.6	—	—	
Other	52.6	81.7	—	
Total	\$ 762.2	\$ 242.3	\$ —	\$ 1,

(in millions of U.S. dollars)	For the Three Months Ended June 27, 2020			
	North America	Rest of World	All Other	Total
<u>Revenue, net</u>				
Water Direct/Water Exchange	\$ 225.8	\$ 42.3	\$ —	\$ 268.1
Water Refill/Water Filtration	51.2	6.3	—	57.5
Other Water	42.5	14.3	—	56.8
Water Dispensers	20.8	—	—	20.8
Other	23.6	30.0	—	53.6
Total	\$ 363.9	\$ 92.9	\$ —	\$ 456.8

(in millions of U.S. dollars)	For the Six Months Ended June 27, 2020			
	North America	Rest of World	All Other	Total
<u>Revenue, net</u>				
Direct/Water Exchange	\$ 463.3	\$ 100.5	\$ —	\$ 563.3
Refill/Water Filtration	74.9	13.4	—	88.3
Water	84.7	27.5	—	112.2
Dispensers	26.7	—	—	26.7
	65.1	75.4	—	140.5
	\$ 714.6	\$ 216.4	\$ —	\$ 931.0

Note 9—Inventories

The following table summarizes inventories as of July 3, 2021 and January 2, 2021:

(in millions of U.S. dollars)	July 3, 2021	January 2, 2021
Raw materials	\$ 49.4	\$ 43.6
Finished goods	26.0	28.0
Resale items	10.0	11.1
Other	0.9	1.1
Total	\$ 86.3	\$ 83.8

Note 10—Debt

Our total debt as of July 3, 2021 and January 2, 2021 was as follows:

(in millions of U.S. dollars)	July 3, 2021			January 2, 2021		
	Principal	Unamortized Debt Costs	Net	Principal	Unamortized Debt Costs	Net
5.500% senior notes due in 2025	—	—	—	750.0	7.0	743.0
3.875% senior notes due in 2028	533.4	7.7	525.7	551.9	8.3	543.6
4.375% senior notes due in 2029	750.0	10.4	739.6	—	—	—
Revolving Credit Facility	139.8	—	139.8	104.8	—	104.8
Short-term borrowings	11.8	—	11.8	2.9	—	2.9
Finance leases	69.8	—	69.8	71.5	—	71.5
Other debt financing	0.2	—	0.2	4.9	—	4.9
Total debt	1,505.0	18.1	1,486.9	1,486.0	15.3	1,470.7
Less: Short-term borrowings and current debt:						
Revolving Credit Facility	139.8	—	139.8	104.8	—	104.8
Short-term borrowings	11.8	—	11.8	2.9	—	2.9
Finance leases - current maturities	13.7	—	13.7	13.2	—	13.2
Other debt financing	0.1	—	0.1	4.7	—	4.7
Total current debt	165.4	—	165.4	125.6	—	125.6
Total long-term debt	\$ 1,339.6	\$ 18.1	\$ 1,321.5	\$ 1,360.4	\$ 15.3	\$ 1,345.1

4.375% Senior Notes due in 2029

On April 30, 2021, we issued \$750.0 million of 4.375% senior notes due April 30, 2029 (“2029 Notes”) to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2029 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2029 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the \$350.0 million senior secured revolving credit facility and the €450.0 million of 3.875% senior notes due October 31, 2028. The 2029 Notes will mature on April 30, 2029 and interest is payable semi-annually on April 30th and October 31st of each year commencing on October 31, 2021. The proceeds of the 2029 Notes, along with available cash on hand, were used to redeem in full the \$750.0 million of 5.500% senior notes due April 1, 2025 (“2025 Notes”) and pay related premiums, fees and expenses.

We incurred approximately \$11.2 million of financing fees for the issuance of the 2029 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2029 Notes.

The redemption of the 2025 Notes included \$20.6 million in premium payments, accrued interest of \$3.6 million, and the write-off of \$6.6 million in deferred financing fees.

Note 11—Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (“AOCI”) by component for the three and six months ended July 3, 2021 and June 27, 2020 were as follows:

(in millions of U.S. dollars) ¹	Gains and Losses on Derivative Instruments	Pension Benefit Plan Items	Currency Translation Adjustment Items	Total
Beginning balance April 3, 2021	\$ —	\$ (1.1)	\$ (79.1)	\$ (80.2)
OCI before reclassifications	—	—	2.0	2.0
Amounts reclassified from AOCI	—	—	—	—
Net current-period OCI	—	—	2.0	2.0
Ending Balance July 3, 2021	\$ —	\$ (1.1)	\$ (77.1)	\$ (78.2)
Beginning balance January 2, 2021	\$ —	\$ (1.1)	\$ (85.6)	\$ (86.7)
OCI before reclassifications	—	—	8.5	8.5
Amounts reclassified from AOCI	—	—	—	—
Net current-period OCI	—	—	8.5	8.5
Ending Balance July 3, 2021	\$ —	\$ (1.1)	\$ (77.1)	\$ (78.2)
Beginning balance March 28, 2020	\$ —	\$ (1.0)	\$ (97.4)	\$ (98.4)
OCI before reclassifications	—	—	8.4	8.4
Amounts reclassified from AOCI	—	—	—	—
Net current-period OCI	—	—	8.4	8.4
Ending balance June 27, 2020	\$ —	\$ (1.0)	\$ (89.0)	\$ (90.0)
Beginning balance December 28, 2019	\$ 11.2	\$ (1.0)	\$ (78.7)	\$ (68.5)
OCI before reclassifications	(8.7)	—	(10.3)	(19.0)
Amounts reclassified from AOCI	(2.5)	—	—	(2.5)
Net current-period OCI	(11.2)	—	(10.3)	(21.5)
Ending balance June 27, 2020	\$ —	\$ (1.0)	\$ (89.0)	\$ (90.0)

¹ All amounts are net of tax. Amounts in parentheses indicate debits.

The following table summarizes the amounts reclassified from AOCI for the three and six months ended July 3, 2021 and June 27, 2020, respectively:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended		Affected Line Item in the Statement Where Net Income Is Presented
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020	
Details About AOCI Components ¹					
Gains and losses on derivative instruments					
Foreign currency and commodity hedges	\$ —	\$ —	\$ —	\$ 0.1	Cost of sales
Commodity hedges ²	—	—	—	2.4	Gain on sale of discontinued operations
	—	—	—	2.5	Total before taxes
	—	—	—	—	Tax expense or (benefit)
	\$ —	\$ —	\$ —	\$ 2.5	Net of tax
Amortization of pension benefit plan items					
Actuarial (losses)/gains ³	\$ —	\$ —	\$ —	\$ —	
Prior service costs ³	—	—	—	—	
	—	—	—	—	Total before taxes
	—	—	—	—	Tax expense or (benefit)
	\$ —	\$ —	\$ —	\$ —	Net of tax
Total reclassifications for the period	\$ —	\$ —	\$ —	\$ 2.5	Net of tax

¹ Amounts in parentheses indicate debits.

² Net of \$1.3 million of associated tax impact that resulted in a decrease to the gain on the sale of discontinued operations for the six months ended June 27, 2020.

³ These AOCI components are included in the computation of net periodic pension cost.

Note 12—Commitments and Contingencies

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flow.

We had \$51.5 million in standby letters of credit outstanding as of July 3, 2021 (\$50.6 million as of January 2, 2021).

Guarantees

After the sale of our legacy carbonated soft drink and juice business in January 2018, we have continued to provide contractual payment guarantees to two third-party lessors of certain real property used in these businesses. The leases were conveyed to the buyer as part of the sale, but our guarantee was not released by the landlord. The two lease agreements mature in 2027 and 2028. The maximum potential amount of undiscounted future payments under the guarantee is approximately \$17.8 million as of July 3, 2021, which was calculated based on the minimum lease payments of the leases over the remaining term of the agreements. The sale documents require the buyer to pay all post-closing obligations under these conveyed leases, and to reimburse us if the landlord calls on a guarantee. The buyer has also agreed to a covenant to negotiate with the landlords for a release of our guarantees. Discussions with the landlords are ongoing. We currently do not believe it is probable we would be required to perform under any of these guarantees or any of the underlying obligations.

Note 13—Fair Value Measurements

FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Fair Value of Financial Instruments

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of July 3, 2021 and January 2, 2021 were as follows:

(in millions of U.S. dollars)	July 3, 2021		January 2, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.500% senior notes due in 2025 ^{1,2}	—	—	743.0	767.2
3.875% senior notes due in 2028 ^{1,2}	525.7	535.9	543.6	559.9
4.375% senior notes due in 2029 ^{1,2}	739.6	740.5	—	—
Total	<u>\$ 1,265.3</u>	<u>\$ 1,276.4</u>	<u>\$ 1,286.6</u>	<u>\$ 1,327.1</u>

¹ The fair values were based on the trading levels and bid/offer prices observed by a market participant and are considered Level 2 financial instruments.

² Carrying value of our significant outstanding debt is net of unamortized debt issuance costs as of July 3, 2021 and January 2, 2021 (see Note 10 to the Consolidated Financial Statements).

Note 14—Subsequent Events

Subsequent to July 3, 2021, we repurchased 1,417,725 common shares for approximately \$23.2 million through open market transactions under the Repurchase Plan. Shares purchased under the Repurchase Plan were subsequently canceled.

On August 4, 2021, our Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on September 2, 2021 to shareowners of record at the close of business on August 19, 2021.

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

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is intended to further the reader’s understanding of the consolidated financial condition and results of operations of our Company. It should be read in conjunction with the financial statements included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended January 2, 2021 (our “2020 Annual Report”). These historical financial statements may not be indicative of our future performance. This discussion contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks referred to under “Risk Factors” in Part I, Item 1A in our 2020 Annual Report. As used herein, “Primo,” “the Company,” “Primo Water Corporation,” “we,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries.

Overview

Primo is a leading provider of sustainable drinking water solutions direct to customers in North America and Europe. Primo operates largely under a recurring razor/razorblade revenue model. The razor in Primo’s revenue model is its industry leading line-up of sleek and innovative water dispensers, which are sold through retailers and online at various price points. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 22-country footprint direct to the customer’s door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units.

Primo’s water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. During 2020, our U.S. operations achieved a carbon neutral certification under the CarbonNeutral Protocol, an international standard administered by Natural Capital Partners. This certification is in addition to the certifications in our European operations where we have maintained carbon neutrality for the past nine consecutive years in many of our markets.

The market in which we operate is subject to some seasonal variations. Our water delivery sales are generally higher during the warmer months. Our purchases of raw materials and related accounts payable fluctuate based upon the demand for our products. The seasonality of our sales volume causes our working capital needs to fluctuate throughout the year.

We conduct operations in countries involving transactions denominated in a variety of currencies. We are subject to currency exchange risks to the extent that our costs are denominated in currencies other than those in which we earn revenues. As our financial statements are denominated in U.S. dollars, fluctuations in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have an impact on our results of operations.

Impact of the COVID-19 Pandemic

Our global operations expose us to risks associated with the coronavirus (“COVID-19”) pandemic, which has resulted in challenging operating environments. COVID-19 has spread across the globe to all of the countries in which we operate. Authorities in many of these markets have implemented numerous measures to stall the spread of COVID-19, including travel bans and restrictions, quarantines, curfews, shelter in place orders, and business shutdowns. These measures have impacted and will continue to impact us, our customers, employees, distributors, suppliers and other third parties with whom we do business. There is considerable uncertainty regarding the extent and duration of any impact that these measures and future measures in response to the pandemic may have on our business, including whether they will result in further changes in demand for our services and products, further increases in operating costs (whether as a result of changes to our supply chain or increases in employee costs or otherwise), and how they will further impact our supply chain, each or all of which can impact our ability to make, manufacture, distribute and sell our products. In addition, measures that impact our ability to access our offices, plants, warehouses, distribution centers or other facilities, or that impact the ability of our customers, employees, distributors, suppliers and other third parties to do the same, may impact the availability of our and their employees, many of whom are not able to perform their job functions remotely.

For our associates we have implemented safety protocols, including implementing social distancing guidelines, staggering employee shifts, providing our associates with personal protective equipment, and continuing to allow members of our team to work from home where possible. We have been working and will continue to work closely with our business partners on contingency planning in an effort to maintain supply. To date, we have not experienced a material disruption to our operations or supply chain.

The extent of the impact of the pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market, including the duration and scope of the pandemic, the emergence and spread of new disease variants, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, successful distribution and efficacy of COVID-19 vaccines and changes in customer behavior in response to the pandemic, some of which may be more than just temporary.

As we deliver bottled water to residential and business customers across a 22-country footprint and provide multi-gallon purified bottled water, self-service refill drinking water and water dispensers to customers through retailers in North America, the profile of the services we provide and the products we sell, and the amount of revenue attributable to such services and products, varies by jurisdiction. Changes in demand as a result of COVID-19 will vary in scope and timing across these markets. For example, to date, we have seen an increase in volumes in our residential water direct business and a decrease in volumes in our commercial water direct business as a result of the COVID-19 pandemic. Economic uncertainty can adversely affect our customers' financial condition, resulting in an inability to pay for our services or products, reduced or canceled orders of our services or products, or our business partners' inability to supply us with the items necessary for us to make, manufacture, distribute or sell our products. Such adverse changes in our customers' or business partners' financial condition may also result in our recording impairment charges for our inability to recover or collect any accounts receivable. In addition, economic uncertainty associated with COVID-19 pandemic has resulted in volatility in the global capital and credit markets, which can impair our ability to access these markets on terms commercially acceptable to us, or at all. The full extent of the COVID outbreak and its impact on the markets served by the Company's operations continues to be highly uncertain as conditions continue to fluctuate around the world, with vaccine administration rising in certain regions and spikes in infections (including the spread of variants) also being experienced.

In response to COVID-19, certain government authorities have enacted programs which provide various economic stimulus measures, including several tax provisions. Among the business tax provisions is the deferral of certain payroll and other tax remittances to future years and wage subsidies as reimbursement for a portion of certain furloughed employees' salaries. During the three and six months ended July 3, 2021, we received wage subsidies under these programs totaling \$0.8 million and \$2.2 million, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. The Company has adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative ("SG&A") expenses. In addition, deferred payroll and other taxes totaling \$8.1 million and \$9.0 million were included in accounts payable and accrued liabilities and \$7.5 million were included in other long-term liabilities on our Consolidated Balance Sheet as of July 3, 2021 and January 2, 2021, respectively.

Divestiture, Acquisition and Financing Transactions

In February 2020, we completed the sale of our coffee, tea and extract solutions business, S. & D. Coffee, Inc. ("S&D"), to Westrock Coffee Company, LLC, a Delaware limited liability company ("Westrock"), pursuant to which Westrock acquired all of the issued and outstanding equity of S&D from the Company ("S&D Divestiture"). The consideration was \$405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of \$1.5 million from the Company to Westrock. We used the proceeds of the transaction to finance a portion of the Legacy Primo Acquisition, as described below.

As a result of the S&D Divestiture, the operating results associated with S&D have been presented as discontinued operations for all periods presented. The following discussion and analysis of financial condition and results of operations are those of our continuing operations unless otherwise indicated. For additional information regarding our discontinued operations, see Note 2 to the Consolidated Financial Statements.

In March 2020, we completed the acquisition of Primo Water Corporation ("Legacy Primo" and such transaction, the "Legacy Primo Acquisition"). The aggregate consideration paid in the Legacy Primo Acquisition was approximately \$798.2 million and includes \$377.6 million of our common shares issued by us to holders of Legacy Primo common stock, \$216.1 million paid in cash by us to holders of Legacy Primo common stock, \$196.9 million of cash paid to retire outstanding indebtedness on behalf of Legacy Primo, \$4.7 million to settle a pre-existing liability and \$2.9 million in fair value of replacement common share options and restricted stock units for vested Legacy Primo awards. The Legacy Primo Acquisition is consistent with our strategy of transitioning to a pure-play water solutions provider.

In connection with the closing of the Legacy Primo Acquisition, we changed our corporate name to Primo Water Corporation and our ticker symbol on the New York Stock Exchange and Toronto Stock Exchange to "PRMW".

In March 2020, we entered into a credit agreement among the Company, as parent borrower, Primo Water Holdings Inc. and Eden Springs Nederland B.V., each as subsidiary borrowers, certain other subsidiaries of the Company from time to time designated as subsidiary borrowers, Bank of America, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto (the "Credit Agreement").

The Credit Agreement provides for a senior secured revolving credit facility in an initial aggregate committed amount of \$350.0 million (the “Revolving Credit Facility”), which may be increased by incremental credit extensions from time to time in the form of term loans or additional revolving credit commitments. The Revolving Credit Facility has a five year maturity date and includes letter of credit and swing line loan sub facilities. Borrowings under the Revolving Credit Facility were used to refinance in full and terminate our previously existing asset-based lending credit facility.

On October 22, 2020, we issued €450.0 million (\$533.5 million at exchange rates in effect on October 22, 2020) of 3.875% senior notes due October 31, 2028 (“2028 Notes”) to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2028 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2028 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility and the \$750.0 million of 5.500% senior notes due April 1, 2025. The 2028 Notes will mature on October 31, 2028 and interest is payable semi-annually on April 30th and October 31st of each year commencing on April 30, 2021. The proceeds of the 2028 Notes, along with borrowings from the Revolving Credit Facility, were used to redeem in full €450.0 million of 5.500% senior notes due July 1, 2024 (“2024 Notes”) and pay related premiums, fees and expenses.

We incurred approximately \$8.0 million of financing fees for the issuance of the 2028 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2028 Notes. The redemption of the 2024 Notes included \$14.6 million in premium payments and accrued interest of \$9.0 million.

On April 30, 2021, we issued \$750.0 million of 4.375% senior notes due April 30, 2029 (“2029 Notes”) to qualified purchasers in a private placement offering under the Securities Act, and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2029 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2029 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility and the €450.0 million of 3.875% senior notes due October 31, 2028. The 2029 Notes will mature on April 30, 2029 and interest is payable semi-annually on April 30th and October 31st of each year commencing on October 31, 2021. The proceeds of the 2029 Notes, along with available cash on hand, were used to redeem in full the \$750.0 million of 5.500% senior notes due April 1, 2025 (“2025 Notes”) and pay related premiums, fees and expenses.

We incurred approximately \$11.2 million of financing fees for the issuance of the 2029 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2029 Notes.

The redemption of the 2025 Notes included \$20.6 million in premium payments, accrued interest of \$3.6 million, and the write-off of \$6.6 million in deferred financing fees.

Forward-Looking Statements

In addition to historical information, this report, and any documents incorporated in this report by reference, may contain statements relating to future events and future results. These statements are “forward-looking” within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation and involve known and unknown risks, uncertainties, future expectations and other factors that may cause actual results, performance or achievements of Primo Water Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements include, but are not limited to, statements that relate to projections of sales, cash flows, capital expenditures or other financial items, statements regarding our intentions to pay regular quarterly dividends on our common shares, and discussions of estimated future revenue enhancements and cost savings. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. Generally, words such as “anticipate,” “believe,” “continue,” “could,” “endeavor,” “estimate,” “expect,” “intend,” “may,” “will,” “plan,” “predict,” “project,” “should” and similar terms and phrases are used to identify forward-looking statements in this report and any documents incorporated in this report by reference. These forward-looking statements reflect current expectations regarding future events and operating performance and are made only as of the date of this report.

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A "Risk Factors" in our 2020 Annual Report and those described from time to time in our future reports filed with the U.S. Securities and Exchange Commission ("SEC") and Canadian securities regulatory authorities.

The following are some of the factors that could affect our financial performance, including but not limited to, sales, earnings and cash flows, or could cause actual results to differ materially from estimates contained in or underlying the forward-looking statements:

- our ability to compete successfully in the markets in which we operate;
- fluctuations in commodity prices and our ability to pass on increased costs to our customers or hedge against such rising costs, and the impact of those increased prices on our volumes;
- our ability to manage our operations successfully;
- our exposure to intangible asset risk;
- the impact of national, regional and global events, including those of a political, economic, business and competitive nature;
- the impact of the spread of COVID-19, related government actions and the Company's strategy in response thereto on our business, financial condition and results of operations;
- our ability to fully realize the potential benefit of transactions (including the Legacy Primo Acquisition and the S&D Divestiture) or other strategic opportunities that we pursue;
- our ability to realize cost synergies of our acquisitions due to integration difficulties and other challenges;
- our limited indemnification rights in connection with the Legacy Primo Acquisition;
- currency fluctuations that adversely affect the exchange between the U.S. dollar and the British pound sterling, the exchange between the Euro, the Canadian dollar and other currencies and the exchange between the British pound sterling and the Euro;
- our ability to maintain favorable arrangements and relationships with our suppliers;
- our ability to meet our obligations under our debt agreements, and risks of further increases to our indebtedness;
- our ability to maintain compliance with the covenants and conditions under our debt agreements;
- fluctuations in interest rates, which could increase our borrowing costs;
- the incurrence of substantial indebtedness to finance our acquisitions, including the Legacy Primo Acquisition;
- the impact on our financial results from uncertainty in the financial markets and other adverse changes in general economic conditions;
- any disruption to production at our manufacturing facilities;
- our ability to maintain access to our water sources;
- our ability to protect our intellectual property;
- compliance with product health and safety standards;
- liability for injury or illness caused by the consumption of contaminated products;
- liability and damage to our reputation as a result of litigation or legal proceedings;
- changes in the legal and regulatory environment in which we operate;
- the seasonal nature of our business and the effect of adverse weather conditions;

- our ability to recruit, retain and integrate new management;
- our ability to renew our collective bargaining agreements on satisfactory terms;
- disruptions in our information systems;
- our ability to securely maintain our customers' confidential or credit card information, or other private data relating to our employees or our company;
- our ability to maintain our quarterly dividend;
- our ability to adequately address the challenges and risks associated with our international operations and address difficulties in complying with laws and regulations including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010;
- the impact on our tax obligations and effective tax rate arising from changes in local tax laws or countries adopting more aggressive interpretations of tax laws;
- our ability to utilize tax attributes to offset future taxable income; or
- credit rating changes.

We undertake no obligation to update any information contained in this report or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware of after the date of this report. Undue reliance should not be placed on forward-looking statements, and all future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

Non-GAAP Measures

In this report, we supplement our reporting of financial measures determined in accordance with U.S. generally accepted accounting principles ("GAAP") by utilizing certain non-GAAP financial measures that exclude certain items to make period-over-period comparisons for our underlying operations before material changes. We exclude these items to better understand trends in the business. We exclude the impact of foreign exchange to separate the impact of currency exchange rate changes from our results of operations.

We also utilize earnings (loss) before interest expense, taxes, depreciation and amortization ("EBITDA"), which is GAAP net income (loss) from continuing operations before interest expense, net, expense (benefit) for income taxes and depreciation and amortization. We consider EBITDA to be an indicator of operating performance. We also use EBITDA, as do analysts, lenders, investors and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. We also utilize adjusted EBITDA, which is EBITDA excluding acquisition and integration costs, share-based compensation costs, COVID-19 costs, goodwill and intangible asset impairment charges, foreign exchange and other (gains) losses, net, loss on disposal of property, plant and equipment, net, loss on extinguishment of long-term debt, gain on sale of business and other adjustments, net, as the case may be ("Adjusted EBITDA"). We consider Adjusted EBITDA to be an indicator of our operating performance and enhances comparability between periods.

Because we use these adjusted financial results in the management of our business and to understand underlying business performance, we believe this supplemental information is useful to investors for their independent evaluation and understanding of our business performance and the performance of our management. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, our financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this report reflect our judgment of particular items, and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies.

Summary Financial Results

Net loss from continuing operations for the three months ended July 3, 2021 (the “second quarter”) and six months ended July 3, 2021 (the “first half of 2021” or “year to date”) was \$8.3 million or \$0.05 per diluted common share, and \$18.5 million or \$0.11 per diluted common share, respectively, compared with net loss from continuing operations of \$131.7 million or \$0.82 per diluted common share, and \$159.1 million or \$1.06 per diluted common share for the three and six months ended June 27, 2020, respectively.

The following items of significance affected our financial results for the first six months of 2021:

- Net revenue increased \$73.5 million, or 7.9%, from the prior year period due primarily to the addition of revenues from the Legacy Primo business, pricing initiatives and the impact of favorable foreign exchange rates, partially offset by a decline in water and office coffee services consumption due to the impact of COVID-19;
- Gross profit increased to \$561.7 million from \$528.0 million in the prior year period due primarily to the addition of the Legacy Primo business, pricing initiatives and the impact of favorable foreign exchange rates, partially offset by a decline in water and office coffee services consumption due to the impact of COVID-19. Gross profit as a percentage of net revenue was 55.9% compared to 56.7% in the prior year period;
- SG&A expenses increased to \$507.9 million from \$501.8 million in the prior year period due primarily to the addition of the Legacy Primo business, increased delivery expenses and the unfavorable impact of foreign exchange rates partially offset by cost reduction initiatives executed as a result of the impact of COVID-19. SG&A expenses as a percentage of net revenue was 50.6% compared to 53.9% in the prior year period;
- Acquisition and integration expenses decreased to \$3.7 million from \$25.1 million in the prior year period due primarily to lower acquisition and integration costs incurred in connection with the Legacy Primo Acquisition. Acquisition and integration expenses as a percentage of revenue was 0.4% compared to 2.7% in the prior year period;
- Goodwill and intangible asset impairment charges decreased to nil from \$115.2 million in the prior year period due primarily to impairment charges recorded in the prior period as a result of general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results;
- Other expense, net was \$25.2 million compared to \$5.4 million in the prior year period due primarily to costs incurred to redeem our 2025 Notes in the current year period;
- Income tax expense was \$1.3 million on pre-tax loss from continuing operations of \$17.2 million compared to income tax benefit of \$4.7 million on pre-tax loss from continuing operations of \$163.8 million in the prior year period due primarily to increased earnings in taxable jurisdictions and impairment charges incurred in the prior year period for which minimal tax benefit was recognized;
- Adjusted EBITDA increased to \$175.7 million compared to \$152.9 million in the prior year period due to the items listed above; and
- Cash flows provided by operating activities from continuing operations was \$88.3 million compared to \$70.2 million in the prior year period. The \$18.1 million increase was due primarily to improved earnings, excluding non-cash charges, relative to the prior year period.

Results of Operations

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three and six months ended July 3, 2021 and June 27, 2020:

(in millions of U.S. dollars)	For the Three Months Ended				For the Six Months Ended			
	July 3, 2021		June 27, 2020		July 3, 2021		June 27, 2020	
	\$	%	\$	%	\$	%	\$	%
Revenue, net	526.1	100.0	456.8	100.0	1,004.5	100.0	931.0	100.0
Cost of sales	228.9	43.5	202.1	44.2	442.8	44.1	403.0	43.3
Gross profit	297.2	56.5	254.7	55.8	561.7	55.9	528.0	56.7
Selling, general and administrative expenses	259.9	49.4	246.7	54.0	507.9	50.6	501.8	53.9
Loss on disposal of property, plant and equipment, net	3.3	0.6	2.5	0.5	5.4	0.5	3.9	0.4
Acquisition and integration expenses	2.4	0.5	4.3	0.9	3.7	0.4	25.1	2.7
Goodwill and intangible asset impairment charges	—	—	115.2	25.2	—	—	115.2	12.4
Operating income (loss)	31.6	6.0	(114.0)	(25.0)	44.7	4.4	(118.0)	(12.7)
Other expense (income), net	25.6	4.9	(1.6)	(0.4)	25.2	2.5	5.4	0.6
Interest expense, net	17.7	3.4	20.7	4.5	36.7	3.7	40.4	4.3
Loss from continuing operations before income taxes	(11.7)	(2.2)	(133.1)	(29.1)	(17.2)	(1.7)	(163.8)	(17.6)
Income tax (benefit) expense	(3.4)	(0.6)	(1.4)	(0.3)	1.3	0.1	(4.7)	(0.5)
Net loss from continuing operations	(8.3)	(1.6)	(131.7)	(28.8)	(18.5)	(1.8)	(159.1)	(17.1)
Net (loss) income from discontinued operations, net of income taxes	—	—	(4.3)	(0.9)	—	—	26.6	2.9
Net loss	(8.3)	(1.6)	(136.0)	(29.8)	(18.5)	(1.8)	(132.5)	(14.2)
Depreciation & amortization	52.0	9.9	52.8	11.6	105.1	10.5	97.8	10.5

The following tables summarize the change in revenue by reporting segment for the three and six months ended July 3, 2021:

(in millions of U.S. dollars, except percentage amounts)	For the Three Months Ended July 3, 2021			
	North America	Rest of World	All Other	Total
Change in revenue	\$ 32.8	\$ 36.5	\$ —	\$ 69.3
Impact of foreign exchange ¹	(2.1)	(10.9)	—	(13.0)
Change excluding foreign exchange	\$ 30.7	\$ 25.6	\$ —	\$ 56.3
Percentage change in revenue	9.0 %	39.3 %	— %	15.2 %
Percentage change in revenue excluding foreign exchange	8.4 %	27.6 %	— %	12.3 %

¹ Impact of foreign exchange is the difference between the current period revenue translated utilizing the current period average foreign exchange rates less the current period revenue translated utilizing the prior period average foreign exchange rates.

(in millions of U.S. dollars, except percentage amounts)	For the Six Months Ended July 3, 2021			
	North America	Rest of World	All Other	Total
Change in revenue	\$ 47.6	\$ 25.9	\$ —	\$ 73.5
Impact of foreign exchange ¹	(3.0)	(18.1)	—	(21.1)
Change excluding foreign exchange	\$ 44.6	\$ 7.8	\$ —	\$ 52.4
Percentage change in revenue	6.7 %	12.0 %	— %	7.9 %
Percentage change in revenue excluding foreign exchange	6.2 %	3.6 %	— %	5.6 %

¹ Impact of foreign exchange is the difference between the current period revenue translated utilizing the current period average foreign exchange rates less the current period revenue translated utilizing the prior period average foreign exchange rates.

The following tables summarize the change in gross profit by reporting segment for the three and six months ended July 3, 2021:

(in millions of U.S. dollars, except percentage amounts)	For the Three Months Ended July 3, 2021			
	North America	Rest of World	All Other	Total
Change in gross profit	\$ 19.7	\$ 22.8	\$ —	\$ 42.5
Impact of foreign exchange ¹	(1.2)	(5.6)	—	(6.8)
Change excluding foreign exchange	\$ 18.5	\$ 17.2	\$ —	\$ 35.7
Percentage change in gross profit	9.6 %	46.7 %	— %	16.7 %
Percentage change in gross profit excluding foreign exchange	9.0 %	35.2 %	— %	14.0 %

¹ Impact of foreign exchange is the difference between the current period gross profit translated utilizing the current period average foreign exchange rates less the current period gross profit translated utilizing the prior period average foreign exchange rates.

(in millions of U.S. dollars, except percentage amounts)	For the Six Months Ended July 3, 2021			
	North America	Rest of World	All Other	Total
Change in gross profit	\$ 18.1	\$ 15.6	\$ —	\$ 33.7
Impact of foreign exchange ¹	(1.6)	(9.4)	—	(11.0)
Change excluding foreign exchange	\$ 16.5	\$ 6.2	\$ —	\$ 22.7
Percentage change in gross profit	4.4 %	13.4 %	— %	6.4 %
Percentage change in gross profit excluding foreign exchange	4.0 %	5.3 %	— %	4.3 %

¹ Impact of foreign exchange is the difference between the current period gross profit translated utilizing the current period average foreign exchange rates less the current period gross profit translated utilizing the prior period average foreign exchange rates.

Our corporate oversight function is not treated as a segment; it includes certain general and administrative costs that are disclosed in the All Other category.

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for the three and six months ended July 3, 2021 and June 27, 2020:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
<i>Revenue, net</i>				
North America	\$ 396.7	\$ 363.9	\$ 762.2	\$ 714.6
Rest of World	129.4	92.9	242.3	216.4
All Other	—	—	—	—
Total	<u>\$ 526.1</u>	<u>\$ 456.8</u>	<u>\$ 1,004.5</u>	<u>\$ 931.0</u>
<i>Gross profit</i>				
North America	\$ 225.6	\$ 205.9	\$ 430.1	\$ 412.0
Rest of World	71.6	48.8	131.6	116.0
All Other	—	—	—	—
Total	<u>\$ 297.2</u>	<u>\$ 254.7</u>	<u>\$ 561.7</u>	<u>\$ 528.0</u>
<i>Selling, general and administrative expenses</i>¹				
North America	\$ 180.6	\$ 175.9	\$ 356.4	\$ 353.7
Rest of World	70.4	61.6	133.7	130.1
All Other	8.9	9.2	17.8	18.0
Total	<u>\$ 259.9</u>	<u>\$ 246.7</u>	<u>\$ 507.9</u>	<u>\$ 501.8</u>
<i>Operating income (loss)</i>¹				
North America	\$ 40.1	\$ 24.0	\$ 66.2	\$ 47.1
Rest of World	1.6	(128.1)	(2.0)	(130.5)
All Other	(10.1)	(9.9)	(19.5)	(34.6)
Total	<u>\$ 31.6</u>	<u>\$ (114.0)</u>	<u>\$ 44.7</u>	<u>\$ (118.0)</u>

¹ We revised the allocation of information technology costs from the All Other category to our North America and Rest of World reporting segments to reflect how the Chief Executive Officer, who is our chief operating decision maker, measures the performance of our segments. As a result of the change, SG&A expenses for the prior periods have been recast to increase SG&A expenses in our North America reporting segment by \$0.4 million, increase SG&A expenses in our Rest of World reporting segment by \$1.5 million, and decrease SG&A expenses in the All Other category by \$1.9 million for the three months ended June 27, 2020. SG&A expenses for the six months ended June 27, 2020 have been recast to increase SG&A expenses in our North America reporting segment by \$1.0 million, increase SG&A expenses in our Rest of World reporting segment by \$3.4 million, and decrease SG&A expenses in the All Other category by \$4.4 million. Operating income (loss) for our North American and Rest of World reporting segments, as well as our All Other category, reflect the aforementioned adjustments for the three and six months ended June 27, 2020, respectively.

The following tables summarize net revenue by channel for the three and six months ended July 3, 2021 and June 27, 2020:

(in millions of U.S. dollars)	For the Three Months Ended July 3, 2021			
	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 264.9	\$ 58.1	\$ —	\$ 323.0
Water Refill/Water Filtration	45.1	8.0	—	53.1
Other Water	42.2	22.4	—	64.6
Water Dispensers	17.6	—	—	17.6
Other	26.9	40.9	—	67.8
Total	<u>\$ 396.7</u>	<u>\$ 129.4</u>	<u>\$ —</u>	<u>\$ 526.1</u>

	For the Six Months Ended July 3, 2021			
(in millions of U.S. dollars)	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 503.7	\$ 106.9	\$ —	\$ 610.6
Water Refill/Water Filtration	90.2	15.9	—	106.1
Other Water	83.1	37.8	—	120.9
Water Dispensers	32.6	—	—	32.6
Other	52.6	81.7	—	134.3
Total	\$ 762.2	\$ 242.3	\$ —	\$ 1,004.5

	For the Three Months Ended June 27, 2020			
(in millions of U.S. dollars)	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 225.8	\$ 42.3	\$ —	\$ 268.1
Water Refill/Water Filtration	51.2	6.3	—	57.5
Other Water	42.5	14.3	—	56.8
Water Dispensers	20.8	—	—	20.8
Other	23.6	30.0	—	53.6
Total	\$ 363.9	\$ 92.9	\$ —	\$ 456.8

	For the Six Months Ended June 27, 2020			
(in millions of U.S. dollars)	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 463.2	\$ 100.1	\$ —	\$ 563.3
Water Refill/Water Filtration	74.9	13.4	—	88.3
Other Water	84.7	27.5	—	112.2
Water Dispensers	26.7	—	—	26.7
Other	65.1	75.4	—	140.5
Total	\$ 714.6	\$ 216.4	\$ —	\$ 931.0

The following table summarizes our EBITDA and Adjusted EBITDA for the three and six months ended July 3, 2021 and June 27, 2020:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net loss from continuing operations	\$ (8.3)	\$ (131.7)	\$ (18.5)	\$ (159.1)
Interest expense, net	17.7	20.7	36.7	40.4
Income tax (benefit) expense	(3.4)	(1.4)	1.3	(4.7)
Depreciation and amortization	52.0	52.8	105.1	97.8
EBITDA	\$ 58.0	\$ (59.6)	\$ 124.6	\$ (25.6)
Acquisition and integration costs	2.4	4.3	3.7	25.1
Share-based compensation costs	3.8	4.9	6.2	7.3
COVID-19 costs	0.5	15.4	1.2	16.8
Goodwill and intangible asset impairment charges	—	115.2	—	115.2
Foreign exchange and other (gains) losses, net	(1.0)	(1.1)	(1.1)	5.2
Loss on disposal of property, plant and equipment, net	3.3	2.5	5.4	3.9
Loss on extinguishment of long-term debt	27.2	—	27.2	—
Gain on sale of business	—	(0.6)	—	(0.6)
Other adjustments, net	5.3	1.5	8.5	5.6
Adjusted EBITDA	\$ 99.5	\$ 82.5	\$ 175.7	\$ 152.9

Three Months Ended July 3, 2021 Compared to Three Months Ended June 27, 2020

Revenue, Net

Net revenue increased \$69.3 million, or 15.2%, in the second quarter from the comparable prior year period.

North America net revenue increased \$32.8 million, or 9.0%, in the second quarter from the comparable prior year period due primarily to pricing initiatives and an increase in water consumption.

Rest of World net revenue increased \$36.5 million, or 39.3%, in the second quarter from the comparable prior year period due primarily to an increase in water consumption and the favorable impact of foreign exchange rates.

Gross Profit

Gross profit increased to \$297.2 million in the second quarter from \$254.7 million in the comparable prior year period. Gross profit as a percentage of revenue was 56.5% in the second quarter compared to 55.8% in the comparable prior year period.

North America gross profit increased to \$225.6 million in the second quarter from \$205.9 million in the comparable prior year period due primarily to pricing initiatives and an increase water consumption.

Rest of World gross profit increased to \$71.6 million in the second quarter from \$48.8 million in the comparable prior year period due primarily to an increase in water consumption and the favorable impact of foreign exchange rates.

Selling, General and Administrative Expenses

SG&A expenses increased to \$259.9 million in the second quarter from \$246.7 million in the comparable prior year period. SG&A expenses as a percentage of revenue was 49.4% in the second quarter compared to 54.0% in the comparable prior year period.

North America SG&A expenses increased to \$180.6 million in the second quarter from \$175.9 million in the comparable prior year period due primarily to increased delivery expenses partially offset by cost reduction initiatives executed in response to COVID-19 in the prior year period.

Rest of World SG&A expenses increased to \$70.4 million in the second quarter from \$61.6 million in the comparable prior year period due primarily to an increase in delivery expenses and the unfavorable impact of foreign exchange rates, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19 in the prior year period.

All Other SG&A expenses decreased to \$8.9 million in the second quarter from \$9.2 million in the comparable prior year period due primarily to lower share-based compensation costs.

Acquisition and Integration Expenses

Acquisition and integration expenses decreased to \$2.4 million in the second quarter from \$4.3 million in the comparable prior year period. Acquisition and integration expenses as a percentage of revenue was 0.5% in the second quarter compared to 0.9% in the comparable prior year period.

North America acquisition and integration expenses decreased to \$1.3 million in the second quarter from \$2.4 million in the comparable prior year period due primarily to lower integration costs incurred in connection with the Legacy Primo Acquisition.

Rest of World acquisition and integration expenses decreased to (\$0.1) million in the second quarter from \$1.0 million in the comparable prior year period due primarily to a reduction in costs associated with tuck-in acquisitions.

All Other acquisition and integration expenses increased to \$1.2 million in the second quarter from \$0.9 million in the comparable prior year period.

Goodwill and Intangible Asset Impairment Charges

Goodwill and intangible asset impairment charges decreased to nil in the second quarter from \$115.2 million in the comparable prior year period. Goodwill and intangible asset impairment charges as a percentage of revenue was nil in the second quarter compared to 25.2% in the comparable prior year period.

North America goodwill and intangible asset impairment charges decreased to nil in the second quarter from \$1.2 million in the comparable prior year period due to impairment charges recorded in the prior year period on certain of our Canadian trademarks primarily resulting from general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results.

Rest of World goodwill and intangible asset impairment charges decreased to nil in the second quarter from \$114.0 million in the comparable prior year period due primarily to impairment charges recorded in the prior year period as a result of general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results.

Operating Income (Loss)

Operating income increased to \$31.6 million in the second quarter from operating loss of \$114.0 million in the comparable prior year period.

North America operating income increased to \$40.1 million in the second quarter from \$24.0 million in the comparable prior year period due to the items discussed above.

Rest of World operating income increased to \$1.6 million in the second quarter from \$128.1 million operating loss in the comparable prior year period due to the items discussed above.

All Other operating loss decreased to \$10.1 million in the second quarter from \$9.9 million in the comparable prior year period due to the items discussed above.

Other Expense (Income), Net

Other expense, net was \$25.6 million for the second quarter compared to other income, net of \$1.6 million in the comparable prior year period due primarily to costs incurred to redeem our 2025 Notes in the current year period.

Income Taxes

Income tax benefit was \$3.4 million in the second quarter compared to income tax benefit of \$1.4 million in the comparable prior year period. The effective tax rate for the second quarter was 29.1% compared to 1.1% in the comparable prior year period.

The effective tax rate for the second quarter varied from the effective tax rate from the comparable prior year period due primarily to impairment charges incurred in the prior year period for which minimal tax benefit was recognized.

Six Months Ended July 3, 2021 Compared to Six Months Ended June 27, 2020

Revenue, Net

Net revenue increased \$73.5 million, or 7.9%, for the year to date from the comparable prior year period.

North America net revenue increased \$47.6 million, or 6.7%, for the year to date from the comparable prior year period due primarily to the addition of revenues from the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption due to the impact of COVID-19.

Rest of World net revenue increased \$25.9 million, or 12.0%, for the year to date from the comparable prior year period due primarily to an increase in water consumption and the favorable impact of foreign exchange rates.

Gross Profit

Gross profit increased to \$561.7 million for the year to date from \$528.0 million in the comparable prior year period. Gross profit as a percentage of revenue was 55.9% year to date compared to 56.7% in the comparable prior year period.

North America gross profit increased to \$430.1 million for the year to date from \$412.0 million in the comparable prior year period due primarily to the addition of the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption as a result of the impact of COVID-19.

Rest of World gross profit increased to \$131.6 million for the year to date from \$116.0 million in the comparable prior year period due primarily to an increase in water consumption and the favorable impact of foreign exchange rates.

Selling, General and Administrative Expenses

SG&A expenses increased to \$507.9 million for the year to date from \$501.8 million in the comparable prior year period. SG&A expenses as a percentage of revenue was 50.6% year to date compared to 53.9% in the comparable prior year period.

North America SG&A expenses increased to \$356.4 million for the year to date from \$353.7 million in the comparable prior year period due primarily to the addition of the Legacy Primo business and an increase in delivery expenses, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19.

Rest of World SG&A expenses increased to \$133.7 million for the year to date from \$130.1 million in the comparable prior year period due primarily to an increase in delivery expenses and the unfavorable impact of foreign exchanges rates, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19.

All Other SG&A expenses decreased to \$17.8 million for the year to date from \$18.0 million in the comparable prior year period due primarily to lower share-based compensation costs.

Acquisition and Integration Expenses

Acquisition and integration expenses decreased to \$3.7 million for the year to date from \$25.1 million in the comparable prior year period. Acquisition and integration expenses as a percentage of revenue was 0.4% year to date compared to 2.7% in the comparable prior year period.

North America acquisition and integration expenses decreased to \$2.0 million for the year to date from \$6.5 million in the comparable prior year period due primarily to lower acquisition and integration costs of the Legacy Primo business.

Rest of World acquisition and integration expenses decreased to nil for the year to date from \$2.1 million in the comparable prior year period due primarily to a reduction in costs associated with tuck-in acquisitions.

All Other acquisition and integration expenses decreased to \$1.7 million for the year to date from \$16.5 million in the comparable prior year period due primarily to lower acquisition and integration costs of the Legacy Primo business.

Goodwill and Intangible Asset Impairment Charges

Goodwill and intangible asset impairment charges decreased to nil for the year to date from \$115.2 million in the comparable prior year period. Goodwill and intangible asset impairment charges as a percentage of revenue was nil year to date compared to 12.4% in the comparable prior year period.

North America goodwill and intangible asset impairment charges decreased to nil for the year to date from \$1.2 million in the comparable prior year period due to impairment charges recorded in the prior year period on certain of our Canadian trademarks primarily resulting from general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results.

Rest of World goodwill and intangible asset impairment charges decreased to nil for the year to date from \$114.0 million in the comparable prior year period due primarily to impairment charges recorded in the prior year period as a result of general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results.

Operating (Loss) Income

Operating income was \$44.7 million for the year to date compared to operating loss of \$118.0 million in the comparable prior year period.

North America operating income increased to \$66.2 million for the year to date from operating income of \$47.1 million in the comparable prior year period due to the items discussed above.

Rest of World operating loss decreased to \$2.0 million for the year to date from operating loss of \$130.5 million in the comparable prior year period due to the items discussed above.

All Other operating loss decreased to \$19.5 million for the year to date from \$34.6 million in the comparable prior year period due to the items discussed above.

Other Expense, Net

Other expense, net was \$25.2 million for the year to date compared to \$5.4 million in the comparable prior year period due primarily to costs incurred to redeem our 2025 Notes in the current year period.

Income Taxes

Income tax expense was \$1.3 million for the year to date compared to income tax benefit of \$4.7 million in the comparable prior year period. The effective tax rate for the year to date was (7.6)% compared to 2.9% in the comparable prior year period.

The effective tax rate for the year to date varied from the effective tax rate from the comparable prior year period due primarily to increased earnings in taxable jurisdictions and impairment charges incurred in the prior year period for which minimal tax benefit is recognized.

Liquidity and Capital Resources

As of July 3, 2021, we had total debt of \$1,486.9 million and \$114.2 million of cash and cash equivalents compared to \$1,470.7 million of debt and \$115.1 million of cash and cash equivalents as of January 2, 2021.

The COVID-19 pandemic has continued to disrupt our business. The extent and duration of the impact of the COVID-19 pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market. These factors include the duration and scope of the pandemic, including the spread of new disease variants, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, and changes in customer behavior in response to the pandemic, some of which may be more than just temporary.

We believe that our level of resources, which includes cash on hand, borrowings under our Revolving Credit Facility and funds provided by our operations, will be adequate to meet our expenses, capital expenditures, and debt service obligations for the next twelve months. Our ability to generate cash to meet our current expenses and debt service obligations will depend on our future performance. If we do not have enough cash to pay our debt service obligations, or if the Revolving Credit Facility or our outstanding notes were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending our Credit Agreement or the indentures governing our outstanding notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. If we need to seek additional financing, there is no assurance that this additional financing will be available on favorable terms or at all.

As of July 3, 2021, our outstanding borrowings under the Revolving Credit Facility were \$139.8 million and outstanding letters of credit totaled \$51.5 million resulting in total utilization under the Revolving Credit Facility of \$191.3 million. Accordingly, unused availability under the Revolving Credit Facility as of July 3, 2021 amounted to \$158.7 million.

We earn a portion of our consolidated operating income in subsidiaries located outside of Canada. We have not provided for federal, state and foreign deferred income taxes on the undistributed earnings of our non-Canadian subsidiaries. We expect that these earnings will be permanently reinvested by such subsidiaries except in certain instances where repatriation attributable to current earnings results in minimal or no tax consequences.

We expect our existing cash and cash equivalents, cash flows and the issuance of debt to continue to be sufficient to fund our operating, investing and financing activities. In addition, we expect our existing cash and cash equivalents and cash flows outside of Canada to continue to be sufficient to fund the operating activities of our subsidiaries.

A future change to our assertion that foreign earnings will be permanently reinvested could result in additional income taxes and/or withholding taxes payable, where applicable. Therefore, a higher effective tax rate could occur during the period of repatriation.

We may, from time to time, depending on market conditions, including without limitation whether our outstanding notes are then trading at a discount to their face amount, repurchase our outstanding notes for cash and/or in exchange for our common shares, warrants, preferred shares, debt or other consideration, in each case in open market purchases and/or privately negotiated transactions. The amounts involved in any such transactions, individually or in the aggregate, may be material. However, the covenants in our Revolving Credit Facility subject such purchases to certain limitations and conditions.

A dividend of \$0.06 per common share was declared during each quarter of 2021 to date for aggregate dividend payments of approximately \$19.5 million.

The following table summarizes our cash flows for the three and six months ended July 3, 2021 and June 27, 2020, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net cash provided by operating activities from continuing operations	\$ 59.6	\$ 65.5	\$ 88.3	\$ 70.2
Net cash used in investing activities from continuing operations	(36.3)	(41.4)	(65.5)	(501.6)
Net cash (used in) provided by financing activities from continuing operations	(9.2)	76.0	(21.6)	63.2
Cash flows from discontinued operations:				
Net cash (used in) provided by operating activities from discontinued operations	(2.6)	(0.7)	(1.8)	(18.0)
Net cash (used in) provided by investing activities from discontinued operations	—	(1.6)	—	392.9
Net cash used in financing activities from discontinued operations	—	—	—	(0.1)
Effect of exchange rate changes on cash	0.5	1.1	(0.3)	(1.0)
Net increase (decrease) in cash, cash equivalents and restricted cash	12.0	98.9	(0.9)	5.6
Cash and cash equivalents and restricted cash, beginning of period	102.2	112.2	115.1	205.5
Cash and cash equivalents and restricted cash from continuing operations, end of period	\$ 114.2	\$ 211.1	\$ 114.2	\$ 211.1

Operating Activities

Cash provided by operating activities from continuing operations was \$88.3 million year to date compared to \$70.2 million in the comparable prior year period. The \$18.1 million increase was due primarily to improved earnings, excluding non-cash charges, relative to the prior year period.

Investing Activities

Cash used in investing activities from continuing operations was \$65.5 million year to date compared to \$501.6 million in the comparable prior year period. The \$436.1 million decrease was due primarily to the cash used to acquire our Legacy Primo business in the prior year and a decrease in additions to property, plant and equipment relative to the prior year period.

Financing Activities

Cash used in financing activities from continuing operations was \$21.6 million year to date compared to cash provided by financing activities from continuing operations of \$63.2 million in the comparable prior year period. The \$84.8 million decrease was due primarily to a decrease in net short-term borrowings and cash provided by other financing activities, as well as an increase in cash used for financing fees year to date as compared to the prior year period, partially offset by a decrease in cash used to repurchase common shares year to date as compared to the prior year period.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of July 3, 2021.

Contractual Obligations

Except as described below, there were no material changes to our outstanding contractual obligations from amounts previously disclosed in our 2020 Annual Report.

On April 30, 2021, we issued the 2029 Notes. The proceeds of the 2029 Notes, along with available cash on hand, were used to redeem in full the 2025 Notes and pay related premiums, fees and expenses. See Note 10 to the Consolidated Financial Statements for additional information on the 2029 Notes.

Credit Ratings and Covenant Compliance

Credit Ratings

We have no material changes to the disclosure on this matter made in our 2020 Annual Report.

Covenant Compliance

Indentures governing our outstanding notes

Under the indentures governing our outstanding notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. The covenants are substantially similar across the series of notes. As of July 3, 2021, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any such covenants of our outstanding notes since the date of their issuance.

Revolving Credit Facility

Under the Credit Agreement governing the Revolving Credit Facility, we and our restricted subsidiaries are subject to a number of business and financial covenants, including a consolidated secured leverage ratio and an interest coverage ratio. The consolidated secured leverage ratio must not be more than 3.50 to 1.00, with an allowable temporary increase to 4.00 to 1.00 for the quarter in which we consummate a material acquisition with a price not less than \$125.0 million, for three quarters. The interest coverage ratio must not be less than 3.00 to 1.00. We were in compliance with these financial covenants as of July 3, 2021.

In addition, the Credit Agreement has certain non-financial covenants, such as covenants regarding indebtedness, investments, and asset dispositions. We were in compliance with all of the applicable covenants as of July 3, 2021.

Issuer Purchases of Equity Securities

Common Share Repurchase Program

On May 4, 2021, our Board of Directors approved a new share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021. During the second quarter of 2021, we repurchased 786,017 common shares for approximately \$13.0 million through open market transactions. Please refer to the table in Part II, Item 2 of this Quarterly Report on Form 10-Q.

We are unable to predict the number of common shares that ultimately will be repurchased under the share repurchase program, or the aggregate dollar amount of common shares to be purchased in future periods. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

Tax Withholding

In the second quarter of 2021, an aggregate of 16,208 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards. In the second quarter of 2020, an aggregate of 19,978 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards.

Please refer to the table in Part II, Item 2 of this Quarterly Report on Form 10-Q.

Capital Structure

Since January 2, 2021, our equity has decreased by \$20.9 million. The decrease was primarily due to a net loss of \$18.5 million, common shares repurchased and canceled of \$16.3 million and common share dividend payments of \$19.5 million, partially offset by the issuance of common shares of \$18.7 million, share-based compensation costs of \$6.2 million and other comprehensive income, net of tax of \$8.5 million.

Dividend Payments

Common Share Dividend

On May 4, 2021, the Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on June 16, 2021 to shareowners of record at the close of business on June 4, 2021. On August 4, 2021, the Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on September 2, 2021 to shareowners of record at the close of business on August 19, 2021. We intend to pay a regular quarterly dividend on our common shares subject to, among other things, the best interests of our shareowners, our results of continuing operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the Revolving Credit Facility and indentures governing our outstanding notes, as well as other factors that the Board of Directors may deem relevant from time to time.

Critical Accounting Policies

Our critical accounting policies require management to make estimates and assumptions that affect the reported amounts in the Consolidated Financial Statements and the accompanying notes. These estimates are based on historical experience, the advice of external experts or on other assumptions management believes to be reasonable. Where actual amounts differ from estimates, revisions are included in the results for the period in which actual amounts become known. Historically, differences between estimates and actual amounts have not had a significant impact on our Consolidated Financial Statements.

Critical accounting policies and estimates used to prepare the Consolidated Financial Statements are discussed with the Audit Committee of our Board of Directors as they are implemented and on an annual basis.

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2020 Annual Report.

Recent Accounting Pronouncements

See Note 1 to the Consolidated Financial Statements for a discussion of recent accounting guidance.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to foreign currency, interest rate and commodity price risks. We hedge firm commitments or anticipated transactions and do not enter into derivatives for speculative purposes. We do not hold financial instruments for trading purposes. We have no material changes to our Quantitative and Qualitative Disclosures about Market Risk as filed in our 2020 Annual Report.

Item 4. Controls and Procedures**Disclosure Controls and Procedures**

Due to the COVID-19 pandemic, a significant portion of our employees are now working from home, as states and municipalities have imposed varying levels of restriction on normal in-person business operations. Established business continuity plans were activated in order to mitigate the impact to our control environment, operating procedures, data and internal controls. The design of our processes and controls allow for remote execution with accessibility to secure data.

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company’s management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of July 3, 2021. Based upon this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that, as of July 3, 2021, the Company’s disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In addition, our management carried out an evaluation, as required by Rule 13a-15(d) of the Exchange Act, with the participation of our Chief Executive Officer and our Chief Financial Officer, of changes in our internal control over financial reporting. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that there have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, income taxes, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Pursuant to SEC rules, we will disclose any proceeding in which a government authority is a party and that arises under any federal, state or local provisions enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment only where we believe that such proceeding will result in monetary sanctions on us, exclusive of interest and costs, above \$500,000 or is otherwise material to our financial position, results of operations, or cash flows.

Item 1A. Risk Factors

There have been no material changes to our risk factors since January 2, 2021. Please refer to our 2020 Annual Report.

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

Common Share Repurchase Program

On May 4, 2021, our Board of Directors approved a new share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021 (the "Repurchase Plan").

The following table summarizes the repurchase activity under the Repurchase Plan during the second quarter of 2021:

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
April 4, 2021- April 30, 2021	—	\$ —	—	\$ —
May 1, 2021-May 31, 2021	112,274	\$ 16.72	112,274	\$ 48,122,779
June 1, 2021-July 3, 2021	673,743	\$ 16.44	673,743	\$ 37,046,444
Total	786,017			

Tax Withholding

The following table contains information about common shares that we withheld from delivering to employees during the second quarter of 2021 to satisfy their respective tax obligations related to share-based awards.

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
April 4, 2021- April 30, 2021	6,628	\$ 16.57	N/A	N/A
May 1, 2021-May 31, 2021	5,275	\$ 16.87	N/A	N/A
June 1, 2021-July 3, 2021	4,305	\$ 16.85	N/A	N/A
Total	16,208			

Item 6. Exhibits

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed or Furnished Herewith
		Form	Exhibit	Filing Date	File No.	
3.1	Articles of Continuance of Primo Water Corporation.					*
3.2	By-laws of Primo Water Corporation, as amended.					*
4.1	Amended and Restated Shareholder Rights Plan Agreement, dated as of May 4, 2021, between Primo Water Corporation and Computershare Investor Services Inc., as Rights Agent.					*
4.2	Indenture, dated as of April 30, 2021, by and among Primo Water Holdings Inc., the guarantors party thereto, BNY Trust Company of Canada, as Canadian Trustee and The Bank of New York Mellon, as U.S. Trustee, Paying Agent, Registrar, Transfer Agent and Authenticating Agent, governing the 4.375% Senior Notes due 2029.	8-K	4.1	4/30/2021	001-31410	
4.3	Form of 4.375% Senior Notes due 2029 (included as Exhibit A to Exhibit 4.2)	8-K	4.1	4/30/2021	001-31410	
10.1 ⁽¹⁾	Employment Offer Letter to Anne Melaragni dated May 4, 2021.					*
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 3, 2021.					*
31.2	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 3, 2021.					*
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 3, 2021.					*
32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 3, 2021.					*
101	The following financial statements from Primo Water Corporation's Quarterly Report on Form 10-Q for the quarter ended July 3, 2021, filed August 6, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Loss, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, (vi) Notes to the Consolidated Financial Statements.					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					*

¹ Indicates a management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRIMO WATER CORPORATION
(Registrant)

Date: August 6, 2021

/s/ Jay Wells

Jay Wells
Chief Financial Officer
(On behalf of the Company)

Date: August 6, 2021

/s/ Jason Ausher

Jason Ausher
Chief Accounting Officer
(Principal Accounting Officer)

6. Number of directors is/are:
Nombre d'administrateurs :

Fixed number
Nombre fixe

OR minimum and maximum
OU minimum et maximum

3

15

7. The director(s) is/are: / Administrateur(s)
First name, middle names and sur-
name
Prénom, autres prénoms et nom de
famille

Address for service, giving Street & No. or R.R. No.,
Municipality, Province, Country and Postal Code
Domicile élu, y compris la rue et le numéro ou le numéro de
la R.R., le nom de la municipalité, la province, le pays et le
code postal

Resident Canadian
State 'Yes' or 'No'
Résident canadien
Oui/Non

Graham W. Savage

4221 West Boy Scout Boulevard,
Tampa, Florida USA 33607

Yes

Stephen Howard Halperin

4221 West Boy Scout Boulevard,
Tampa, Florida USA 33607

Yes

Jerry Fowden

4221 West Boy Scout Boulevard,
Tampa, Florida USA 33607

No

Eric Stuart Rosenfeld

4221 West Boy Scout Boulevard,
Tampa, Florida USA 33607

No

Thomas Harrington

4221 West Boy Scout Boulevard,
Tampa, Florida USA 33607

No

Mario Piloizzi

4221 West Boy Scout Boulevard,
Tampa, Florida USA 33607

Yes

8. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.
Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la société.

None

7. The director(s) of the corporation are:

Administrateur(s)

First name, initials and surname <i>Prénom, initiales et nom de famille</i>	Address for service, giving Street & No. or R.R. No., Municipality and Postal Code. <i>Domicile élu, y compris la rue et le numéro, le numéro de la R.R., ou le nom de la municipalité et le code postal</i>	Resident Canadian State Yes or No <i>Résident canadien Oui/Non</i>
Britta Bomhard	4221 West Boy Scout Boulevard, Tampa, Florida USA 33607	No
Gregory Rush Monahan	4221 West Boy Scout Boulevard, Tampa, Florida USA 33607	No
Steven P. Stanbrook	4221 West Boy Scout Boulevard, Tampa, Florida USA 33607	No
Susan E. Cates	4221 West Boy Scout Boulevard, Tampa, Florida USA 33607	No
Billy Dean Prim	4221 West Boy Scout Boulevard, Tampa, Florida USA 33607	No

9. The classes and any maximum number of shares that the corporation is authorized to issue:
Catégories et nombre maximal, s'il y a lieu, d'actions que la société est autorisée à émettre :

The Corporation is authorized to issue the following classes of shares:

- (a) an unlimited number of first preferred shares, issuable in series ("First Preferred Shares");
- (b) an unlimited number of second preferred shares, issuable in series ("Second Preferred Shares"); and
- (c) an unlimited number of common shares ("Common Shares").

10. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:
Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série :

See pages 4A to 4I attached hereto.

**SCHEDULE TO ARTICLES OF CONTINUANCE
OF
PRIMO WATER CORPORATION**

10. The rights, privileges, restrictions and conditions attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:

1.0 FIRST PREFERRED SHARES

The First Preferred Shares shall, as a class, carry and be subject to the following rights, privileges, restrictions and conditions:

1.1 The First Preferred Shares may be issued at any time and from time to time in one or more series, each series to consist of such number of First Preferred Shares as may, before the issue thereof, be determined by resolution passed by the Board of Directors of the Corporation. The number of shares of any series may from time to time be increased by the Board of Directors of the Corporation upon compliance with the same conditions as are applicable to the issue of shares of a new series.

1.2 The Board of Directors of the Corporation shall, subject as hereinafter provided and subject to the provisions of the *Business Corporations Act* (Ontario) (the "Act"), fix, by resolution duly passed before the issue of the First Preferred Shares of each series, the designation, rights, privileges, restrictions and conditions to be attached to the First Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing:

- (i) provisions, if any, with respect to the rights of the holders of the First Preferred Shares of such series to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting;
- (ii) whether any dividends shall be payable on the First Preferred Shares of such series and, if dividends are to be payable thereon, the rate, amount or method of calculation of preferential dividends, whether fixed or fluctuating, whether cumulative or non-cumulative, whether such dividends are payable in money or by the issue of fully paid shares of the Corporation, the currency or currencies of payment, the date or dates and places of payment of preferential dividends and the date or dates from which such preferential dividends shall accrue;
- (iii) the rights of the Corporation if any, to purchase or redeem the First Preferred Shares of such series, and the purchase or redemption price or the method of calculating the same, and the terms and conditions of any such purchase or redemption;
- (iv) provisions, if any, with respect to the rights of the holders of the First Preferred Shares of such series to tender such shares to the Corporation for purchase by the Corporation and to oblige the Corporation to make such purchase;
- (v) the conversion rights, if any;

- (vi) the terms and conditions of any share purchase plan or sinking fund with respect to the First Preferred Shares of such series; and
- (vii) the restrictions, if any, respecting payment of dividends on the Second Preferred Shares, the Common Shares or on any other shares of the Corporation ranking junior to the First Preferred Shares;

the whole subject to articles of amendment setting forth the designation, rights, privileges, restrictions and conditions to be attached to the First Preferred Shares of such series and the issue of a certificate of amendment in respect thereof.

1.3 The First Preferred Shares shall, with respect to the payment of dividends, be entitled to preference over the Second Preferred Shares, the Common Shares and over any other shares of the Corporation ranking junior to the First Preferred Shares, and no dividends (other than stock dividends payable in shares of the Corporation ranking junior to the First Preferred Shares) shall at any time be declared or paid or set apart for payment on the Second Preferred Shares, the Common Shares or on any other shares of the Corporation ranking junior to the First Preferred Shares, nor shall the Corporation call for redemption or purchase any of the First Preferred Shares (less than the total number of First Preferred Shares then outstanding) or any shares of the Corporation ranking junior to the First Preferred Shares unless at the date of such declaration or call for redemption or purchase, as the case may be, all cumulative dividends up to and including the dividend payment for the last completed period for which such cumulative dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative First Preferred Shares then issued and outstanding.

1.4 In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs, the holders of the First Preferred Shares shall be entitled to receive, before any amount shall be paid to, or any property or assets of the Corporation distributed among, the holders of the Second Preferred Shares, the Common Shares or any other shares of the Corporation ranking junior to the First Preferred Shares, (i) the amount paid up on such First Preferred Shares, together with, in the case of cumulative First Preferred Shares, all unpaid cumulative dividends (which for such purpose shall be calculated as if such cumulative dividends were accruing from day to day for the period from the expiration of the last period for which cumulative dividends have been paid up to and including the date of distribution) and, in the case of non-cumulative First Preferred Shares, all declared and unpaid non-cumulative dividends, and (ii) if such liquidation, dissolution, winding up or distribution shall be voluntary, an additional amount equal to the premium, if any, which would have been payable on the redemption of said First Preferred Shares respectively if they had been called for redemption by the Corporation on the date of distribution and, if said First Preferred Shares could not be redeemed on such date, then an additional amount equal to the greatest premium, if any, which would have been payable on the redemption of said First Preferred Shares respectively. After payment to the holders of the First Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

1.5 The First Preferred Shares of each series shall rank on a parity with the First Preferred Shares of every other series with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs, provided, however, that in case such assets are insufficient to pay in full the amount due on all the First Preferred Shares, then such assets shall be applied firstly, to the payment equally and rateably of an amount equal to the amount paid up on the First Preferred Shares of each series and the premium thereon, if any, and, secondly, *pro rata* in the payment of accrued and unpaid cumulative dividends and declared and unpaid non-cumulative dividends.

1.6 The holders of the First Preferred Shares shall not, as such, be entitled as of right to subscribe for, or to purchase or receive the whole or any part of any issue of any shares, or of any bonds, debentures or other securities of the Corporation now or hereafter authorized, otherwise than in accordance with the exercise of the conversion rights, if any, which may from time to time attach to any series of first preferred shares.

1.7 The provisions contained in Section 1.1 to 1.6 inclusive, and in this Section 1.7 may be repealed or amended in whole or in part by articles of amendment and the issue of a certificate of amendment in respect thereof, but only with the prior approval of the holders of the first preferred shares given as hereinafter specified in addition to any other approval required under the Act.

The approval of the holders of the First Preferred Shares as to any and all matters hereinbefore referred to may be given in writing by a resolution signed by all the holders of the First Preferred Shares or by resolution passed by not less than two-thirds (2/3) of the votes cast at a meeting of the holders of the First Preferred Shares duly called for the purpose at which meeting, when originally held, the holders of not less than a majority of the outstanding First Preferred Shares are present in person or represented by proxy in accordance with the by-laws of the Corporation. If at any such meeting, the holders of a majority of the outstanding First Preferred Shares are not present in person or represented by proxy within thirty (30) minutes after the time fixed for the meeting, then the meeting shall be adjourned to such date, being no less than fifteen (15) days later, and to such time and place as may be fixed by the chairman of the meeting and, at such adjourned meeting, the holders of First Preferred Shares present in person or represented by proxy, whether or not they hold more or less than a majority of all First Preferred Shares then outstanding, may transact the business for which the meeting was originally called, and a resolution duly passed thereat by not less than two-thirds (2/3) of the votes cast at such adjourned meeting shall constitute the approval of the holders of the First Preferred Shares hereinbefore mentioned. Notice of any such original meeting of the holders of the First Preferred Shares shall be given not less than twenty-one (21) days nor more than fifty (50) days prior to the date fixed for such meeting and shall state the nature of the business to be transacted and the text of any resolution to be submitted to the meeting. Notice of any such adjourned meeting shall be given: (i) not less than seven (7) days prior to the date fixed for such adjourned meeting, if the original meeting was adjourned by one or more adjournments for an aggregate of less than thirty (30) days, but it shall not be necessary to state in such notice the business for which the adjourned meeting is called or the text of any resolution to be submitted to the adjourned meeting, and (ii) as required by the Act, if the original meeting was adjourned by one or more adjournments for an aggregate of thirty (30) days or more. The formalities to be

observed with respect to the giving of notice of any such original meeting or adjourned meeting or any other meeting of the holders of First Preferred Shares and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders or in the laws governing the Corporation.

If the repeal or amendment of the provisions hereinbefore contained affects the rights of the holders of First Preferred Shares of any series in a manner different from that in which the rights of the holders of First Preferred Shares of any other series are affected, then such repeal or amendment shall, in addition to being approved by the holders of the First Preferred Shares as hereinabove set forth, be approved by the holders of the First Preferred Shares of such series so affected, and the provisions of this Section 1.7 shall apply, *mutatis mutandis*, with respect to the giving of such approval.

Any meeting of the holders of the outstanding First Preferred Shares may be held at any time and for any purpose, without notice, if all holders of First Preferred Shares entitled to vote at the meeting waive notice of the meeting in writing. For the purpose of waiver of notice, the words "in writing" shall include written instrument, fax, e-mail or any other method of transmitting legibly recorded messages by a shareholder. Any holder of First Preferred Shares may waive notice of any meeting either before or after the meeting is held.

Irregularities in the notice or in the giving thereof as well as the accidental omission to give notice of any meeting to, or the non-receipt of any notice by, any holder of First Preferred Shares, shall not invalidate any action taken at any meeting.

At any meeting of the holders of First Preferred Shares without distinction as to series, each holder of First Preferred Shares shall be entitled to 1/25 of a vote for each \$1 (with the Canadian dollar and the United States dollar being deemed to be at par for the purposes of this Section 1.7) paid up on each First Preferred Share held by him. At any meeting of the holders of First Preferred Shares of any particular series, each holder shall be entitled to one (1) vote in respect of each First Preferred Share of such series held by him.

2.0 SECOND PREFERRED SHARES

The Second Preferred Shares shall, as a class, rank as to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs, after the first preferred shares and shall carry and be subject to the following rights, privileges, restrictions and conditions:

2.1 The Second Preferred Shares may be issued at any time and from time to time in one or more series, each series to consist of such number of second preferred shares as may, before the issue thereof, be determined by resolution passed by the Board of Directors of the Corporation. The number of shares of any series may from time to time be increased by the Board of Directors of the Corporation upon compliance with the same conditions as are applicable to the issue of shares of a new series.

2.2 The Board of Directors of the Corporation shall, subject as hereinafter provided and subject to the provisions of the Act, fix, by resolution duly passed before the issue of the Second

Preferred Shares of each series, the designation, rights, privileges, restrictions and conditions to be attached to the Second Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing:

- (i) provisions, if any, with respect to the rights of the holders of the Second Preferred Shares of such series to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting;
- (ii) whether any dividends shall be payable on the Second Preferred Shares of such series and, if dividends are to be payable thereon, the rate, amount or method of calculation of preferential dividends, whether fixed or fluctuating, whether cumulative or non-cumulative, whether such dividends are payable in money or by the issue of fully paid shares of the Corporation, the currency or currencies of payment, the date or dates and places of payment of preferential dividends and the date or dates from which such preferential dividends shall accrue;
- (iii) the rights of the Corporation, if any, to purchase or redeem the Second Preferred Shares of such series, and the purchase or redemption price or the method of calculating the same, and the terms and conditions of any such purchase or redemption;
- (iv) provisions, if any, with respect to the rights of the holders of the Second Preferred Shares of such series to tender such shares to the Corporation for purchase by the Corporation and to oblige the Corporation to make such purchases;
- (v) the conversion rights, if any;
- (vi) the terms and conditions of any share purchase plan or sinking fund with respect to the Second Preferred Shares of such series; and
- (vii) the restrictions, if any, respecting payment of dividends on the Common Shares or on any other shares of the Corporation ranking junior to the Second Preferred Shares;

the whole subject to articles of amendment setting forth the designation, rights, privileges, restrictions and conditions to be attached to the Second Preferred Shares of such series and the issue of a certificate of amendment in respect thereof, and subject to the provisions now or hereafter attaching to the First Preferred Shares as a class or to any series thereof.

2.3 The Second Preferred Shares shall, with respect to the payment of dividends, be entitled to preference over the Common Shares and over any other shares of the Corporation ranking junior to the Second Preferred Shares, but shall be subject to the prior rights in respect of the payment of dividends attaching to the First Preferred Shares, and no dividends (other than stock dividends payable in shares of the Corporation ranking junior to the Second Preferred Shares) shall at any time be declared or paid or set apart for payment on the Common Shares or on any other shares of the Corporation ranking junior to the Second Preferred Shares, nor shall the Corporation call for redemption or purchase any of the Second Preferred Shares (less than the total number of Second Preferred Shares then outstanding) or any shares of the Corporation

ranking junior to the Second Preferred Shares unless at the date of such declaration or call for redemption or purchase as the case may be, all cumulative dividends up to and including the dividend payment for the last completed period for which such cumulative dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative Second Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative Second Preferred Shares then issued and outstanding.

2.4 In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs, the holders of the Second Preferred Shares shall be entitled to receive, subject to prior payment in full to the holders of the First Preferred Shares of all amounts payable in such circumstances on the First Preferred Shares but before any amount shall be paid to, or any property or assets of the Corporation distributed among, the holders of the Common Shares or any other shares of the Corporation ranking junior to the Second Preferred Shares, (i) the amount paid up on such Second Preferred Shares, together with, in the case of cumulative Second Preferred Shares, all unpaid cumulative dividends (which for such purpose shall be calculated as if such cumulative dividends were accruing from day to day for the period from the expiration of the last period for which cumulative dividends have been paid up to and including the date of distribution) and, in the case of non-cumulative Second Preferred Shares, all declared and unpaid non-cumulative dividends, and (ii) if such liquidation, dissolution, winding up or distribution shall be voluntary, an additional amount equal to the premium, if any, which would have been payable on the redemption of said Second Preferred Shares respectively if they had been called for redemption by the Corporation on the date of distribution and, if said Second Preferred Shares could not be redeemed on such date, then an additional amount equal to the greatest premium, if any, which would have been payable on the redemption of said Second Preferred Shares respectively. After payment to the holders of the Second Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

2.5 The Second Preferred Shares of each series shall rank on a parity with the Second Preferred Shares of every other series with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs, provided, however, that in case such assets are insufficient to pay in full the amount due on all the Second Preferred Shares, then such assets shall be applied, firstly, to the payment equally and rateably of an amount equal to the amount paid up on the Second Preferred Shares of each series and the premium thereon, if any, and, secondly, *pro rata* in the payment of accrued and unpaid cumulative dividends and declared and unpaid non-cumulative dividends.

2.6 The holders of the Second Preferred Shares shall not, as such, be entitled as of right to subscribe for, or to purchase or receive the whole or any part of any issue of any shares, or of any bonds, debentures or other securities of the Corporation now or hereafter authorized, otherwise than in accordance with the exercise of the conversion rights, if any, which may from time to time attach to any series of Second Preferred Shares.

2.7 The provisions contained in Sections 2.1 to 2.6 inclusive, and in this Section 2.7 may be repealed or amended in whole or in part by articles of amendment and the issue of a certificate of amendment in respect thereof, but only with the prior approval of the holders of the Second Preferred Shares given as hereinafter specified in addition to any other approval required under the Act.

The approval of the holders of the Second Preferred Shares as to any and all matters hereinbefore referred to may be given in writing by a resolution signed by all the holders of the Second Preferred Shares or by resolution passed by not less than two-thirds (2/3) of the votes cast at a meeting of the holders of the Second Preferred Shares duly called for the purpose at which meeting, when originally held, the holders of not less than a majority of the outstanding Second Preferred Shares are present in person or represented by proxy in accordance with the by-laws of the Corporation. If at any such meeting, the holders of a majority of the outstanding Second Preferred Shares are not present in person or represented by proxy within thirty (30) minutes after the time fixed for the meeting, then the meeting shall be adjourned to such date, being no less than fifteen (15) days later, and to such time and place as may be fixed by the chairman of the meeting and, at such adjourned meeting, the holders of Second Preferred Shares present in person or represented by proxy, whether or not they hold more or less than a majority of all Second Preferred Shares then outstanding, may transact the business for which the meeting was originally called, and a resolution duly passed thereat by not less than two-thirds (2/3) of the votes cast at such adjourned meeting shall constitute the approval of the holders of the Second Preferred Shares hereinbefore mentioned. Notice of any such original meeting of the holders of the Second Preferred Shares shall be given not less than twenty-one (21) days or more than fifty (50) days prior to the date fixed for such meeting and shall state the nature of the business to be transacted and the text of any resolution to be submitted to the meeting. Notice of any such adjourned meeting shall be given: (i) not less than seven (7) days prior to the date fixed for such adjourned meeting, if the original meeting was adjourned by one or more adjournments for an aggregate of less than thirty (30) days, but it shall not be necessary to state in such notice the business for which the adjourned meeting is called or the text of any resolution to be submitted to the adjourned meeting, and (ii) as required by the Act, if the original meeting was adjourned by one or more adjournments for an aggregate of thirty (30) days or more. The formalities to be observed with respect to the giving of notice of any such original meeting or adjourned meeting or any other meeting of the holders of Second Preferred Shares and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders or in the laws governing the Corporation.

If the repeal or amendment of the provisions hereinbefore contained affects the rights of the holders of Second Preferred Shares of any series in a manner different from that in which the rights of the holders of Second Preferred Shares of any other series are affected, then such repeal or amendment shall, in addition to being approved by the holders of the Second Preferred Shares as hereinabove set forth, be approved by the holders of the Second Preferred Shares of such series so affected, and the provisions of this Section 2.7 shall apply, *mutatis mutandis*, with respect to the giving of such approval.

Any meeting of the holders of the outstanding Second Preferred Shares may be held at any time and for any purpose, without notice, if all holders of Second Preferred Shares entitled to vote at the meeting waive notice of the meeting in writing. For the purpose of waiver of notice, the words "in writing" shall include written instrument, fax, e-mail or any other method of

transmitting legibly recorded messages by a shareholder. Any holder of Second Preferred Shares may waive notice of any meeting either before or after the meeting is held.

Irregularities in the notice or in the giving thereof as well as the accidental omission to give notice of any meeting to, or the non-receipt of any notice by, any holder of Second Preferred Shares, shall not invalidate any action taken at any meeting.

At any meeting of the holders of Second Preferred Shares without distinction as to series, each holder of Second Preferred Shares shall be entitled to 1/25 of a vote for each \$1 (with the Canadian dollar and the United States dollar being deemed to be at par for the purposes of this Section 2.7) paid up on each Second Preferred Share held by him. At any meeting of the holders of Second Preferred Shares of any particular series, each holder shall be entitled to one (1) vote in respect of each Second Preferred Share of such series held by him.

3.0 COMMON SHARES

The Common Shares shall, as a class, carry and be subject to the following rights, privileges, restrictions and conditions:

3.1 Each Common Share of the Corporation shall entitle the holder thereof to one (1) vote at all meetings of shareholders of the Corporation (except meetings at which only holders of another specified class or series of shares are entitled to vote).

3.2 Subject to the prior rights with respect to the payment of dividends attaching to the First Preferred Shares, the Second Preferred Shares and to any other class of shares of the Corporation which rank prior to the Common Shares, the holders of the Common Shares shall be entitled to receive, as and when declared by the Board of Directors of the Corporation, dividends which may be paid in money, property or by the issue of fully paid shares of the Corporation.

3.3 In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs, subject to the rights, privileges, restrictions and conditions attached to the First Preferred Shares and the Second Preferred Shares, either as a class or series, and to any other class or series of shares of the Corporation which rank prior to the Common Shares, the Common Shares shall entitle the holders thereof to receive the remaining property of the Corporation.

3.4 Notwithstanding the provisions attaching to the Common Shares, the Corporation may at any time and from time to time amend the Articles of the Corporation to

- (i) effect an exchange, reclassification or cancellation of all or part of the Common Shares;
- (ii) create a new class of shares equal or superior to the Common Shares; or
- (iii) increase any maximum number of authorized shares of any class of shares having rights or privileges equal or superior to the Common Shares,

without in any of such cases the holders of the Common Shares being entitled to vote separately thereon as a class; provided, however, that the holders of common shares shall always be entitled to vote in any of such cases in accordance with Section 3.1 hereof.

11. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:
L'émission, le transfert ou la propriété d'actions est/n'est pas restreint. Les restrictions, s'il y a lieu, sont les suivantes :

None

12. Other provisions, (if any):
Autres dispositions s'il y a lieu :

See page 6A attached hereto.

**SCHEDULE TO ARTICLES OF CONTINUANCE
OF
PRIMO WATER CORPORATION**

12. Other provisions, if any

Without in any way limiting the powers conferred upon the Corporation and its directors by the *Business Corporations Act* (Ontario) (the "**Act**"), the Board of Directors of the Corporation may from time to time on behalf of the Corporation:

- (a) borrow money upon the credit of the Corporation and limit or increase the amount to be borrowed;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness, guarantees or securities of the Corporation, whether secured or unsecured;
- (c) to the extent permitted by the Act, give guarantees on behalf of the Corporation to secure performance of any obligation of any person or give, directly or indirectly, financial assistance to any person on behalf of the Corporation by means of a loan, guarantee or otherwise;
- (d) mortgage, hypothecate, pledge or otherwise, the real or personal, movable or immovable property of the Corporation, currently owned or subsequently acquired, including book debts, rights, powers, franchises and undertakings, to secure any present or future debt obligations or any money borrowed or other debt, liability or obligation of the Corporation, including any bonds, debentures, notes, create a security interest in all or any of debenture stock, other evidences of indebtedness, guarantees or securities of the Corporation which it is by law entitled to issue; and
- (e) delegate to one or more of the directors or officers of the Corporation all or any of the powers conferred by the foregoing provisions to such extent and in such manner as the Board of Directors shall determine at the time of each such delegation.

The directors may appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

Meetings of shareowners of the Corporation may be held at such place inside or outside Canada as the directors from time to time may determine.

13. The corporation has complied with subsection 180(3) of the *Business Corporations Act*.
La société s'est conformée au paragraphe 180(3) de la *Loi sur les sociétés par actions*.

14. The continuation of the corporation under the laws of the Province of Ontario has been properly authorized under the laws of the jurisdiction in which the corporation was incorporated/amalgamated or previously continued on
Le maintien de la société en vertu des lois de la province de l'Ontario a été dûment autorisé en vertu des lois de l'autorité législative sous le régime de laquelle la société a été constituée ou fusionnée ou antérieurement maintenue le

2021/05/04

Year, Month, Day
année, mois, jour

15. The corporation is to be continued under the *Business Corporations Act* to the same extent as if it had been incorporated thereunder.
Le maintien de la société en vertu de la *Loi sur les sociétés par actions* a le même effet que si la société avait été constituée en vertu de cette loi.

These articles are signed in duplicate.
Les présents statuts sont signés en double exemplaire.

Primo Water Corporation

Name of Corporation / Dénomination sociale de la société

By / Par



Signature / Signature

Director

Thomas Harrington

Print name of signatory / Nom du signataire en lettres moulées
by e-signature

Description of Office / Fonction

These articles **must** be signed by a director or officer of the corporation (e.g. president, secretary)
Ces statuts doivent être signés par un administrateur ou un dirigeant de la société (p. ex. : président, secrétaire).

BY-LAW NO. 1
Business Corporations Act (Ontario)

A by-law relating generally to the regulation of the business and affairs of
PRIMO WATER CORPORATION

(the “Corporation”)

PRIMO WATER CORPORATION

BY-LAW NO. 1

being a by-law relating generally to the transaction of the business and affairs of the Corporation,

ARTICLE ONE

INTERPRETATION

SECTION 1.01 DEFINITIONS. In the by-laws of the Corporation, unless the context otherwise requires:

“Act” means the *Business Corporations Act* (Ontario) and all regulations made pursuant to it, and any statute and regulations that may be substituted therefor, as from time to time amended;

“appoint” includes “elect” and vice versa;

“articles” means the articles of continuance of the Corporation attached to the certificate of continuance dated July 7, 2021, as from time to time amended or restated;

“board” means the board of directors of the Corporation;

“by-laws” means this by-law and all other by-laws of the Corporation from time to time in force and effect;

“Corporation” means Primo Water Corporation, a corporation continued under the laws of Ontario;

“electronic document” means any form of representation of information or of concepts fixed in any medium in or by electronic, optical or other similar means and that can be read or perceived by a person or by any means;

“information system” means a system used to generate, send, receive, store, or otherwise process an electronic document;

“meeting of shareowners” means an annual meeting of shareowners or a special meeting of shareowners;

“non-business day” means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Canada);

“recorded address” means in the case of a shareowner his latest address as recorded in the securities register; and in the case of joint shareowners the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and in the case of a director, officer, auditor or member of a committee of the board, his latest address as shown in the records of the Corporation;

“signing officer” means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.02, or by a resolution passed pursuant thereto;

save as aforesaid, words and expressions defined in the Act have the same meanings when used herein or in any other by-law; and

words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations; and a reference to a section means that section in the by-laws in which such section appears.

In the case of any conflict between the articles and the provisions of this or any other by-law the provisions of the articles shall prevail.

ARTICLE TWO

BUSINESS OF THE CORPORATION

SECTION 2.01 REGISTERED OFFICE. Until changed in accordance with the Act, the address of the registered office of the Corporation will be within the place specified in the articles or within articles of amendment changing the place in which its registered office is situated.

SECTION 2.02 EXECUTION OF INSTRUMENTS. Deeds, documents, bonds, debentures, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any one of the directors or officers of the Corporation. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

SECTION 2.03 BANKING AND FINANCIAL ARRANGEMENTS. The banking and financial business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking and financial business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

SECTION 2.04 VOTING RIGHTS IN OTHER BODIES CORPORATE. The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

SECTION 2.05 WITHHOLDING INFORMATION FROM SHAREOWNERS. Subject to the provisions of the Act, no shareowner shall be entitled to discovery of any information respecting any details or conduct of the Corporation's business which, in the opinion of the board, it would be inexpedient in the interests of the shareowners or the Corporation to communicate to the public. The board may from time to time determine whether and to what extent and at what time and place and under what conditions or regulations the accounts, records and documents of the Corporation or any of them shall be open to the inspection of shareowners and no shareowner shall have any right of inspecting any account, record or document of the Corporation except as conferred by the Act or authorized by the board or by resolution passed at a general meeting of shareowners.

SECTION 2.06 DECLARATIONS. Any officer of the Corporation or any other person appointed for the purpose by resolution of the board is authorized and empowered to appear and

make answer for, on behalf and in the name of the Corporation, to writs, orders and interrogatories upon articulated facts issued out of any court and to declare for, on behalf and in the name of the Corporation, any answer to writs of attachment by way of garnishment or otherwise and to make all affidavits and sworn declarations in connection therewith or in connection with any and all judicial proceedings. Such officers and persons may make demands of abandonment or petitions for winding-up or bankruptcy orders upon any debtor of the Corporation, may attend and vote at all meetings of creditors of the Corporation's debtors and grant proxies in connection therewith, and may generally do all such things in respect thereof as they deem to be in the best interests of the Corporation.

ARTICLE THREE

BORROWING AND SECURITIES

SECTION 3.01 BORROWING POWER. Without limiting the borrowing powers of the Corporation as set forth in the Act or in the articles, the board may from time to time:

- (a) borrow money upon the credit of the Corporation and limit or increase the amount to be borrowed;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness, guarantees or securities of the Corporation, whether secured or unsecured;
- (c) to the extent permitted by the Act, give guarantees on behalf of the Corporation to secure performance of an obligation of any person or give, directly or indirectly, financial assistance to any person on behalf of the Corporation by means of a loan, guarantee or otherwise; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any of the real or personal, moveable or immoveable property of the Corporation, currently owned or subsequently acquired, including book debts, rights, powers, franchises and undertakings, to secure any present or future debt obligations or any money borrowed or other debt or liability of the Corporation, including any bonds, debentures, notes, debenture stock, other evidences of indebtedness, guarantees or securities of the Corporation which it is by law entitled to issue. Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

SECTION 3.02 DELEGATION. The board may from time to time delegate to such one or more of the directors or officers of the Corporation as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board shall determine at the time of each such delegation.

ARTICLE FOUR

DIRECTORS

SECTION 4.01 NUMBER OF DIRECTORS AND QUORUM. Until changed in accordance with the Act, the board shall consist of such fixed number, or minimum and maximum number, of directors as may be set out in the articles.

The directors may, from time to time, fix by resolution the quorum for meetings of directors, but until otherwise fixed, a majority of the directors in office from time to time shall constitute a quorum. Any meeting of directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the by-laws of the Corporation for the time being vested in or exercisable by the directors generally.

Subject to the Act and to the articles of the Corporation, the directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareowners, but the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareowners.

SECTION 4.02 QUALIFICATION. No person shall be qualified for election as a director if he is less than eighteen (18) years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareowner. To the extent required by the Act, at least 25% of the directors shall be resident Canadians, provided however, that, if the Corporation has fewer than four directors, at least one director shall be a resident Canadian.

SECTION 4.03 ELECTION AND TERM. The election of directors shall take place at each annual meeting of shareowners at which time all the directors then in office shall cease to hold office, but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall be the number of directors then in office unless the directors or the shareowners otherwise determine. The election shall be by resolution. If an election of directors is not held at any such meeting of shareowners, the incumbent directors shall continue in office until their successors are elected.

SECTION 4.04 VACATION OF OFFICE. A director ceases to hold office when he dies; when he is removed from office by the shareowners in accordance with the provisions of the Act; when he ceases to be qualified for election as a director; or when his written resignation is received by the Corporation, or if a time is specified in such resignation, at the time so specified, whichever is later.

SECTION 4.05 VACANCIES. Subject to the Act, a quorum of the board may fill a vacancy in the board, except a vacancy resulting from an increase in the number or minimum number of directors or from a failure of the shareowners to elect the number or minimum number of directors. In the absence of a quorum of the board, or if the vacancy has arisen from a failure of the shareowners to elect the number or minimum number of directors, the board may call a special meeting of shareowners to fill the vacancy. If the board fails to call such meeting or if there are no such directors then in office, any shareowner may call the meeting. Where there is a

vacancy in the board, the remaining directors may exercise all the authorities, powers and discretions of the board so long as a quorum remains in office.

SECTION 4.06 MEETINGS BY TELEPHONE ELECTRONIC OR OTHER COMMUNICATION FACILITY. A director may, to the extent and in the manner permitted by law, participate in a meeting of directors or of a committee of directors by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, but only if all the directors of the Corporation have consented to that form of participation. A director participating in such a meeting by such means is deemed for the purposes of the Act to be present at that meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board held while a director holds office.

SECTION 4.07 PLACE OF MEETINGS. Meetings of the board may be held at any place in or outside Canada.

SECTION 4.08 CALLING OF MEETINGS. Meetings of the board shall be held from time to time and at such place as the board, the chairperson of the board, the chief executive officer, or any two directors may determine.

SECTION 4.09 NOTICE OF MEETING. Notice of the time and place of each meeting of the board shall be given in the manner provided in section 13.01 to each director not less than twenty-four (24) hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified. A director may waive notice of or otherwise consent to a meeting of the board. Such a waiver of notice may be sent in any manner, including as an electronic document and at any time before, during or after a meeting of the board. No action taken at any meeting of the board shall be invalidated by the accidental failure to give notice or sufficient notice thereof to any director.

SECTION 4.10 FIRST MEETING OF NEW BOARD. Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareowners at which such board is elected.

SECTION 4.11 ADJOURNED MEETING. Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

SECTION 4.12 REGULAR MEETINGS. The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

SECTION 4.13 CHAIRPERSON. The chairperson of any meeting of the board shall be the chairperson of the board, or any other director chosen by the directors present if (a) the

chairperson of the board is not present at the meeting within 15 minutes after the time set for holding the meeting; (b) the chairperson of the board is not willing to chair the meeting; or (c) the chairperson of the board has advised the secretary, if any, or any other director, that they will not be present at the meeting.

SECTION 4.14 VOTES TO GOVERN. At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairperson of the meeting shall be entitled to a second or casting vote.

SECTION 4.15 REMUNERATION AND EXPENSES. The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

ARTICLE FIVE

COMMITTEES

SECTION 5.01 COMMITTEES OF DIRECTORS. The board may appoint a committee or committees of directors, however designated, and delegate to such committee or committees any of the powers of the board except those which, under the Act, a committee of directors has no authority to exercise.

SECTION 5.02 AUDIT COMMITTEE. The board shall elect from among its number an audit committee to be composed of at least three (3) directors of whom the majority shall not be officers or employees of the Corporation or its affiliates. Members of the audit committee shall remain in office at the pleasure of the board and while still directors.

SECTION 5.03 TRANSACTION OF BUSINESS. Subject to the provisions of section 4.06, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of a committee of directors may be held at any place in or outside Canada.

SECTION 5.04 PROCEDURE. Unless otherwise determined by the board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairperson and to regulate its procedure.

ARTICLE SIX

OFFICERS

SECTION 6.01 APPOINTMENT. The board may from time to time appoint a chairperson of the board, a chief executive officer, a chief financial officer, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary and such other

officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to section 6.02, an officer may but need not be a director and one person may hold more than one office.

SECTION 6.02 CHAIRPERSON OF THE BOARD. The chairperson of the board shall be chosen from among the directors and, if appointed, shall have such powers and duties as the board may specify.

SECTION 6.03 CHIEF EXECUTIVE OFFICER. Unless the directors otherwise determine, the chief executive officer shall be appointed by the directors and shall have general management of its business and affairs.

SECTION 6.04 VICE-PRESIDENT OR VICE-PRESIDENTS. The vice-president or vice-presidents shall have such powers and duties as the board may specify.

SECTION 6.05 SECRETARY. Except as may be otherwise determined from time to time by the board, the secretary shall attend and be the secretary of all meetings of the board, shareowners and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; they shall give or cause to be given, as and when instructed, all notices to shareowners, directors, officers, auditors and members of committees of the board; they shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and they shall have such other powers and duties as the board or the chief executive officer may specify.

SECTION 6.06 POWERS AND DUTIES OF OTHER OFFICERS. The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

SECTION 6.07 VARIATION OF POWERS AND DUTIES. The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

SECTION 6.08 TERM OF OFFICE. The board, in its discretion, may remove and discharge any or all the officers of the Corporation either with or without cause at any meeting called for that purpose and may elect or appoint others in their place or places. Any officer or employee of the Corporation, not being a member of the board, may also be removed and discharged, either with or without cause, by the chairperson of the board. If, however, there be a contract with an officer or employee derogating from the provisions of this section such removal or discharge shall be subject to the provisions of such contract. Otherwise each officer appointed by the board shall hold office until his successor is appointed.

SECTION 6.09 TERMS OF EMPLOYMENT AND REMUNERATION. The terms of employment and the remuneration of officers appointed by the board shall be settled by it from time to time.

SECTION 6.10 AGENTS AND ATTORNEYS. The board, the chairperson of the board or any person delegated by any of them shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

ARTICLE SEVEN

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

SECTION 7.01 LIMITATION OF LIABILITY. No director or officer shall be liable for the acts, receipts, neglects or defaults of any other person including any director or officer or employee or agent, or for joining in any receipt or acts for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, delictual, quasi-delictual or tortious acts of any person with whom any of the moneys, securities or other property of the Corporation shall be deposited or for any loss occasioned by an error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which may arise out of the execution of the duties of his office or in relation thereto, unless the same are occasioned by his own wilful neglect or default; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the mandatory provisions of the Act or from liability for any breach thereof.

SECTION 7.02 INDEMNIFICATION. Without in any manner derogating from or limiting the mandatory provisions of the Act but subject to the conditions in this by-law, the Corporation shall indemnify each director and officer of the Corporation, each former director and officer of the Corporation and each individual who acts or acted at the Corporation's request as a director or officer, or each individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity.

SECTION 7.03 ADVANCE OF COSTS. The Corporation may advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to in section 7.02. The individual shall repay the moneys if the individual does not fulfil the conditions of section 7.04.

SECTION 7.04 LIMITATION IN INDEMNITY. The Corporation's indemnity applies, however, only to the extent that the individual seeking indemnity:

- (a) acted honestly and in good faith with a view to the best interests of the Corporation, or, as the case may be, to the best interests of the other entity for
-

which the individual acted as director or officer or in a similar capacity at the Corporation's request; and

- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.

SECTION 7.05 INSURANCE. Subject to the limitations contained in the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors and officers as such, as the board may from time to time determine.

ARTICLE EIGHT

SHARES

SECTION 8.01 ALLOTMENT. Subject to the articles, shares of the Corporation may be issued at such times and to such persons and for such consideration as the board may determine and the board may from time to time allot or grant options or other rights to purchase any of the shares of the Corporation at such times and to such persons and for such consideration as the board shall determine.

SECTION 8.02 COMMISSIONS. Subject to the provisions of the Act, the board may from time to time authorize the Corporation to pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

SECTION 8.03 REGISTRATION OF TRANSFER. Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with a transfer endorsed thereon or delivered therewith duly executed by the registered holder or by his attorney or successor duly appointed, or upon proper instructions from the holder of uncertificated shares, in each case with such reasonable assurance or evidence of signature, identification and authority to transfer as the board may from time to time require, and upon payment of all applicable taxes and any fees required by the board.

SECTION 8.04 TRANSFER AGENTS, REGISTRARS AND DIVIDEND DISBURSING AGENTS. The board may from time to time appoint a registrar to maintain the securities register and a transfer agent to maintain the register of transfers and may also appoint one or more branch registrars to maintain branch securities registers and one or more branch transfer agents to maintain branch registers of transfers. The board may also from time to time appoint a dividend disbursing agent to disburse dividends. One person may be appointed to any number of the aforesaid positions. The board may at any time terminate any such appointment.

SECTION 8.05 CONCLUSIVENESS OF SECURITIES REGISTER. Subject to the provisions of the Act, the Corporation shall treat the person in- whose name any share is registered in the securities register as absolute owner of such share with full legal capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary

through knowledge or notice or description in the Corporation's records or on the share certificate.

SECTION 8.06 SHARE CERTIFICATES. Shares of the capital stock of the Corporation may be certificated or uncertificated. Every holder of one or more shares of the Corporation shall be entitled, at his option, to a share certificate, or to a non-transferable written acknowledgement of his right to obtain a share certificate, stating the number and class or series of shares held by him as shown on the securities register. Share certificates and acknowledgements of a shareowner's right to a share certificate respectively, shall be in such form as the board shall from time to time approve. Any share certificate shall be signed in accordance with section 2.02 and need not be under the corporate seal; provided that, unless the board otherwise determines, certificates representing shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of share certificates which are not valid unless counter-signed by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced upon share certificates and every such printed or mechanically reproduced signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A share certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

SECTION 8.07 REPLACEMENT OF SHARE CERTIFICATES. The board or any officer or agent designated by the board may in its or his discretion direct the issue of a new share certificate in lieu and upon cancellation of a share certificate that has been mutilated or in substitution for a share certificate claimed to have been lost, destroyed or wrongfully taken upon payment of such fee, if any, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

SECTION 8.08 JOINT SHAREOWNERS. If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

SECTION 8.09 DECEASED SHAREOWNERS. In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon or other distributions in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agent.

ARTICLE NINE

DIVIDENDS AND RIGHTS

SECTION 9.01 DIVIDENDS. Subject to the provisions of the Act, the board may from time to time declare dividends payable to the shareowners according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.

SECTION 9.02 DIVIDEND WIRE TRANSFERS OR CHEQUES. A dividend payable in money shall be paid, at the Corporation's option, by (a) wire transfer, or (b) cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared, and (i) sent, if by wire transfer, to such registered holder as per the wire instructions provided by such holder in the Corporation's securities register, or (ii) mailed by prepaid ordinary mail, if by cheque, to such registered holder at the address of such holder in the Corporation's securities register, unless such holder otherwise directs. In the case of joint holders, the wire transfer or cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and transferred to them as per the wire instructions, or mailed to them at their recorded address. The issuance of the wire transfer or the mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

SECTION 9.03 NON-RECEIPT OF WIRE TRANSFERS OR CHEQUES. In the event of non-receipt of any dividend wire transfer or cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a wire transfer or a cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the directors may from time to time prescribe, whether generally or in any particular case.

SECTION 9.04 UNCLAIMED DIVIDENDS. To the extent permitted by applicable law, any dividend unclaimed after a period of six (6) years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

ARTICLE TEN

MEETINGS OF SHAREOWNERS

SECTION 10.01 ANNUAL MEETINGS. The annual meeting of shareowners shall be held at such time in each year and, subject to section 10.03, at such place as the board or failing it, the chairperson of the board may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

SECTION 10.02 SPECIAL MEETINGS. Subject to compliance with the Act, the board or the chairperson of the board shall have power to call a special meeting of shareowners at any time.

SECTION 10.03 PLACE OF MEETINGS. Meetings of shareowners of the Corporation may be held at such place inside or outside of Canada, as the directors may from time to time determine.

SECTION 10.04 MEETINGS BY TELEPHONE, ELECTRONIC OR OTHER COMMUNICATION FACILITY. Any person entitled to attend a meeting of shareowners may participate in the meeting, to the extent and in the manner permitted by law, by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means is deemed for the purposes of the Act to be present at the meeting. The directors or the shareowners of the Corporation who call a meeting of shareowners pursuant to the Act may determine that the meeting shall be held, to the extent and in the manner permitted by law, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting.

SECTION 10.05 NOTICE OF MEETINGS. Subject to compliance with the Act, notice of the time and place of each meeting of shareowners shall be given in the manner provided in section 13.01 not less than twenty-one (21) nor more than fifty (50) days before the date of the meeting to each director, to the auditor and to each shareowner who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. A shareowner may in any manner either before, during or after a meeting of shareowners waive notice of or otherwise consent to a meeting of shareowners.

SECTION 10.06 CHAIRPERSON, SECRETARY AND SCRUTINEERS. The chairperson of any meeting of shareowners shall be (a) the chairperson of the board, if any; (b) if the chairperson of the board is absent or unwilling to act as chairperson of the meeting of shareowners, the lead independent director; or (c) if neither the chairperson of the board nor the lead independent director is present, or willing to act, the chief executive officer or president and if no such person is present within fifteen (15) minutes after the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be the chairperson. If the secretary and each assistant-secretary of the Corporation is absent, the chairperson shall appoint some person, who need not be a shareowner, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareowners, may be appointed by a resolution or by the chairperson of the meeting.

SECTION 10.07 PERSONS ENTITLED TO BE PRESENT. The only persons entitled to be present at a meeting of shareowners shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairperson of the meeting or with the consent of the meeting.

SECTION 10.08 QUORUM. Except as otherwise provided by law or by the articles, a quorum for the transaction of business at any meeting of shareowners shall be not less than two persons present in person, each being a shareowner entitled to vote thereat or a duly appointed proxy for

an absent shareowner so entitled, and holding or representing the holder or holders of shares carrying not less than a majority of the voting power of all issued and outstanding shares of the Corporation entitled to vote on a particular matter to be acted on at the meeting, except that, when specified business is to be voted on by one or more classes or series of shares voting as a class, unless otherwise provided by law, regulatory authority or by the articles, the holders of not less than a majority of the voting power of the shares of such classes or series shall constitute a quorum for the transaction of such matter. If a quorum is present at the opening of the meeting of shareowners, the shareowners present may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting.

If a quorum is not present at the opening of a meeting of shareowners, the shareowners present in person and entitled to be counted for the purpose of forming a quorum shall have power to adjourn the meeting from time to time to a fixed time and place without notice other than announcement at the meeting until a quorum shall be present, subject to the provisions of the Act, the articles and section 10.16 of this by-law. At any such adjourned meeting, provided a quorum is present, any business may be transacted which might have been transacted at the meeting adjourned.

SECTION 10.09 RIGHT TO VOTE. The shareowners entitled to vote at any meeting of shareowners shall be determined in accordance with the provisions of the Act and the articles.

SECTION 10.10 PROXIES. Every shareowner entitled to vote at a meeting of shareowners may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareowners, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareowner or his attorney and shall conform with the requirements of the Act and applicable law.

SECTION 10.11 TIME FOR DEPOSIT OF PROXIES. The board may specify in a notice calling a meeting of shareowners a time, preceding the time of such meeting by not more than forty-eight (48) hours exclusive of non-business days, before which time proxies to be used at such- meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, unless it has been received by the secretary of the Corporation or by the chairperson of the meeting or any adjournment thereof prior to the time of voting.

SECTION 10.12 JOINT SHAREOWNERS. If two or more persons hold shares jointly, any one of them present in person or represented by proxy at a meeting of shareowners may, in the absence of the other or others, vote the shares; but if two or more of those persons who are present, in person or by proxy, vote, they shall vote as one on the shares jointly held by them.

SECTION 10.13 VOTES TO GOVERN. At any meeting of shareowners every question shall, unless otherwise required by the articles or by-laws or by law, be determined by the majority of the votes cast on the question. In case of an equality of votes, either upon a show of hands or upon a poll, the chairperson of the meeting shall be entitled to a second or casting vote.

SECTION 10.14 SHOW OF HANDS. Subject to the provisions of the Act, any question at a meeting of shareowners shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairperson of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareowners upon the said question.

SECTION 10.15 BALLOTS. On any question proposed for consideration at a meeting of shareowners, and whether or not a show of hands has been taken thereon, any shareowner or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairperson shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken, each person present shall be entitled, in respect of the shares which he is entitled to votes at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareowners upon the said question.

SECTION 10.16 ADJOURNMENT. Subject to the articles, if a meeting of shareowners is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the meeting that is adjourned. If a meeting of shareowners is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given as for required by the Act.

SECTION 10.17 RESOLUTION IN WRITING. A resolution in writing signed by all the shareowners entitled to vote on that resolution at a meeting of shareowners is as valid as if it had been passed at a meeting of the shareowners unless a written statement with respect to the subject matter of the resolution is submitted by a director or the auditors in accordance with the Act.

SECTION 10.18 ELECTRONIC VOTING BY SHAREOWNERS. Any vote at a meeting of the shareowners may be held, to the extent and in the manner permitted by law, entirely by means of a telephonic, electronic or other communication facility, if the Corporation makes available such a communication facility. Any person participating in a meeting of shareowners by electronic means as provided in section 10.04 and entitled to vote at that meeting may vote, to the extent and in the manner permitted by law, by means of the telephonic, electronic or other communication facility that the Corporation has made available for that purpose.

ARTICLE ELEVEN

ADVANCE NOTICE OF NOMINATIONS OF DIRECTORS

SECTION 11.01 NOMINATION OF DIRECTORS. Only persons who are nominated in accordance with the provisions of this by-law shall be eligible for election as directors of the

Corporation. Nominations of persons for election as directors of the Corporation at any annual meeting of shareowners, or at any special meeting of shareowners called for the purpose of electing directors as set forth in the Corporation's notice of such special meeting, may only be made:

- (a) by or at the direction of the board of directors of the Corporation, including pursuant to a notice of meeting,
- (b) by or at the direction or request of one or more shareowners pursuant to a proposal submitted to the Corporation in accordance with applicable laws or a requisition of meeting submitted to the directors in accordance with applicable laws, or
- (c) by any person (a "nominating shareowner") who, at the close of business on the date of the giving of the notice provided for below and on the record date for determining shareowners entitled to vote at such meeting, is a registered holder or beneficial owner of shares that are entitled to be voted at such meeting and complies with the notice and other procedures set forth in this by-law.

SECTION 11.02 TIMELY NOTICE. In addition to any other requirements in this by-law and under applicable laws, for a nomination to be made by a nominating shareowner, the nominating shareowner must have given timely notice thereof in proper written form to the secretary of the Corporation. To be timely, a nominating shareowner's notice must be received by the Secretary at the principal executive offices of the Corporation:

- (a) in the case of an annual meeting of shareowners, not less than 30 days prior to the date of the annual meeting of shareowners; provided, however, that if the annual meeting of shareowners is called for a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the nominating shareowner may be made not later than the close of business on the 10th day following the date on which the public announcement of the date of the annual meeting is first made by the Corporation; and
- (b) in the case of a special meeting of shareowners (which is not also an annual meeting of shareowners), not later than the close of business on the 15th day following the day on which the public announcement of the date of the special meeting of shareowners is first made by the Corporation.

SECTION 11.03 PROPER WRITTEN FORM. To be in proper written form, a nominating shareowner's notice to the Secretary must set forth:

- (a) as to each person whom the nominating shareowner proposes to nominate for election as a director:
 - (i) the name, age, business address and residential address of the nominee,
 - (ii) the principal occupation or employment of the nominee,
-

- (iii) the class or series and number of shares of the Corporation which are controlled or which are owned beneficially or of record by the nominee as of the record date for the meeting of shareowners (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice,
 - (iv) any relationships, agreements or arrangements, including financial, compensation and indemnity related relationships, agreements or arrangements, between the nominee or any of its affiliates and the nominating shareowner, any person acting jointly or in concert with the nominating shareowner or any of their respective affiliates, and
 - (v) any other information relating to the nominee that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws; and
- (b) as to the nominating shareowner giving the notice,
- (i) the name and record address of the nominating shareowner,
 - (ii) the class or series and number of shares of the Corporation which are controlled or which are owned beneficially or of record by the nominating shareowner as of the record date for the meeting of shareowners (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice,
 - (iii) any derivatives or other economic or voting interests in the Corporation and any hedges implemented with respect to the nominating shareowners' interests in the Corporation,
 - (iv) any proxy, contract, arrangement, understanding or relationship pursuant to which the nominating shareowner has a right to vote any shares of the Corporation,
 - (v) whether the nominating shareowner intends to deliver a proxy circular and form of proxy to any shareowners of the Corporation in connection with the election of directors, and
 - (vi) any other information relating to the nominating shareowner that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws.

Such notice must be accompanied by the written consent of each nominee to being named as a nominee and to serve as a director, if elected. Reference to "nominating shareowner" in this section 11.03 shall be deemed to refer to each shareowner that nominates a person for election as

director in the case of a nomination proposal where more than one shareowner is involved in making such nomination proposal.

SECTION 11.04 DETERMINATION OF ELIGIBILITY. The chair of the meeting of shareowners at which an election for directors is held shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded. The Board may, in its sole discretion, waive any requirement in this by-law.

SECTION 11.05 DISCUSSION PERMITTED. Nothing in this by-law shall be deemed to preclude discussion by a shareowner (as distinct from the nomination of directors) at a meeting of shareowners of any matter it is entitled to discuss pursuant to the Act.

SECTION 11.06 MEANING OF PUBLIC ANNOUNCEMENT. For purposes of this by-law, “public announcement” shall mean disclosure in a press release reported by a national news service in Canada or the United States or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com or the Electronic Data Gathering, Analysis and Retrieval system at www.sec.gov/edgar.shtml.

SECTION 11.07 NOTICE. Notwithstanding any other provision of the by-laws of the Corporation, notice given to the secretary pursuant to this by-law may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the secretary for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Secretary at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

ARTICLE TWELVE

DIVISIONS AND DEPARTMENTS

SECTION 12.01 CREATION AND CONSOLIDATION OF DIVISIONS. The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.

SECTION 12.02 NAME OF DIVISIONS. Any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business, enter into contracts, sign cheques and other documents of any kind and do all acts and things under such name.

ARTICLE THIRTEEN

NOTICES

SECTION 13.01 METHOD OF SENDING NOTICE. Subject to compliance with all applicable laws, any notice (which term includes any communication or document) to be sent pursuant to the Act, the articles, the by-laws or otherwise to a shareowner, director, officer, auditor or member of a committee of the board shall be sufficiently sent if (i) delivered personally to the person to whom it is to be sent, (ii) delivered to the recorded address or mailed to the recorded address of that person by prepaid mail (iii) sent to that person at the recorded address by any means of prepaid transmitted or recorded communication or (iv) provided as an electronic document to the information system of that person. A notice so delivered shall be deemed to have been sent when it is delivered personally or to the recorded address. A notice so mailed shall be deemed to have been sent when deposited in a post office or public letter box and shall be deemed to have been received on the fifth day after so depositing. A notice so sent by any means- of transmitted or recorded communication or provided as an electronic document shall be deemed to have been sent when dispatched by the Corporation if it uses its own facilities or information system and otherwise when delivered to the appropriate communication company or agency or its representative for dispatch. The secretary or assistant secretary may change or cause to be changed the recorded address of any shareowner, director, officer or auditor or member of a committee of the board in accordance with any information believed by him to be reliable. The recorded address of a director shall be his latest address as shown in the records of the Corporation or in the most recent notice filed under the *Corporations Information Act*, whichever is the more current.

SECTION 13.02 ELECTRONIC DOCUMENTS. A requirement under this by-law to provide a person with a notice, document or other information is satisfied by providing an electronic document in compliance with the Act and the regulations thereunder.

SECTION 13.03 NOTICE TO JOINT SHAREOWNERS. If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice to one of such persons shall be sufficient notice to all of them. The address to be used for the purpose of giving notices shall be the recorded address.

SECTION 13.04 COMPUTATION OF TIME. In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

SECTION 13.05 UNDELIVERED NOTICES. If any notice given to a shareowner pursuant to section 13.01 is returned on three (3) consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such shareowner until he informs the Corporation in writing of his new address.

SECTION 13.06 OMISSIONS AND ERRORS. The accidental omission to give any notice to any shareowner, director, officer, auditor or member of a committee of the board or the

nonreceipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

SECTION 13.07 PERSONS ENTITLED TO SHARES BY DEATH OR OPERATION OF LAW. Every person who, by operation of law, transfer, death of a shareowner or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareowner from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement as provided in the Act.

SECTION 13.08 WAIVER OF NOTICE. Any shareowner (or his duly appointed proxyholder), director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareowners or of the board or committee thereof which may be given in any manner.

ARTICLE FOURTEEN

FISCAL YEAR

SECTION 14.01 FISCAL YEAR. The fiscal period of the Corporation shall terminate on such day in each year as the board of directors may from time to time determine.

ARTICLE FIFTEEN

EFFECTIVE DATE

SECTION 15.01 EFFECTIVE DATE. This by-law is effective from the date of the resolution of the directors adopting same and shall continue to be effective unless amended by the directors until the next meeting of shareowners of the Corporation, whereat if same is confirmed or confirmed as amended, this by-law shall continue in effect in the form in which it was so confirmed.

SECTION 15.02 REPEAL. Upon the date of this by-law coming into force, Second Amended and Restated By-Law No. 2002-1 of the Corporation, as amended, shall be repealed, provided that such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal.

All officers and persons acting under any by-law so repealed shall continue to act as appointed under the provisions of this by-law and all resolutions of the shareowners or board or committee

thereof with continuing effect passed under any repealed by-law shall continue to be valid except to the extent inconsistent with this by-law and until amended or repealed.

This by-law was approved by the directors of the Corporation at a meeting held on the 23rd day of February 2021.

This by-law of the Corporation is signed by an officer of the Corporation and hereby made.

DATED as of the 28th day of July, 2021.

/s/ Marni Morgan Poe

Marni Morgan Poe
Corporate Secretary

AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT

Between

PRIMO WATER CORPORATION

- and -

COMPUTERSHARE INVESTOR SERVICES INC.

Dated as of May 4, 2021 **TABLE OF CONTENTS**

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AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT

AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT, dated as of the 4th day of May, 2021 (amending and restating the Shareholder Rights Plan Agreement dated May 1, 2018) between Primo Water Corporation, a corporation existing under the laws of

Canada (the “**Corporation**”) and Computershare Investor Services, Inc., a corporation existing under the laws of Canada (the “**Rights Agent**”, which term will include any successor Rights Agent under this Agreement);

RECITALS:

1. Effective May 1, 2018, the Board of Directors (as defined below) determined it is advisable and in the best interests of the Corporation to adopt a shareholder rights plan to ensure, to the extent possible, that all shareholders of the Corporation are treated fairly in connection with any take-over offer for the Corporation.
2. Effective May 4, 2021, the Board of Directors approved certain amendments to the Corporation’s shareholder rights plan (as amended and restated herein, the “**Rights Plan**”), principally to reflect the change of the Corporation’s name from “Cott Corporation” to “Primo Water Corporation”.
3. Pursuant to section 5.19 of the Rights Plan, the Corporation is required to reconfirm the Rights Plan every third annual meeting following the meeting at which this Agreement is confirmed, being the Corporation’s annual meeting to be held on May 4, 2021 .
4. In order to continue the Rights Plan, the Board of Directors has confirmed its authorization and issuance of:
 - (a) one Right (as defined below) in respect of each Common Share (as defined below) outstanding at the Record Time (as defined below), effective as at the close of business (as defined below) on the Record Date (as defined below);
 - (b) one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time (as defined below) and the Expiration Time (as defined below); and
 - (c) the Rights Certificates (as defined below) to the holders of Rights pursuant to the terms and subject to the conditions set out in this Agreement.
5. Each Right entitles the holder of the Right, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set out in this Agreement.
6. The Corporation desires to appoint the Rights Agent to act on behalf of the Corporation and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to in this Agreement.

NOW THEREFORE, in consideration of the respective covenants and agreements set out in this Agreement, the parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Certain Definitions

For purposes of this Agreement, the following terms have the meanings indicated:

- (a) “**Acquiring Person**” means any Person who is the Beneficial Owner of 20% or more of the outstanding Common Shares; provided, however, that the term “**Acquiring Person**” will not include:
 - (i) the Corporation or any Subsidiary of the Corporation;
 - (ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or any combination of:
 - (A) a Voting Share Reduction,
 - (B) a Permitted Bid Acquisition,
 - (C) an Exempt Acquisition,
 - (D) a Pro Rata Acquisition, or
 - (E) a Convertible Security Acquisition;

in each such case, until such time thereafter as such Person shall become the Beneficial Owner (otherwise than pursuant to any one or more of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition, or a Convertible Security Acquisition) of additional Voting Shares constituting more than 1% of the Voting Shares then outstanding, in which event such Person shall become an Acquiring Person as of the date and time of acquisition of such additional Voting Shares;

- (iii) for a period of 10 days after the Disqualification Date (as defined below), any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of that Person becoming disqualified from relying on Section 1.1(e)(iii)(B) of the definition of Beneficial Owner solely because that Person makes or announces a current intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, “**Disqualification Date**” means the first date of public announcement that any Person is making or has announced an intention to make a Take-over Bid; or
-

- (iv) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the Voting Shares in connection with a distribution of securities;
- (b) “**Affiliate**” when used to indicate a relationship with a specified Person, means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, that specified Person;
- (c) “**Agreement**” means this shareholder rights plan agreement dated as of May 1, 2018 (as amended and restated herein), between the Corporation and the Rights Agent, as such may be amended and supplemented from time to time;
- (d) “**Associate**” when used to indicate a relationship with a specified Person, means any relative of that specified Person who has the same home as that specified Person, or any person to whom that specified Person is married, or any person with whom that specified Person is living in a conjugal relationship outside marriage, or any relative of that spouse or other person who has the same home as that specified Person;
- (e) A Person will be deemed the “**Beneficial Owner**” of, and to have “**Beneficial Ownership**” of, and to “**Beneficially Own**”:
 - (i) any securities of which that Person or any of that Person’s Affiliates or Associates is the owner at law or in equity;
 - (ii) any securities which that Person or any of that Person’s Affiliates or Associates has the right to acquire (where the right is exercisable within a period of 60 days, whether or not on condition or the happening of any contingency or the making of any payment) upon the exercise, conversion or exchange of any Convertible Securities or pursuant to any agreement, arrangement, pledge or understanding, (including but not limited to any lock-up agreement or similar agreement, arrangement or understanding that is not a Permitted Lock-Up Agreement) whether or not in writing (other than (A) customary agreements with and between underwriters and banking or selling group members with respect to a distribution of securities and (B) pledges of securities in the ordinary course of the pledgee’s business); or
 - (iii) any securities which are Beneficially Owned within the meaning of Sections 1.1(e)(i) and 1.1(e)(ii) by any other Person with whom that Person is acting jointly or in concert;

provided, however, that a Person will not be deemed the “**Beneficial Owner**” or to have “**Beneficial Ownership**” of, or to “**Beneficially Own**”, any security:

- (A) because that security has been deposited or tendered, or the holder of that security has agreed pursuant to a Permitted Lock-Up
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Agreement to deposit or tender that security, pursuant to a Take-over Bid made by that Person or any of that Person's Affiliates or Associates or any other person acting jointly or in concert with that Person until the deposited or tendered security is taken up or paid for, whichever occurs first;

- (B) if (1) the ordinary business of that Person (the "**Investment Manager**") includes the management of mutual funds or investment funds for others and the Investment Manager holds that security in the ordinary course of such business for the account of any other Person, including non- discretionary accounts held on behalf of a client by a broker or dealer registered under applicable laws, or (2) that Person (the "**Investment Trust**") is licensed to carry on the business of a trust under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons or in relation to other accounts and is acting in the ordinary course of those duties for the estate of the deceased or incompetent Person or for those other accounts, or (3) that Person (the "**Plan Trustee**") is the administrator or trustee of one or more pension funds or plans (each, a "**Plan**") registered under applicable laws or is a Plan and holds that security for the purposes of its activities as such, or (4) that Person is established by statute for purposes that include, and the ordinary business or activity of that Person (the "**Statutory Body**") includes, the management of investment funds for employee benefit plans, pension plans, insurance plans of various public bodies, and holds that security for the purposes of its activities as such, or (5) that Person is a Crown agent or agency; provided, in any of the above cases, that the Investment Manager, the Investment Trust, the Plan Trustee, the Plan, the Statutory Body or the Crown agent or agency, as the case may be, is not making and has not announced a current intention to make a Take-over Bid, other than an Offer to Acquire Common Shares or other securities pursuant to a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades entered into in the ordinary course of business of that Person) executed through the facilities of a stock exchange or organized over-the-counter market, alone or acting jointly or in concert with any other Person;
 - (C) because that Person (1) is a client of the same Investment Manager as another Person on whose account the Investment Manager holds that security, or (2) has an account of the same Investment Trust as another Person on whose account the Investment Trust holds that security, or (3) is a Plan and has a Plan Trustee who is also a Plan
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Trustee for another Plan on whose account the Plan Trustee holds that security;

- (D) because that Person (1) is a client of an Investment Manager and that security is owned at law or in equity by the Investment Manager, or (2) has an account of an Investment Trust and that security is owned at law or in equity by the Investment Trust, or (3) is a Plan and that security is owned at law or in equity by the Plan Trustee; or
 - (E) because that Person is the registered holder of securities as a result of carrying on the business of, or acting as a nominee of, a securities depositary agency;
 - (f) “**Board of Directors**” means the board of directors of the Corporation from time to time;
 - (g) “**Business Day**” means any day other than a Saturday, Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law to close;
 - (h) “**close of business**” on any given date means the time on that date (or, if that date is not a Business Day, the time on the next succeeding Business Day) at which the office of the transfer agent for the Common Shares in Toronto, Ontario (or, after the Separation Time, the office of the Rights Agent in Toronto, Ontario) is closed to the public;
 - (i) “**Common Shares**” means the common shares in the capital of the Corporation;
 - (j) “**Competing Permitted Bid**” means a Take-over Bid that:
 - (i) is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry of that Permitted Bid or Competing Permitted Bid (in this definition, the “**Prior Bid**”);
 - (ii) satisfies all the provisions of the definition of a Permitted Bid, other than the requirements set out in Subclauses 1.1(gg)(ii)(A) and 1.1(gg)(ii)(D) of the definition of Permitted Bid; and
 - (iii) contains, and the take-up and payment for securities tendered or deposited under the Take-over Bid are subject to, irrevocable and unqualified conditions that:
 - (A) no Common Shares shall be taken up or paid for pursuant to that Take-over Bid (x) prior to the close of business on a date that is not earlier than the later of the last day on which the Take-over Bid must be open for acceptance after the date of that Take-over Bid
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under applicable Canadian provincial securities legislation and the earliest date on which Common Shares may be taken up or paid for under any Prior Bid in existence at the date of that Take-over Bid, and (y) then only if, at the time that those Common Shares are first taken up or paid for, more than 50% of the then outstanding Common Shares held by Independent Shareholders have been deposited or tendered pursuant to that Take-over Bid and not withdrawn; and

- (B) in the event that the requirement set out in Subclause 1.1(j)(iii)(A)(y) of this definition is satisfied, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Common Shares for not less than 10 days from the date of that public announcement,

provided always that a Competing Permitted Bid will cease to be a Competing Permitted Bid at any time when the bid ceases to meet any of the provisions of this definition and provided that, at that time, any acquisition of Common Shares made pursuant to the Competing Permitted Bid, including any acquisitions of Common Shares previously made, will cease to be a Permitted Bid Acquisition;

- (k) a Person is “**controlled**” by another Person or two or more Persons acting jointly or in concert if:

- (i) in the case of a body corporate, securities entitled to vote in the election of directors of such body corporate carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person or Persons and the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such body corporate; or
- (ii) in the case of a Person which is not a body corporate, more than 50% of the voting interests of such entity are held, directly or indirectly by or for the benefit of the other Person or Persons,

and “**controls**”, “**controlling**” and “**under common control with**” will be interpreted accordingly;

- (l) “**Convertible Securities**” means at any time any right to acquire Voting Shares or any securities from time to time (other than the Rights) carrying any exercise, conversion or exchange right pursuant to which the holder of the right or securities may acquire Voting Shares or other securities carrying any exercise, conversion or exchange right pursuant to which the holder may ultimately acquire Voting Shares (in each case, provided that right is then exercisable or exercisable within a period of 60 days from that time and whether or not on condition or the happening of any contingency or the making of any payment);
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- (m) “**Convertible Security Acquisition**” means the acquisition of Voting Shares upon the exercise of Convertible Securities acquired by a Person pursuant to a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition;
 - (n) “**Co-Rights Agents**” have the meaning given to that term in Section 4.1(a);
 - (o) “**Corporations Act**” means the *Canada Business Corporations Act*, as amended, and the regulations under that Act as now in effect and as same may from time to time be amended, re-enacted or replaced;
 - (p) “**Disposition Date**” has the meaning given to that term in Section 5.2(c).
 - (q) “**Dividend Reinvestment Plan**” means a dividend reinvestment or other plan of the Corporation made available by the Corporation to holders of its Common Shares where the plan permits the holder to direct that some or all of dividends paid in respect of any Common Shares of the Corporation be applied to the purchase from the Corporation of Common Shares;
 - (r) “**Election to Exercise**” has the meaning given to that term in Section 2.2(f);
 - (s) “**Exempt Acquisition**” means an acquisition of Voting Shares or Convertible Securities (i) in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to the provisions of Section 5.2, or (ii) pursuant to a distribution of Voting Shares or Convertible Securities (and the exercise, conversion or exchange of those Convertible Securities) made by the Corporation pursuant to a prospectus or private placement provided that the Person does not acquire a greater percentage of the securities offered in the distribution than the percentage of Voting Shares Beneficially Owned by that Person immediately prior to the distribution, (iii) pursuant to an amalgamation, merger or other similar procedure requiring shareholder approval, (iv) pursuant to a distribution of Voting Shares or Convertible Securities (and the exercise of such Convertible Securities) pursuant to any equity incentive stock plan of the Corporation where the eligible participants include directors, employees (including officers) and consultants of the Corporation; provided that (A) all necessary stock exchange approvals have been obtained, (B) such plan complies with the terms and conditions of such approvals, and (C) such person does not become the Beneficial Owner of more than 25% of the Voting Shares outstanding immediately prior to the distribution, (v) pursuant to such other written agreements in respect of a Voting Share acquisition from treasury entered into by the Corporation after the date hereof, provided that the Person does not acquire a greater percentage of the securities offered in that distribution than the percentage of Voting Shares owned by that Person immediately prior to such distribution, or (vi) pursuant to the exercise of Rights;
 - (t) “**Exercise Price**” means as of any date from and after the Separation Time, the price at which a holder may purchase the securities issuable upon exercise of one whole Right which, subject to adjustment in accordance with the terms hereof,
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shall be an amount equal to three times the Market Price per Voting Share determined as at the Separation Time;

- (u) “**Expansion Factor**” has the meaning given to that term in Section 2.3(c);
 - (v) “**Expiration Time**” means the close of business the date of termination of this Agreement pursuant to Section 5.19 or, if this Agreement is reconfirmed pursuant to Section 5.19, the close of business on the tenth anniversary of the date hereof.
 - (w) “**Flip-In Event**” means a transaction in or pursuant to which any Person becomes an Acquiring Person;
 - (x) “**holder**” has the meaning given to that term in Section 2.8;
 - (y) “**including**” means including without limitation;
 - (z) “**Independent Shareholders**” means holders of any Common Shares, other than (i) any Acquiring Person, (ii) any Offeror (other than any Person who pursuant to Subclause 1.1(e)(iii)(B) is not deemed to Beneficially Own the Common Shares held by that Person), (iii) any Person acting jointly or in concert with an Acquiring Person or an Offeror, (iv) any Associate or Affiliate of an Acquiring Person or an Offeror, and (v) any employee benefit plan, stock purchase plan, deferred profit sharing plan and any similar plan or trust for the benefit of employees of the Corporation or its Subsidiaries unless the beneficiaries of the plan or trust direct the manner in which the Common Shares are to be voted or withheld from voting or direct whether the Common Shares are to be tendered to a Take-over Bid;
 - (aa) “**Market Price**” of any securities on any date of determination means the average daily closing prices per security of those securities (determined as described below) on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding that date; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 will have caused the closing prices used to determine the Market Price on any Trading Day not to be fully comparable with the closing price on that date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each such closing price so used will be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in order to make it fully comparable with the closing price on the date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price of any securities on any date will be:
 - (i) the closing board lot sale price or, if that price is not available, the average of the closing bid and asked prices, for that security as reported by the principal U.S. stock exchange on which those securities are listed or admitted to trading; or
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- (ii) if for any reason none of those prices is available on that day or the securities are not listed or admitted to trading on a U.S. stock exchange, the last sale price or, if that price is not available, the average of the closing bid and asked prices, for that security as reported by any other securities exchange on which those securities are listed or admitted to trading, or
- (iii) if for any reason none of those prices is available on that day or the securities are not listed or admitted to trading on a U.S. stock exchange or other securities exchange, the last sale price, or if no sale takes place on such day, the average of the high bid and low asked prices for each such security in the over-the-counter market, as quoted by any reporting system then in use, or
- (iv) if for any reason none of those prices is available on that day or the securities are not listed or admitted to trading on a U.S. stock exchange or other securities exchange and the securities are not quoted by any reporting system, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities;

provided, however, that if on any such date none of those prices is available, the closing price of those securities on that date means the fair value per security of those securities on that date as determined in good faith by a nationally or internationally recognized investment dealer or investment banker. The Market Price will be expressed in U.S. dollars;

- (bb) “**NI 62-104**” means *National Instrument 62-104 – Take-Over Bids and Issuer Bids*, as same may from time to time be amended, re-enacted or replaced;
 - (cc) “**Nominee**” has the meaning given to that term in Section 2.2(d);
 - (dd) “**Offer to Acquire**” includes:
 - (i) an offer to purchase, a public announcement of an intention to make an offer to purchase, or a solicitation of an offer to sell, Voting Shares or Convertible Securities, and
 - (ii) an acceptance of an offer to sell Voting Shares or Convertible Securities, whether or not that offer to sell has been solicited,or any combination, and the Person accepting an offer to sell will be deemed to be making an Offer to Acquire to the Person that made the offer to sell;
 - (ee) “**Offeror**” means a Person who has announced a current intention to make or who is making a Take-over Bid, other than a person who has completed a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition;
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- (ff) “**Offeror’s Securities**” means Voting Shares Beneficially Owned by an Offeror on the date of the Offer to Acquire;
- (gg) “**Permitted Bid**” means a Take-over Bid which is made by an Offeror by means of a take-over bid circular and which also complies with the following additional provisions:
- (i) the Take-over Bid is made to all holders of Voting Shares, other than the Offeror, as registered on the books of the Corporation; and
 - (ii) the Take-over Bid shall contain, and the take-up and payment for securities tendered or deposited under the Take-over Bid shall be subject to, irrevocable and unqualified conditions that:
 - (A) no Voting Shares shall be taken up or paid for pursuant to the Take-over Bid (x) prior to the close of business on a date which is not earlier than 105 days following the date the take-over bid circular is sent to shareholders of the Corporation and (y) then only if, at the close of business on the date Voting Shares are first taken up or paid for under the Take-over Bid, more than 50% of the then outstanding Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the Take-over Bid and not withdrawn;
 - (B) Voting Shares may be deposited pursuant to the Take-over Bid, unless the Take-over Bid is withdrawn, at any time prior to the close of business on the date Voting Shares are first taken up or paid for under the Take-over Bid;
 - (C) any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for; and
 - (D) in the event that the requirement set out in Subclause 1.1(gg)(ii)(A)(y) of this definition is satisfied, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tender of Voting Shares for not less than 10 days from the date of that public announcement;
- provided always that a Permitted Bid will cease to be a Permitted Bid at any time when the bid ceases to meet any of the provisions of this definition and provided that, at that time, any acquisition of Voting Shares made pursuant to the Permitted Bid, including any acquisition of Voting Shares previously made, will cease to be a Permitted Bid Acquisition;
- (hh) “**Permitted Bid Acquisition**” means an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
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- (ii) “**Permitted Lock-Up Agreement**” means an agreement between a Person and one or more holders of Voting Shares or Convertible Securities (each a “**Locked-up Person**”) the terms of which are publicly disclosed and a copy of which is made available to the public (including the Corporation) not later than (i) the date the Lock-up Bid (as defined below) is publicly announced or (ii) if the Lock-up Bid has been made prior to the date on which such agreement is entered into, forthwith and in any event not later than the date following the date of such agreement, pursuant to which each Locked-up Person agrees to deposit or tender Voting Shares or Convertible Securities to a Take-over Bid (the “**Lock-up Bid**”) to be made or made by such Person or any of such Person’s Affiliates or Associates or any other Person referred to in Clause (iii) of the definition of Beneficial Owner and which agreement provides:
- (i) that any agreement to deposit or tender to, or to not withdraw Voting Shares, Convertible Securities and/or other securities agreed to be deposited or tendered from, the Lock-up Bid is terminable at the option of the Locked-up Person in order to permit the Locked-up Person to tender or deposit such Voting Shares, Convertible Securities and/or other securities agreed to be deposited or tendered to another Take-over Bid or support another transaction where the price or value per Voting Share, Convertible Security (and/or other security) offered under such other Take-over Bid or transaction is higher than the price or value per Voting Share, Convertible Security (and/or other security) offered or proposed to be offered under the Lock-up Bid and, for greater certainty, the agreement may contain a right of first refusal or require a period of delay to give such Person an opportunity to at least match a higher price or value in another Take-over Bid or transaction or other similar limitation on a Locked-up Person’s right to withdraw Voting Shares, Convertible Securities (and/or other securities) from the agreement, so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares, Convertible Securities (and/or other securities) during the period of the other Takeover Bid or transaction; and
 - (ii) no “break-up” fees, “top-up” fees, penalties, expenses or other amounts that exceed in the aggregate the greater of:
 - (A) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to a Locked-up Person; and
 - (B) 50% of the amount by which the price or value payable under another Take-over Bid or transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid;
- shall be payable by a Locked-up Person pursuant to the agreement in the event a Locked-up Person fails to deposit or tender Common Shares (and/
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or other securities) to the Lock-up Bid or withdraw Common Shares (and/or other securities) previously tendered thereto in order to tender to another Take-over Bid or support another transaction;

- (jj) “**Person**” means an individual, body corporate, trust, partnership, limited liability company, unlimited liability company, syndicate or other form of unincorporated association, government and its agencies or instrumentalities, entity or group whether or not having legal personality and any of the foregoing acting in any derivative, representative or fiduciary capacity;
 - (kk) “**Pro Rata Acquisition**” means an acquisition by a Person of Voting Shares or Convertible Securities:
 - (i) as a result of a stock dividend, a stock split or other event pursuant to which the Person receives or acquires Voting Shares or Convertible Securities on the same pro rata basis as all other holders of Voting Shares, or
 - (ii) pursuant to the receipt and/or exercise of rights (other than the Rights) issued by the Corporation to all of the holders of Common Shares on a pro rata basis to subscribe for or purchase Common Shares or Convertible Securities, provided that the Person does not acquire a greater percentage of the securities issuable on exercise of those rights than the percentage of Common Shares Beneficially Owned by that Person immediately prior to the commencement of the offering of rights and that those rights are acquired directly from the Corporation and not from any other Person;
 - (ll) “**Record Date**” means May 1, 2018;
 - (mm) “**Record Time**” means the close of business on the Record Date;
 - (nn) “**Redemption Price**” has the meaning given to that term in Section 5.1(a);
 - (oo) “**Resident Agent**” has the meaning given to that term in Section 5.11.
 - (pp) “**Right**” means a right to purchase one Common Share, subject to adjustment as set out in this Agreement, upon the terms and subject to the conditions set out in this Agreement;
 - (qq) “**Rights Certificate**” has the meaning given to that term in Section 2.2(d)(i);
 - (rr) “**Rights Plan**” has the meaning given in the first recital hereto;
 - (ss) “**Rights Register**” has the meaning given to that term in Section 2.6(a);
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- (tt) “**Rights Registrar**” has the meaning given to that term in Section 2.6(a);
- (uu) “**Rule 62-504**” means *Ontario Securities Commission Policy 62-504 – Take-Over Bids and Issuer Bids*, as same may from time to time be amended, re-enacted or replaced;
- (vv) “**Securities Act**” means the *Securities Act* (Ontario), as amended, and the rules and regulations under that Act as now in effect and as same may from time to time be amended, re-enacted or replaced;
- (ww) “**Separation Time**” means the close of business on the tenth Trading Day after the earlier of:
- (i) the Voting Share Acquisition Date;
 - (ii) the date of the commencement of, or first public announcement of the intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence, a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid), provided that, if any Take-over Bid referred to in this Clause (ii) of this definition expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, the Take-over Bid will be deemed, for the purposes of this definition, never to have been made; and
 - (iii) two days following the date upon which a Permitted Bid or Competing Permitted Bid ceases to be a Permitted Bid or Competing Permitted Bid, as the case may be,
- or any later Business Day as may be determined at any time or from time to time by the Board of Directors;
- (xx) “**Subsidiary**” means a Person which in relation to another Person:
- (i) is controlled by (A) that other, or (B) that other and one or more Persons, each of which is controlled by that other, or (C) two or more Persons, each of which is controlled by that other, or
 - (ii) is a Subsidiary of a Person that is that other’s Subsidiary;
- (yy) “**Take-over Bid**” means an Offer to Acquire Voting Shares or Convertible Securities, where the Voting Shares subject to the Offer to Acquire, together with the Voting Shares underlying the Convertible Securities subject to the Offer to Acquire, together with the Offeror’s Securities, constitute in the aggregate 20% or more of the outstanding Voting Shares at the date of the Offer to Acquire;
- (zz) “**Trading Day**”, when used with respect to any securities, means a day on which the principal U.S. securities exchange on which those securities are listed or
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admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any U.S. securities exchange, a Business Day;

- (aaa) **“Voting Share Acquisition Date”** means the date of a public announcement (which, for purposes of this definition, will include the filing of a report pursuant to the Securities Act, Rule 62-504, NI 62-104 or any other applicable securities laws) by the Corporation or an Acquiring Person of facts indicating that a Person has become an Acquiring Person;
- (bbb) **“Voting Share Reduction”** means an acquisition or redemption by the Corporation of Voting Shares which, by reducing the number of Voting Shares outstanding, increases the proportionate number of Voting Shares Beneficially Owned by any person to 20% or more of the Voting Shares then outstanding; and
- (ccc) **“Voting Shares”** means, collectively, the Common Shares and any other shares entitled to vote generally for the election of directors of the Corporation.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of the United States of America, unless otherwise specified.

1.3 Number and Gender

Wherever the context so requires, terms used herein importing the singular number only shall include the plural and vice versa and words importing any one gender shall include all others.

1.4 Headings

The division of this Agreement into articles, sections, clauses and subclauses and the insertion of headings, subheadings and a table of contents are for convenience of reference only and will not affect the construction or interpretation of this Agreement. All references to Articles, Sections, Subsections, Clauses, Subclauses and Exhibits are to the articles, sections, subsections, clauses, subclauses and exhibits forming part of this Agreement. The words “hereto”, “herein”, “hereof”, “hereunder”, “this Agreement” and similar expressions refer to this Agreement including the Exhibits, as the same may be amended, modified or supplemented from time to time.

1.5 Calculation of Beneficial Ownership of Outstanding Common Shares

For purposes of this Agreement, the percentage of Common Shares Beneficially Owned by any Person, will be and be deemed to be the product (expressed as a percentage) determined by the formula:

$$100 \times A/B$$

where:

A = the number of votes for the election of all directors generally attaching to the Common Shares Beneficially Owned by that Person; and

B = the number of votes for the election of all directors generally attaching to all outstanding Common Shares.

Where any Person is deemed to Beneficially Own unissued Common Shares, those Common Shares will be deemed for purposes of both “A” and “B” to be outstanding for the purpose of calculating the percentage of Common Shares Beneficially Owned by that Person.

1.6 Acting Jointly and in Concert

For the purposes of this Agreement, a Person is acting jointly or in concert with every Person who is a party to an agreement, commitment or understanding, whether formal or informal, with the first Person to acquire or offer to acquire Common Shares or Convertible Securities (other than customary agreements with and between underwriters and banking group or selling group members with respect to a distribution of securities or pursuant to a pledge of securities in the ordinary course of the pledgee’s business).

1.7 Convertible Securities

For purposes of this Agreement, each Common Share that is issued in conjunction with a Convertible Security that, when converted, is intended to be economically equivalent to a Common Share and that is not transferable except in conjunction with a Convertible Security will be treated as a single Common Share with that Convertible Security and only one Right will be issued in respect of that Common Share and Convertible Security and that Common Share and Convertible Security will only be counted once in any determination involving a number of Common Shares.

ARTICLE 2 THE RIGHTS

2.1 Issuance and Evidence of Rights

- (a) One Right in respect of each Common Share outstanding at the Record Time and each Common Share which may be issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time will be issued in accordance with the terms of this Agreement. Notwithstanding the foregoing, one Right in respect of each Common Share issued after the Record Time upon the exercise of rights pursuant to Convertible Securities outstanding at the Voting Share Acquisition Date may be issued after the Separation Time but prior to the Expiration Time.
 - (b) Certificates representing Common Shares issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time will evidence one
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Right for each Common Share represented by that certificate and will have impressed on, printed on, written on or otherwise affixed to them the following legend:

Until the Separation Time (defined in the Rights Agreement referred to below), this certificate also evidences rights of the holder described in a Shareholder Rights Plan Agreement dated as of May 1, 2018, as may be amended or supplemented from time to time (the “**Rights Agreement**”), as that agreement may be amended or modified, between Primo Water Corporation (the “**Corporation**”) and Computershare Investor Services Inc. as Rights Agent, the terms of which are incorporated in this certificate by reference and a copy of which is on file at the principal executive offices of the Corporation. In certain circumstances set out in the Rights Agreement, the rights may be redeemed, may expire, may become void or may become exercisable and will thereafter be evidenced by separate certificates and no longer evidenced by this certificate. The Corporation will mail or arrange for the mailing of a copy of the Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request for that agreement.

- (c) Certificates representing Common Shares that are issued and outstanding at the Record Time will evidence one Right for each Common Share evidenced by those certificates, notwithstanding the absence of the foregoing legend until the earlier of the Separation Time and Expiration Time.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

- (a) Subject to adjustment as set out in this Agreement, each Right will entitle the holder, after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price.
 - (b) Until the Separation Time,
 - (i) the Rights will not be exercisable and no Right may be exercised; and
 - (ii) each Right will be evidenced by the certificate for the associated Common Share registered in the name of the holder and will be transferable only together with, and will be transferred by a transfer of, that associated Common Share.
 - (c) From and after the Separation Time and prior to the Expiration Time,
 - (i) the Rights will be exercisable, and
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- (ii) the registration and transfer of the Rights will be separate from and independent of Common Shares.
 - (d) Promptly following the Separation Time, the Corporation will prepare and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time or who subsequently becomes a holder of record of Common Shares upon the exercise of rights attaching to Convertible Securities outstanding at the Voting Share Acquisition Date (other than an Acquiring Person and any holder of record of Rights which are Beneficially Owned by that Acquiring Person (a “**Nominee**”)), at the holder’s address as shown by the records of the Corporation (the Corporation agreeing to furnish copies of those records to the Rights Agent for this purpose),
 - (i) a certificate representing the Rights in substantially the form of Exhibit A or such other form as the Corporation and the Rights Agent may agree appropriately completed (a “**Rights Certificate**”), representing the number of Rights held by the holder at the Separation Time and having marks of identification or designation and legends, summaries or endorsements printed on the certificate as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule, regulation or judicial or administrative order or with any rule or regulation made pursuant thereto or with any rule or regulation of any self-regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and
 - (ii) a disclosure statement describing the Rights.
- For greater certainty, a Nominee will be sent the materials provided for in (i) and (ii) in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person.
- (e) In order for the Corporation to determine whether any Person is holding Common Shares which are Beneficially Owned by another Person, the Corporation may require the first mentioned Person to furnish all information and documentation as the Corporation deems necessary.
 - (f) Rights may be exercised in whole or in part on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent:
 - (i) the Rights Certificate evidencing those Rights;
 - (ii) an election to exercise those Rights (an “**Election to Exercise**”) substantially in the form attached to the Rights Certificate duly completed and executed by the holder or his executors or administrators or other personal representatives or his or their legal attorney duly appointed by an
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instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and

- (iii) payment by certified cheque, banker's draft or money order payable to the order of the Rights Agent, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised.
- (g) Upon receipt of a Rights Certificate, which is accompanied by (i) a completed Election to Exercise executed in accordance with Section 2.2(f)(ii) that does not indicate that the Right is null and void as provided by Section 3.1(b) and (ii) payment as set out in Section 2.2(f)(iii), the Rights Agent (unless otherwise instructed by the Corporation in the event that the Corporation is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will then promptly:
- (i) requisition from the transfer agent for the Common Shares certificates representing the number of Common Shares to be purchased (the Corporation hereby irrevocably authorizes its transfer agent to comply with all of those requisitions);
 - (ii) when appropriate, requisition from the Corporation the amount of cash to be paid in lieu of issuing fractional Common Shares;
 - (iii) after receipt of those Common Share certificates, deliver them to or upon the order of the registered holder of the Rights Certificate, registered in any name or names as may be designated by the holder;
 - (iv) when appropriate, after receipt, deliver the payment referred to in Section 2.2(g)(ii) to or to the order of the registered holder of the Rights Certificate; and
 - (v) tender to the Corporation all payments received on exercise of the Rights.
- (h) In case the holder of any Rights exercises less than all the Rights evidenced by that holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Section 5.7(a)) will be issued by the Rights Agent to the holder or to the holder's duly authorized assigns.
- (i) The Corporation covenants and agrees that it will:
- (i) take all action as may be necessary and within its power to ensure that all securities delivered upon the exercise of Rights will, at the time of delivery of the certificates for those securities (subject to payment of the
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Exercise Price), be duly and validly authorized and issued as fully paid and non-assessable;

- (ii) take all action as may be necessary and within its power to ensure compliance with the provisions of Section 3.1 including all action necessary to comply with the requirements of the Corporations Act, the Securities Act and any other applicable law, rule or regulation, applicable to the issuance and delivery of the Rights Certificates and the issuance of any securities upon exercise of Rights;
- (iii) use reasonable efforts to cause all securities issued upon the exercise of Rights to be listed upon issuance on the stock exchanges on which the Common Shares were traded immediately prior to the Voting Share Acquisition Date;
- (iv) pay when due and payable, if applicable, any and all Canadian and, if applicable, United States, federal, provincial, municipal and state transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Corporation to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates or certificates for Common Shares to be issued upon exercise of any Rights, provided that the Corporation will not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for securities in a name other than that of the holder of the Rights being transferred or exercised;
- (v) cause to be reserved and kept available out of its authorized Common Shares the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights; and
- (vi) after the Separation Time, except as permitted by Section 5.1, not take (or permit any Subsidiary to take) any action if at the time the action is taken it is reasonably foreseeable that the action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

2.3 Adjustments to Exercise Price; Number of Rights

- (a) The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3.
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- (b) In the event the Corporation will at any time after the Record Date and prior to the Expiration Time,
- (i) make or declare a stock dividend on its Common Shares payable in Common Shares (or other securities exercisable or exchangeable for or convertible into or giving a right to acquire Common Shares or other securities of the Corporation) other than pursuant to any Dividend Reinvestment Plan;
 - (ii) subdivide or change the outstanding Common Shares into a greater number of Common Shares;
 - (iii) consolidate or change the outstanding Common Shares into a smaller number of Common Shares; or
 - (iv) issue any Common Shares (or other securities exercisable or exchangeable for or convertible into or giving a right to acquire Common Shares or other securities of the Corporation) in respect of, in lieu of or in exchange for existing Common Shares except as otherwise provided in this Section 2.3,

the Exercise Price and the number of Rights outstanding, or, if the payment or effective date will occur after the Separation Time, the securities purchasable upon exercise of Rights, will be adjusted as of the payment or effective date in respect of that event in the manner set out below.

- (c) If the Exercise Price and number of Rights outstanding are to be adjusted:
- (i) the Exercise Price in effect after the adjustment will be equal to the Exercise Price in effect immediately prior to the adjustment divided by the number of Common Shares (the “**Expansion Factor**”) that a holder of one Common Share immediately prior to that stock dividend, subdivision, change, combination or issuance would hold after as a result of that stock dividend, subdivision, change, combination or issuance; and
 - (ii) each Right held prior to the adjustment will become that number of Rights equal to the Expansion Factor, and the adjusted number of Rights will be deemed to be distributed among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the Common Shares issued in respect of the stock dividend, subdivision, change, combination or issuance, so that each such Common Share will have exactly one Right associated with it in effect following the payment or effective date of the event referred to in Sections 2.3(b)(i), 2.3(b)(ii), 2.3(b)(iii) or 2.3(b)(iv), as the case may be.

If the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after the adjustment will be the

securities that a holder of the securities purchasable upon exercise of one Right immediately prior to the stock dividend, subdivision, change, combination or issuance would hold after as a result of that stock dividend, subdivision, change, combination or issuance. If after the Record Time and prior to the Expiration Time, the Corporation issues any securities of the Corporation other than Common Shares in a transaction of a type described in Sections 2.3(b)(i) or 2.3(b)(iv), those securities will be treated in this Agreement as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Corporation and the Rights Agent agree to amend this Agreement in order to give effect to that treatment.

- (d) In the event the Corporation at any time after the Record Time and prior to the Separation Time fixes a record date for the issuance of rights, options or warrants to all or substantially all holders of Common Shares entitling them (for a period expiring within 45 calendar days after that record date) to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for or carrying a right to purchase Common Shares) at a price per Common Share (or, if a security convertible into or exchangeable for or carrying a right to purchase or subscribe for Common Shares having a conversion, exchange or exercise price, including the price required to be paid to purchase the convertible or exchangeable security or right per Common Share) less than 90% of the Market Price per Common Share on the record date, the Exercise Price to be in effect after the record date will be determined by multiplying the Exercise Price in effect immediately prior to the record date by a fraction, the numerator of which will be the number of Common Shares outstanding on the record date, plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered, including the price required to be paid to purchase such convertible or exchangeable securities or rights) would purchase at the Market Price per Common Share, and the denominator of which will be the number of Common Shares outstanding on the record date, plus the number of additional Common Shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities or rights so to be offered are initially convertible, exchangeable or exercisable).
 - (e) In case a subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of that consideration will be as determined in good faith by the Board of Directors, whose determination will be described in a statement filed with the Rights Agent and will be binding on the Rights Agent and the holders of the Rights. The adjustment will be made successively whenever such a record date is fixed, and in the event that the rights or warrants are not so issued or if issued, are not exercised prior to their expiration, the Exercise Price will be readjusted to be the Exercise Price which would then be in effect if the record date had not been fixed, or to the Exercise Price which would be in effect based on the number of Common Shares (or
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securities convertible into or exchangeable or exercisable for Common Shares) actually issued upon the exercise of those rights, options or warrants, as the case may be.

- (f) For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to any Dividend Reinvestment Plan (so long as that right to purchase is in no case evidenced by the delivery of rights or warrants) will be deemed not to constitute an issue of rights, options or warrants by the Corporation; provided, however, that, in all cases, the right to purchase Common Shares is at a price per Common Share of not less than 90% of the current Market Price per Common Share (determined as provided in those plans) of the Common Shares.
 - (g) In the event the Corporation at any time after the Record Time and prior to the Separation Time fixes a record date for a distribution to all holders of Common Shares of evidences of indebtedness, assets (other than cash and other than a regular periodic cash dividend or a dividend paid in Common Shares on the liquidation of the Corporation), rights, options or warrants (excluding those referred to in Section 2.3(d)), the Exercise Price to be in effect after that record date will be determined by multiplying the Exercise Price in effect immediately prior to that record date by a fraction, the numerator of which will be the Market Price per Common Share on the record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination will be described in a statement filed with the Rights Agent and will be binding on the Rights Agent and the holders of Rights), on a per Common Share basis, of the portion of the assets, evidences of indebtedness, rights, options or warrants so to be distributed and the denominator of which will be the Market Price per Common Share. Those adjustments will be made successively whenever such a record date is fixed, and in the event that the distribution is not so made, the Exercise Price will be adjusted to be the Exercise Price which would have been in effect if the record date had not been fixed.
 - (h) Notwithstanding anything in this Agreement to the contrary, no adjustment in the Exercise Price will be required unless the adjustment would require an increase or decrease of at least one percent in the Exercise Price; provided, however, that any adjustments which by reason of this Section 2.3(h) are not required to be made will be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 2.3 will be made to the nearest cent or to the nearest ten-thousandth of a Common Share. Notwithstanding the first sentence of this Section 2.3(h), any adjustment required by this Section 2.3 will be made no later than the earlier of (i) three years from the date of the transaction which mandates the adjustment or (ii) the Expiration Time.
 - (i) In the event the Corporation at any time after the Record Time and prior to the Separation Time issues any securities of the Corporation (other than the Common Shares), or rights, options or warrants to subscribe for or purchase any securities
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of the Corporation, or securities convertible into or exchangeable for any securities of the Corporation, in a transaction referred to in Section 2.3(b)(i) or 2.3(b)(iv) above, if the Board of Directors acting in good faith determines that the adjustments contemplated by Sections 2.3(b), (d) and (g) above in connection with the transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Sections 2.3(b), (d) and (g) above, that adjustment, rather than the adjustments contemplated by Sections 2.3(b), (d) and (g) above, will be made. Subject to Section 5.6 and subject to the approval of each stock exchange on which the Common Shares are listed for trading at the relevant time, the Corporation will amend this Agreement as appropriate to provide for that adjustment.

- (j) Each Right originally issued by the Corporation subsequent to any adjustment made to the Exercise Price under this Agreement will evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time under this Agreement upon exercise of a Right immediately prior to that issue, all subject to further adjustment as provided in this Agreement.
 - (k) Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates issued before or after any such adjustment or change may continue to express the Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued under this Agreement.
 - (l) In any case in which this Section 2.3 requires that any adjustment in the Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of that event the issuance to the holder of any Right exercised after that record date the number of Common Shares and other securities of the Corporation, if any, issuable upon that exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon that exercise on the basis of the Exercise Price in effect prior to the adjustment; provided, however, that the Corporation delivers to that holder an appropriate instrument evidencing that holder's right to receive those additional Common Shares (fractional or otherwise) or securities upon the occurrence of the event requiring the adjustment.
 - (m) Notwithstanding anything in this Section 2.3 to the contrary, the Corporation will be entitled to make those reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment the Board of Directors determines to be advisable in order that any:
 - (i) consolidation or subdivision of the Common Shares,
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- (ii) issuance (wholly or in part for cash) of Common Shares or securities that by their terms are convertible into or exchangeable for Common Shares,
- (iii) Common Share dividends, or
- (iv) issuance of rights, options or warrants referred to in this Section 2.3,

subsequently made by the Corporation to holders of its Common Shares, will not be taxable to the shareholders.

- (n) Whenever an adjustment to the Exercise Price or a change in the securities purchasable upon exercise of the Rights is made at any time after the Separation Time pursuant to this Section 2.3, the Corporation shall promptly:
 - (i) file with the Rights Agent and with the transfer agent for the Common Shares a certificate specifying the particulars of such adjustment or change; and
 - (ii) cause notice of the particulars of such adjustment or change to be given to the holders of the Rights; provided that failure to file such certificate or cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of any such adjustment or change.

2.4 Date on Which Exercise is Effective

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights will for all purposes be deemed to have become the holder of record of the Common Shares or other securities, if applicable, represented by the certificate on, and the certificate will be dated, the date upon which the Rights Certificate evidencing those Rights was duly surrendered in accordance with Section 2.2(f) (together with a duly completed Election to Exercise) and payment of the Exercise Price for those Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder under this Agreement) was made; provided, however, that if the date of the surrender and payment is a date upon which the Common Share transfer books of the Corporation are closed, that Person will be deemed to have become the holder of record of those Common Shares on, and the certificate will be dated, the next succeeding Business Day on which the Common Share transfer books of the Corporation are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

- (a) The Rights Certificates will be executed on behalf of the Corporation by any of the Chief Executive Officer, Chief Financial Officer or Corporate Secretary. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation will bind the Corporation, notwithstanding that those individuals or any of them have
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ceased to be officers of the Corporation either before or after the countersignature and delivery of those Rights Certificates.

- (b) Promptly after the Corporation learns of the Separation Time, the Corporation will notify the Rights Agent of the Separation Time and will deliver (i) the disclosure statement referred to in Section 2.2(d)(ii) and (ii) Rights Certificates executed by the Corporation to the Rights Agent for countersignature, and the Rights Agent will countersign those Rights Certificates (manually or by facsimile signature in a manner satisfactory to the Corporation) and send the disclosure statement and those Rights Certificates to the holders of the Rights pursuant to Section 2.2(d). No Rights Certificate will be valid for any purpose until countersigned by the Rights Agent as set out above.
- (c) Each Rights Certificate will be dated the date of countersignature of the certificate.

2.6 Registration, Transfer and Exchange

- (a) After the Separation Time, the Corporation will cause to be kept a register (the “**Rights Register**”) in which, subject to all reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed registrar for the Rights (the “**Rights Registrar**”) for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as provided in this Agreement and the Rights Agent hereby accepts that appointment. In the event that the Rights Agent ceases to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.
 - (b) After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Section 2.6(d), the Corporation will execute, and the Rights Agent will countersign, register and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder’s instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates surrendered.
 - (c) All Rights issued upon any registration of transfer or exchange of Rights Certificates will be the valid obligations of the Corporation, and those Rights will be entitled to the same benefits under this Agreement as the Rights surrendered upon the registration of transfer or exchange.
 - (d) Every Rights Certificate surrendered for registration of transfer or exchange will be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the holder or that holder’s attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Corporation may require the payment of a sum sufficient to cover any tax or other
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governmental charge that may be imposed in relation to the transfer or exchange and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected to the transfer or exchange.

2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation will execute and the Rights Agent will countersign and deliver in exchange for that certificate a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate surrendered.
- (b) If there is delivered to the Corporation and the Rights Agent prior to the Expiration Time,
 - (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and
 - (ii) a surety bond as may be reasonably required by them to save each of them and any of their agents harmless,then, in the absence of notice to the Corporation or the Rights Agent that the Rights Certificate has been acquired by a bona fide purchaser, the Corporation will execute and, upon the Corporation's request, the Rights Agent will countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate destroyed, lost or stolen.
- (c) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to the issuance and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected with the issuance.
- (d) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate will evidence the contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Rights Certificate will be at any time enforceable by anyone, and will be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued under this Agreement.

2.8 Persons Deemed Owners

Prior to due presentation of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner of the certificate and of the Rights evidenced by the certificate

for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term “**holder**” of any Rights will mean the registered holder of those Rights (or, prior to the Separation Time, the associated Common Share).

2.9 Delivery and Cancellation of Certificates

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange will, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, will be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered under this Agreement which the Corporation may have acquired in any manner, and all Rights Certificates so delivered will be promptly cancelled by the Rights Agent. No Rights Certificate will be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent will, subject to applicable laws, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation on request.

2.10 Agreement of Rights Holders

Every holder of Rights, by accepting the Rights, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms of this Agreement, in respect of all Rights held;
 - (b) that prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Common Share certificate representing the Right;
 - (c) that after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided in this Agreement;
 - (d) that prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner of the certificate and of the Rights evidenced by the certificate (notwithstanding any notations of ownership or writing on the Rights Certificate or the associated Common Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent will be affected by any notice to the contrary;
 - (e) that such holder of Rights has waived its right to receive any fractional Common Shares or other securities upon exercise of a Right (except as provided in this
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Agreement and as may be permitted by the constating documents of the Corporation);

- (f) that, subject to the provisions of Section 5.6, without the approval of any holder of Rights or Common Shares and upon the sole authority of the Board of Directors, acting in good faith, this Agreement may be supplemented or amended from time to time as provided in this Agreement; and
- (g) that notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation.

2.11 Rights Certificate Holder not Deemed a Shareholder

No holder, as such, of any Rights or Rights Certificate will be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other security of the Corporation which may at any time be issuable on the exercise of the Rights represented by the certificate, nor will anything contained in this Agreement or in any Rights Certificate be construed or deemed or confer upon the holder of any Rights or Rights Certificate, as such, any of the rights, titles, benefits or privileges of a holder of Common Shares or any other securities of the Corporation or any right to vote at any meeting of shareholders of the Corporation whether for the election of directors or otherwise or upon any matter submitted to holders of Common Shares of the Corporation, or to give or withhold consent to any action of the Corporation, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other securities of the Corporation except as expressly provided in this Agreement, or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates have been duly exercised in accordance with the terms and provisions of this Agreement.

ARTICLE 3 ADJUSTMENTS TO THE RIGHTS

3.1 Flip-In Event

- (a) Subject to Section 3.1(b), Section 5.1 and Section 5.2, in the event that prior to the Expiration Time a Flip-In Event occurs, each Right will constitute, effective on the close of business on the tenth Trading Day after the Voting Share Acquisition Date (or such longer period as may be required to satisfy the requirements of the Securities Act and any comparable legislation of any other applicable jurisdiction), the right to purchase from the Corporation, upon payment of the Exercise Price and otherwise exercising such Right in accordance with the terms of this Agreement, that number of Common Shares having an aggregate Market
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Price on the date of such Flip-In Event equal to twice the relevant Exercise Price for an amount in cash equal to the relevant Exercise Price (such Right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3, if after the occurrence of such Flip-In Event, an event of a type analogous to any of the events described in Section 2.3 will have occurred).

- (b) Notwithstanding the foregoing or any other provisions of this Agreement, upon the occurrence of any Flip-In Event, any Rights that are Beneficially Owned on or after the earlier of the Separation Time and the Voting Share Acquisition Date by:
- (i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person); or
 - (ii) a transferee of Rights, directly or indirectly, from an Acquiring Person (or of any Affiliate or Associate of an Acquiring Person or of any Person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of an Acquiring Person) in a transfer made after the Record Date, whether or not for consideration, that the Board of Directors acting in good faith have determined is part of a plan, arrangement or scheme of an Acquiring Person (or an Affiliate or Associate of an Acquiring Person or of any Person acting jointly or in concert with an Acquiring Person or an Associate or Affiliate of an Acquiring Person) that has the purpose or effect of avoiding Section 3.1(b)(i),

will become void, and any holder of such Rights (including transferees) will thereafter have no right to exercise such Rights under any provision of this Agreement and further will thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise.

- (c) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in Section 3.1(b)(i) or 3.1(b)(ii) or transferred to any nominee of any such Person, and any Rights Certificate issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, will contain the following legend:

The Rights represented by this Rights Certificate were Beneficially Owned by a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Plan Agreement) or who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person. This Rights Certificate and the Rights represented by this Agreement are void or will become

void in the circumstances specified in Section 3.1(b) of the Shareholder Rights Plan Agreement.

provided that the Rights Agent will not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but will impose such legend only if instructed to do so by the Corporation in writing or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend.

ARTICLE 4 THE RIGHTS AGENT

4.1 General

- (a) The Corporation by this Agreement appoints the Rights Agent to act as agent for the Corporation in accordance with the terms and conditions of this Agreement, and the Rights Agent by this Agreement accepts such appointment. The Corporation may from time to time appoint such co-Rights Agents (“**Co-Rights Agents**”) as it may deem necessary or desirable, subject to the approval of the Rights Agent. In the event the Corporation appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents will be as the Corporation may determine with the approval of the Rights Agent and the Co- Rights Agent. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it under this Agreement and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties under this Agreement (including the fees and disbursements of any expert or advisor retained by the Rights Agent with the approval of the Corporation). The Corporation also agrees to indemnify the Rights Agent and its officers, employees, agents and directors for and to hold them harmless against any loss, liability, cost, claim, action, damage, suit or expense incurred without gross negligence, bad faith or wilful misconduct on the part of the Rights Agent for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement including the costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement or the resignation or removal of the Rights Agent.
 - (b) In no event will the Rights Agent be liable for special, indirect, consequential or punitive loss or damages of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the possibility of such damages. Any liability of the Rights Agent will be limited in the aggregate to an amount equal to the annual fee paid by the Corporation pursuant to this Agreement.
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- (c) The Rights Agent will be protected and will incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares or any Rights Certificate or certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (d) The Corporation will inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and will, upon written request of the Rights Agent, provide the Rights Agent with an incumbency certificate with respect to the then current directors of the Corporation and the officers of the Corporation.

4.2 Merger or Amalgamation or Change of Name of Rights Agent

- (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the stockholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.
 - (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates will have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Right Certificates will not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name and in all such cases such Right Certificates will have the full force provided in the Rights Certificates and in this Agreement.
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4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, all of which the Corporation and the holders of certificates for Common Shares and holders of Rights Certificates, by their acceptance of the certificates, will be bound:

- (a) the Rights Agent may retain, at the Corporation's expense, and consult with legal counsel (who may be legal counsel for the Corporation) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion and the Rights Agent, at the Corporation's expense, may also retain and consult with such other experts or advisors as the Rights Agent shall consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement and the Rights Agent will be entitled to act and rely in good faith on the advice of any such expert or advisor;
 - (b) whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action under this Agreement, that fact or matter (unless other evidence in respect of that fact or matter be in this Agreement specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be any of the Chief Executive Officer, the Chief Financial Officer or the Secretary of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate;
 - (c) except as otherwise set forth herein, nothing in this Agreement shall be construed to relieve the Rights Agent of liability for its own gross negligence, bad faith or wilful misconduct;
 - (d) the Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares or the Rights Certificates (except its countersignature of those certificates) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Corporation only;
 - (e) notwithstanding any other provision of this Agreement, and whether such losses or damages are foreseeable or unforeseeable, the Rights Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages;
 - (f) the Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery of this Agreement (except the due
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authorization, execution and delivery of this Agreement by the Rights Agent) or in respect of the validity or execution of any Common Share certificate or Rights Certificate (except its countersignature of the certificates); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 3.1(b)) or any adjustment required under the provisions of Section 2.3 or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment); nor will it by any act under this Agreement be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized and issued as fully paid and non-assessable;

- (g) the Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement;
 - (h) the Rights Agent is by this Agreement authorized and directed to accept instructions in writing with respect to the performance of its duties under this Agreement from any Person believed by the Rights Agent to be the Chief Executive Officer, the Chief Financial Officer or the Secretary of the Corporation and to apply to such Persons for advice or instructions in connection with its duties, and it will not be liable for any action taken, omitted or suffered by it in good faith in accordance with instructions of any such Person;
 - (i) the Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing in this Agreement will preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity; and
 - (j) the Rights Agent may execute and exercise any of the rights or powers by this Agreement vested in it or perform any duty under this Agreement either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, omission, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, omission, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment of those attorneys and agents.
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4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement upon 60 days' notice (or such lesser notice as is acceptable to the Corporation) in writing mailed to the Corporation and to each transfer agent of Common Shares by registered or certified mail, and to the holders of the Rights in accordance with Section 5.10, all of which will be at the Corporation's expense. The Corporation may remove the Rights Agent upon 60 days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Shares by registered or certified mail, and to the holders of the Rights in accordance with Section 5.10, all of which will be at the Corporation's expense. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 60 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of any Rights, the holder of any Rights or the resigning Rights Agent may apply to any court of competent jurisdiction for the appointment of a new Rights Agent, in the case of an application by the resigning Rights Agent, at the Corporation's expense. Any successor Rights Agent, whether appointed by the Corporation or by such a court, will be a corporation incorporated under the laws of Canada or a province of Canada authorized to carry on business in the Province of Ontario. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent will, upon payment in full of any outstanding amounts owing by the Corporation to the Rights Agent under this Agreement, deliver and transfer to the successor Rights Agent any property at the time held by it under this Agreement, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice of the appointment in writing with the predecessor Rights Agent and each transfer agent of the Common Shares, and mail a notice of that appointment in writing to the holders of the Rights. Failure to give any notice provided for in this Section 4.4, however, or any defect in that notice, will not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be. For greater certainty, any notice required to be sent pursuant to this Agreement to holders of the Rights by the Rights Agent after its resignation or removal shall be at the expense of the Corporation.

4.5 Compliance with Anti-Money Laundering Legislation

The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent reasonably determines that such an act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Rights Agent reasonably determine at any time that its acting under this Agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' prior written notice to the Corporation, provided: (i) that the Rights Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the

Rights Agent's satisfaction within such 10 day period, then such resignation shall not be effective.

4.6 Privacy Legislation

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individual's personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this Agreement. Despite any other provision of this Agreement, neither party will take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation will, prior to transferring or causing to be transferred personal information to the Rights Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or will have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Rights Agent will use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws.

ARTICLE 5 MISCELLANEOUS

5.1 Redemption of Rights

- (a) Subject to the prior consent of the holders of Voting Shares or Rights obtained as set forth in Section 5.6(e) or 5.6(f), as applicable, the Board of Directors, acting in good faith, may at any time prior to the occurrence of a Flip-in Event, as to which the application of Section 3.1 has not been waived pursuant to Section 5.2, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right, which redemption price shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if an event of the type analogous to any of the events described in Section 2.3 have occurred (such redemption price being in this Agreement referred to as the "**Redemption Price**").
 - (b) If a Person acquires, pursuant to a Permitted Bid or a Competing Permitted Bid or pursuant to an Exempt Acquisition occurring under Section 5.2(b) hereof, outstanding Voting Shares, the Board of Directors of the Corporation will, immediately upon such acquisition and without further formality, be deemed to have elected to redeem the Rights at the Redemption Price.
 - (c) Where a Take-over Bid that is not a Permitted Bid or Competing Permitted Bid expires, is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all of the outstanding Rights at the Redemption Price.
 - (d) If the Board of Directors elects to or is deemed to have elected to redeem the Rights (i) the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights
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will be to receive the Redemption Price, and (ii) subject to Section 5.1(f), no further Rights will thereafter be issued.

- (e) Within 10 Business Days of the Board of Directors electing or having been deemed to have elected to redeem the Rights, the Corporation will give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the Rights Register of the Rights Agent, or, prior to the Separation Time, on the register maintained by the Corporation's transfer agent or transfer agents. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.
- (f) Upon the Rights being redeemed pursuant to Section 5.1(c), all the provisions of this Agreement will continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement, the Separation Time will be deemed not to have occurred and the Rights shall remain attached to the outstanding Common Shares, subject to and in accordance with the provisions of this Agreement.

5.2 Waiver of Flip-In Events

- (a) Subject to the prior consent of the holders of Voting Shares or Rights obtained as set forth in Section 5.6(e) or 5.6(f), as applicable, the Board of Directors may, at any time prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a take-over bid circular sent to all holders of Voting Shares or otherwise than in the circumstances set out in Section 5.2(c), waive the application of Section 3.1 to such Flip-in Event by written notice delivered to the Rights Agent.
 - (b) The Board of Directors may, at any time prior to the occurrence of a Flip-in Event that would occur as a result of a Take-over Bid made by way of a take-over bid circular sent to all holders of Voting Shares, waive the application of Section 3.1 to such Flip-in Event by written notice delivered to the Rights Agent; provided, however, that if the Board of Directors waive the application of Section 3.1 to such a Flip-in Event, the Board of Directors will be deemed to have waived the application of Section 3.1 to any other Flip-in Event occurring by reason of any Take-over Bid which is made by means of a take-over bid circular to all holders of Voting Shares prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been, granted under this Section 5.2(b).
 - (c) The Board of Directors may waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined that a Person became an Acquiring Person by inadvertence and without any intention to
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become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board of Directors, such Voting Share Acquisition Date will be deemed not to have occurred. Any such waiver pursuant to this Section 5.2(c) must be on the condition that such Person, within 14 days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the “**Disposition Date**”), has reduced its Beneficial Ownership of Common Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the close of business on the Disposition Date, the Disposition Date will be deemed to be the date of occurrence of a further Voting Share Acquisition Date and Section 3.1 will apply thereto.

5.3 Fiduciary Duties of the Directors

Nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of the Voting Shares and/or Convertible Securities reject or accept any Take-over Bid or take any other action including the commencement, prosecution, defence or settlement of any litigation and the solicitation of additional or alternative Take-over Bids or other proposals to shareholders that the directors believe are necessary or appropriate in the exercise of their fiduciary duties.

5.4 Expiration

No Person will have any rights whatsoever pursuant to this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Sections 4.1(a) and 4.1(c).

5.5 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind or class of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.6 Supplements and Amendments

- (a) The Corporation may from time to time prior to or after the Separation Time supplement or amend this Agreement without the approval of any holders of Rights or Voting Shares in order to correct any clerical or typographical error or to maintain the validity and effectiveness of this Agreement as a result of any change in applicable laws, rules or regulatory requirements. Notwithstanding anything in this Section 5.6 to the contrary, no such supplement or amendment will be made to the provisions of Article 4 except with the written concurrence of the Rights Agent to such supplement or amendment.
 - (b) Subject to Section 5.6(a), the Corporation may, with the prior consent of the holders of Voting Shares, obtained as set out below, at any time prior to the
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Separation Time, supplement, amend, vary, rescind or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interest of the holders of Rights generally), in order to effect any amendments, variations or rescissions of any of the provisions of this Agreement which the Board of Directors, acting in good faith, considers necessary or desirable.

- (c) Subject to Section 5.6(a), the Corporation may, with the prior consent of the holders of Rights obtained as set out below, at any time after the Separation Time and before the Expiration Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interest of the holders of Rights generally).
- (d) Any amendments made by the Corporation to this Agreement pursuant to Section 5.6(a) which are required to maintain the validity and effectiveness of this Agreement as a result of any change in any applicable laws, rules or regulatory requirements will:
 - (i) if made before the Separation Time, be submitted to the holders of Voting Shares at the next meeting of holders of Voting Shares and the holders of Voting Shares may, voting as set out below, confirm or reject such amendment; and
 - (ii) if made after the Separation Time, be submitted to the holders of Rights (voting as set out below) for confirmation or rejection.

Any such amendment will, unless the Board of Directors otherwise stipulate, be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it will continue in effect in the form so confirmed. If such amendment is rejected by the holders of Voting Shares or the holders of Rights or is not submitted to the holders of Voting Shares or holders of Rights as required, as applicable, then such amendment will cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or if such a meeting of the holders of Rights is not called within 90 days, at the end of such 90- day period, and no subsequent resolution of the Board of Directors to amend this Agreement to substantially the same effect will be effective until confirmed by the holders of Voting Shares or holders of Rights, as the case may be.

- (e) Any approval of the holders of Voting Shares required under this Agreement will be deemed to have been given if the action requiring such approval is approved by (i) affirmative votes of the holders of Voting Shares present or represented in person or by proxy and entitled to vote at a meeting of those holders duly held in accordance with applicable laws and the by-laws of the Corporation and
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representing a majority of the votes cast in respect of that action or (ii) a written instrument signed by holders of over 50% of the outstanding Voting Shares that are held by Independent Shareholders.

- (f) Any approval of the holders of Rights required under this Agreement will be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect of that action. Solely for the purposes of this Agreement, each outstanding Right (other than Rights that are void pursuant to the provisions of this Agreement) will be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting of holders of Rights will be those, as nearly as may be, which are provided in the Corporation's by-laws, the Corporations Act and any other applicable law, rule or regulation with respect to meetings of shareholders of the Corporation.
- (g) The Corporation will give notice in writing to the Rights Agent of any supplement, amendment, deletion, variation or rescission to this Agreement pursuant to this Section 5.6 within five Business Days after the date of any such supplement, amendment, deletion, variation or rescission, provided that failure to give such notice, or any defect in that notice, will not affect the validity of any such supplement, amendment, deletion, variation or rescission.

5.7 Fractional Rights and Fractional Common Shares

- (a) The Corporation will not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights and no amount will be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable.
 - (b) The Corporation will not be required to issue fractions of Common Shares or other securities upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares or other securities. In lieu of issuing fractional Common Shares or other securities, the Corporation will, subject to the provisions of the constituting documents of the Corporation, pay to the registered holders of Rights Certificates, at the time such Rights are exercised as in this Agreement provided, an amount in cash equal to the fraction of the Market Price of one Common Share or other security that the fraction of a Common Share or other security that would otherwise be issuable upon the exercise of such Right is of one whole Common Share or other security at the date of such exercise.
 - (c) The Rights Agent shall have no obligation to make any payments in lieu of issuing fractions of Rights or Common Shares pursuant to Sections 5.7(a) or (b), respectively, unless and until the Corporation shall have provided to the Rights Agent the amount of cash to be paid in lieu of issuing such fractional Rights or Common Shares, as the case may be.
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5.8 Rights of Action

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective registered holders of the Rights. Any registered holder of any Rights, without the consent of the Rights Agent or of the registered holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce such holder's right to exercise such holder's Rights or Rights to which such holder is entitled, in the manner provided in such holder's Rights and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

5.9 Notice of Proposed Actions

In case the Corporation proposes after the Separation Time and prior to the Expiration Time:

- (a) to waive the application of Section 3.1 to a particular Flip-In Event; or
- (b) to effect the liquidation, dissolution or winding up of the Corporation or the sale of all or substantially all of the Corporation's assets,

then, in each such case, the Corporation will give to the Rights Agent and to each holder of a Right, in accordance with Section 5.10, a notice of such proposed action, which will specify the date on which such Flip-In Event, liquidation, dissolution, or winding up is to take place, and such notice will be so given at least 10 Business Days prior to the date of taking of such proposed action by the Corporation.

5.10 Notices

Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Corporation will be sufficiently given or made if delivered or sent by first class mail or by courier, postage prepaid, or sent by facsimile or by other similar means of recorded electronic communication, charges prepaid and confirmed in writing, addressed (until another address is filed in writing with the Rights Agent) as follows:

Primo Water Corporation
Corporate Center III
Suite 400, 4221 W. Boy Scout Blvd.
Tampa, FL 33607

Attention: General Counsel
Facsimile: 813-881-1926

Any notices or demands authorized or required by this Agreement to be given or made by the Corporation or by the holder of any Rights to or on the Rights Agent will be sufficiently given or made if delivered or sent by registered or certified mail, postage prepaid, or sent by facsimile or by other similar means of recorded electronic communication, charges prepaid and confirmed in writing, addressed (until another address is filed in writing with the Corporation) as follows:

Computershare Investor Services Inc.
1500 Robert-Bourassa Blvd
Suite 700
Montreal, Quebec H3A 3S8

Attention: General Manager, Client Services
Facsimile: (514) 982-7580

Notices or demands authorized or required by this Agreement to be given or made by the Corporation or the Rights Agent to or on the holder of any Rights will be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the Corporation for its Common Shares. Any notice which is mailed or sent in the manner in this Agreement provided will be deemed given, whether or not the holder receives the notice.

Any notice given or made in accordance with this Section 5.10 will be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing of the notice, if so mailed, and on the day of telegraphing, telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of the Corporation and the Rights Agent may from time to time change its address for notice to the other given in the manner aforesaid.

5.11 Declaration as to Holders

If, in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by the Corporation with the securities laws or comparable legislation of a jurisdiction outside of Canada or the United States, the Board of Directors, acting in good faith, will take such actions as they may deem appropriate to ensure that such compliance is not required, including establishing procedures for the issuance to an appropriate Canadian resident acting as a resident agent (a “**Resident Agent**”) of Rights or securities issuable on exercise of Rights, the holding of the Rights or securities in trust for the Person entitled thereto (but reserving such rights unto the Resident Agent or to the Resident Agent and the Corporation, as the Corporation may determine in its absolute discretion with respect thereto) and the sale of the Rights and/or other securities and remittance of the proceeds of such sale, if any, to the Persons entitled thereto. In no event will the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to

Persons who are citizens, residents or nationals of any jurisdiction other than Canada or the United States, in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

5.12 Costs of Enforcement

The Corporation agrees that if the Corporation fails to fulfil any of its obligations pursuant to this Agreement, then the Corporation will reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder to enforce his rights pursuant thereto in any action, suit or proceeding in which a court of competent jurisdiction in a final non-appealable judgment has rendered judgment in favour of the holder.

5.13 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent will bind and enure to the benefit of their respective successors and assigns under this Agreement.

5.14 Benefits of this Agreement

Nothing in this Agreement will be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; but this Agreement will be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

5.15 Governing Law

This Agreement and each Right issued under this Agreement will be deemed to be a contract made under the laws of the Province of Ontario and for all purposes will be governed by and construed in accordance with the laws of such province applicable to contracts to be made and performed entirely within such Province.

5.16 Language

Les parties aux présentes ont exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent et/ou qui en découleront soient rédigés en langue anglaise. The parties hereto have required that this Agreement and all documents and notices related thereto and/or resulting therefrom be drawn up in the English language.

5.17 Severability

If any section, clause, term or provision of this Agreement or the application of that section, clause or provision to any circumstance or any right under this Agreement will, in any jurisdiction and to any extent, be invalid or unenforceable such section, clause, term or provision or such right will be ineffective only as to such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining sections, clauses, terms and provisions of this Agreement or rights

under this Agreement in such jurisdiction or the application of such section, clause, term or provision or rights under this Agreement in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

5.18 Effective Date

This Agreement is effective and in full force and effect in accordance with its terms from and after May 1, 2018.

5.19 Reconfirmation

This Agreement must be reconfirmed by a resolution passed by a majority of greater than 50% of the votes cast by all holders of Common Shares who vote in respect of such reconfirmation at every third annual meeting following the meeting at which this Agreement is confirmed. If the Agreement is not so reconfirmed or is not presented for reconfirmation at such annual meeting, the Agreement and all outstanding Rights shall terminate and be void and of no further force and effect on and from the termination of such annual meeting; provided that termination shall not occur if a Flip-in Event has occurred (other than a Flip-in Event which has been waived pursuant to Section 5.1) prior to the date upon which this Agreement would otherwise terminate pursuant to this Section 5.19.

5.20 Determination and Actions by the Board of Directors

All actions, calculations, interpretations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors, acting in good faith for the purposes of this Agreement, (a) may be relied on by the Rights Agent, and (b) will not subject the directors of the Corporation to any liability to the holders of the Rights or to any other parties.

5.21 Time of the Essence

Time is of the essence in this Agreement.

5.22 Execution In Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts will for all purposes be deemed to be an original, and all such counterparts will together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

PRIMO WATER CORPORATION

Per: /s/ Marni Morgan Poe
Name: Marni Morgan Poe
Title: Chief Legal Officer and Secretary

COMPUTERSHARE INVESTOR SERVICES INC.

Per: /s/ Steve Gilbert
Name: Steve Gilbert
Title: Relationship Manager, Client Services

Per: /s/ Pina Pacifico
Name: Pina Pacifico
Title: Relationship Manager, Client Services

EXHIBIT A

COTT CORPORATION

SHAREHOLDER RIGHTS PLAN AGREEMENT

[Form of Rights Certificate]

Certificate No. _____ Rights

THE RIGHTS ARE SUBJECT TO TERMINATION ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SECTION 3.1(b) OF THE SHAREHOLDER RIGHTS PLAN AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN

ACQUIRING PERSON OR CERTAIN RELATED PARTIES OR TRANSFEREES OF AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES MAY BECOME VOID.

Rights Certificate

This certifies that _____, or registered assigns, is the registered holder of the number of Rights set out above, each of which entitles the registered holder, subject to the terms, provisions and conditions of the Shareholder Rights Plan Agreement dated as of May 1, 2018 as the same may be amended or supplemented from time to time (the “**Rights Agreement**”) between Primo Water Corporation (the “**Corporation**”), a corporation existing under the laws of Canada, and Computershare Investors Services Inc., a corporation existing under the laws of Canada (the “**Rights Agent**”) (which term will include any successor Rights Agent under the Rights Agreement), to purchase from the Corporation at any time after the Separation Time (as such term is defined in the Rights Agreement) and prior to the Expiration Time (as such term is defined in the Rights Agreement), one fully paid common share of the Corporation (a “**Common Share**”) at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise (in the form provided hereinafter) duly executed and submitted to the Rights Agent, together with payment of the Exercise Price by certified cheque, bank draft or money order payable to the Corporation, at the Rights Agent’s principal office in the City of Toronto. The Exercise Price shall be an amount expressed in U.S. dollars equal to three times the Market Price (as such term is defined in the Shareholder Rights Agreement) per Common Share at the Separation Time, subject to adjustment in certain events as provided in the Shareholder Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement which terms, provisions and conditions are by this Rights Certificate incorporated in this Rights Certificate by reference and made a part of this Rights Certificate and to which Rights Agreement reference is by this Rights Certificate made for a full description of the rights, limitations of rights, obligations, duties and immunities under that agreement of the Rights Agent, the Corporation and the holders of the Rights Certificates. Copies of the Rights Agreement are on file at the registered office of the Corporation.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights

Certificates surrendered. If this Rights Certificate will be exercised in part, the registered holder will be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Rights Certificate may be redeemed by the Corporation at a redemption price of \$0.00001 per Right, subject to adjustment in certain events, under certain circumstances at its option.

No fractional Common Share will be issued upon the exercise of any Rights evidenced by this Rights Certificate but in lieu of the fractional Common Share a cash payment may be made, as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, will be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities which may at any time be issuable upon the exercise of this Rights Certificate, nor will anything contained in the Rights Agreement or in this Rights Certificate be construed to confer upon the holder of this Rights Certificate, as such, any of the Rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting of shareholders, or to give or withhold consent to any action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement) or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate will have been exercised as provided in the Rights Agreement.

This Rights Certificate will not be valid or obligatory for any purpose until it has been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officer of the Corporation and its corporate seal.

Date:

PRIMO WATER CORPORATION

Per:

Name:

Title:

Countersigned:

COMPUTERSHARE INVESTOR SERVICES INC.

Per:

Name:

Title:

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificates.)

FOR VALUE RECEIVED the undersigned by this Agreement sells, assigns and transfers unto

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest in the Rights Certificate.

Dated: _____

Signature Guaranteed:

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be Signature Guaranteed by a major Canadian Schedule 1 Bank, or a member of a recognized Medallion Guarantee Program.

(To be completed if true)

The undersigned by this Agreement represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person or by any Person acting jointly or in concert with any of the foregoing (as defined in the Rights Agreement).

Dated:

Signature

[To be attached to each Rights Certificate]

FORM OF ELECTION TO EXERCISE

TO: PRIMO WATER CORPORATION

AND TO: COMPUTERSHARE INVESTOR SERVICES INC.

The undersigned by this Agreement irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares or other

securities, if applicable, issuable upon the exercise of such Rights and requests that certificates for such securities be issued in the name of:

(Name)

(Address)

(Social Insurance, Social Security or Other Taxpayer Identification Number)

If such number of Rights are not all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights will be registered in the name of and delivered to:

(Name)

(Address)

(Social Insurance, Social Security or Other Taxpayer Identification Number)

Dated: _____

Signature Guaranteed:

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be Signature Guaranteed by a major Canadian Schedule 1 Bank, or a member of a recognized Medallion Guarantee Program.

(To be completed if true)

The undersigned by this Agreement represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person or by any Person acting jointly or in concert with any of the foregoing (as defined in the Rights Agreement).

Dated:

Signature

NOTICE

In the event the certification set out above in the Forms of Assignment and Election to Exercise is not completed, the Corporation may deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate of an Acquiring Person or a Person acting jointly or in concert with any of the foregoing (as defined in the Rights Agreement). No Rights Certificates will be issued in exchange for a Rights Certificate owned or deemed to have been owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

7126034



Anne Melaragni
Via E-mail

May 4, 2021

Dear Anne:

I am very pleased to outline in this letter (the **"Offer Letter"**) the terms and conditions on which we are offering you the position of Chief Human Resources Officer (**"CHRO"**) of Primo Water Holdings Inc. (the **"Company"**), a subsidiary of Primo Water Corporation. This Offer Letter will not constitute an agreement until it has been fully executed by both parties. Please note that this Offer Letter does not contemplate a contract or promise of employment for any specific term; you will be an at-will employee at all times.

1. Position and Duties.

1.1. Position. Subject to the terms and conditions hereof, you will be employed by the Company as its CHRO, effective as of May 4, 2021 (the **"Employment Date"**) and continuing until terminated by you or the Company. Effective as of the Employment Date, your principal place of employment will be Tampa, Florida.

1.2. Responsibilities.

(a) As the Company's CHRO, you will report to the Company's Chief Executive Officer (**"CEO"**) and have such duties and responsibilities as may be assigned to you from time to time by the CEO.

(b) You agree to devote substantially all of your business time and attention to the business and affairs of the Company and to discharging the responsibilities assigned to you. This shall not preclude you from (i) serving on the boards of directors of a reasonable number of charitable organizations, (ii) engaging in charitable activities and community affairs, and (iii) managing your personal affairs, so long as these activities do not interfere with the performance of your duties and responsibilities as the Company's CHRO.

1.3. No Employment Restriction. You hereby represent and covenant that, except as disclosed to the Company, your employment by the Company does not violate any agreement or covenant to which you are subject or by which you are bound and that there is no such agreement or covenant that could restrict or impair your ability to perform your duties or discharge your responsibilities to the Company. You agree and understand that if you represent to the Company that none exist or apply, and the Company discovers at any subsequent time that a restrictive

covenant does or did in fact exist or apply (regardless of the eventual enforceability or lack of enforceability of the restrictive covenant), the Company may opt to terminate your employment for “Cause” (for purposes of the Severance and Non-Competition Plan, in addition to how Cause is defined in the Severance and Non-Competition Plan) without triggering any severance or further payment obligations to you under this Offer Letter, any document referenced hereunder, or any legal theory.

2. Remuneration.

2.1. Base Salary. Your annual base salary will initially be at the rate of US \$410,000.00 per year (“**Annual Base Salary**”), paid on a bi-weekly basis, prorated for any partial periods based on the actual number of days in the applicable period. Your performance will be evaluated at least annually, and any increase to the level of your Annual Base Salary will be determined as part of the regular annual review process.

2.2. Bonus. You will be eligible to participate in the Company’s annual bonus plan and may earn a bonus based upon the achievement of specified performance goals. The amount of your target bonus is 75% of your Annual Base Salary. The bonus year is the Company’s fiscal year and any payments made to you for the bonus year 2021 will be weighted 50% on Primo Water Corporation consolidated results and 50% on Primo Water North America results. Currently the maximum potential payout permitted under the bonus plan is two (2) times the applicable target bonus for achievement of performance goals significantly in excess of the target goals, as established by the Human Resources and Compensation Committee of the Company’s Board of Directors (the “**HRCC**”). Please note that the bonus plan is entirely discretionary, and the Company reserves in its absolute discretion the right to terminate or amend it or any other bonus plan that may be established. You must be actively employed on the actual pay date of the bonus to be eligible to receive it or any portion of it.

2.3. One-Time LTI Grant. You will be entitled to receive a one-time long-term incentive (“**LTI**”) award equivalent to US \$400,000 comprised of time-based restricted share units, granted to you on your Employment Date. The time-based restricted share units will vest in two equal annual installments from the grant date. The LTI award, including the vesting terms, will be governed by the terms of the Primo Water Corporation equity incentive plan under which the award is made (the “**Equity Plan**”) and your award agreement. You will be eligible for future LTI awards that will be based on your performance. Annual grants are issued following approval by the HRCC at its regularly scheduled meetings in December.

3. Benefits.

3.1. Benefit Programs. You will be eligible to participate in the Company’s benefit programs generally available to other senior executives of the Company. Our benefit programs include our 401(k) plan and health, disability and life insurance benefits. Employee contributions are required for our benefit programs.

3.2. ESPP. In addition, you will be eligible to participate in the Company’s Employee

Stock Purchase Plan (the “ESPP”), through which you can purchase Company common shares at a discount through payroll deductions.

3.3. Vacation. You will be entitled to four (4) weeks’ vacation per calendar year. You are encouraged to take vacation in the calendar year it is earned. All earned vacation must be taken in the year in which it is earned; otherwise it may be forfeited. If you should leave the Company, the value of any unearned vacation taken by you will be considered a debt to the Company and you expressly authorize the Company to deduct from your final paycheck to the maximum extent permitted by law the value of taken but unearned vacation. All vacation periods require the approval of the CEO.

3.4. Reimbursement. You will be reimbursed for expenses reasonably incurred in connection with the performance of your duties in accordance with the Company’s policies as established from time to time. It is your obligation to submit to the Company expense reimbursement requests and evidence of such expenses in order to receive reimbursements for such expenses.

3.5. Relocation. As a condition of your employment, you are required to relocate to the Tampa, Florida area on a permanent basis by no later than November 1, 2021 (“**Relocation Date**”). Failure to relocate by this deadline shall constitute “Cause” for your termination including for purposes of the Severance and Non-Competition Plan (in addition to how Cause is defined in the Severance and Non-Competition Plan). This deadline may only be extended by a writing signed by the Company’s CEO. To assist you in your relocation, the Company will pay you a relocation bonus in the amount of US \$200,000.00 and will be paid at least 3 months prior to the Relocation Date. You agree to promptly reimburse the Company 100% of the relocation bonus in the event you: (a) fail to relocate to the Tampa area on a permanent basis by the deadline provided (or extended deadline, as may be applicable); or (b) resign your employment for any reason or are terminated by the Company for Cause (as defined herein or in the Severance and Non-Competition Plan) prior to the first anniversary of the Relocation Date (or actual relocation date if extended, whichever is later). You further agree to repay the Company the relocation bonus in full by the following deadlines: (a) if repayment is owed due to your failure to timely relocate, full repayment shall be due on or before the 90th day after the deadline to relocate; or (b) if repayment is owed due to your resignation for any reason or termination for Cause prior to the anniversary of the Relocation Date (or actual relocation date if extended, whichever is later), full repayment shall be due on or before the 90th day after the date of your resignation or termination.

3.6. Allowances. You will receive an annual vehicle allowance in the amount of US \$13,500.00.

3.7. No Other Benefits. Other than benefits generally available to all full-time employees, you will not be entitled to any benefit or perquisite other than as specifically set out in this Offer Letter or separately agreed to in writing by the Company.

4. Termination; Payments and Entitlements Upon a Termination.

4.1. Termination. The Company may terminate your employment: (a) for Cause (as defined herein or in the Severance and Non-Competition Plan); or (b) for any reason or no reason, in all cases, upon reasonable notice to you. Your employment with the Company will terminate upon your death. You are able to resign your employment, as provided in the Severance and Non-Competition Plan.

4.2. Involuntary Termination. Upon the Employment Date, you shall be entitled to the benefits of and be bound by the obligations under the Amended and Restated Severance and Non-Competition Plan (the “**Severance and Non-Competition Plan**”) (a copy of which is attached hereto) as a “Level 2 Employee” in the event your employment terminates as result of an Involuntary Termination (as defined in the Severance and Non-Competition Plan).

4.3. Change in Control. If (1) your LTI awards are continued, assumed, or replaced by the surviving or successor entity, and, within two years after the Change of Control (as defined in the Equity Plan), you experience an involuntary termination of employment for reasons other than Cause (as defined in the Equity Plan), or you terminate your employment for Good Reason (as defined in the Equity Plan), or (2) such awards are not continued, assumed or replaced by the surviving or successor entity, then (i) your unvested options will immediately become vested and exercisable, (ii) all of your unvested time-based and performance-based restricted share units will immediately vest, and (iii) any performance objectives applicable to awards will be deemed to have been satisfied at your “target” level of performance.

4.4. Resignation. If you are an officer of the Company or a director or an officer of a company affiliated or related to the Company at the time of your termination, you will be deemed to have resigned all such positions, and you agree that upon termination you will execute such tenders of resignation as may be requested by the Company to evidence such resignations.

4.5. Return of Company Property. Upon resignation/termination of your employment for any reason, you agree to immediately return all Company property in your possession, custody, or control (e.g., Company-issued computer, telephone, badge, keys, equipment, vehicle, etc.). You expressly authorize the Company to deduct the value or replacement cost (whichever is less) of any unreturned Company property from your severance payment (if receiving one) or final paycheck to the maximum extent permitted by law.

5. Restrictive Covenants.
Severance and Non-Competition Plan. You shall be bound by the restrictive covenants contained in the Severance and Non-Competition Plan

6. Code Section 409A.

6.1. In General. This Section shall apply to you if you are subject to Section 409A of the United States Internal Revenue Code of 1986 (the “Code”), but only with respect to any payment due hereunder that is subject to Section 409A of the Code.

6.2. Release. Any requirement that you execute and not revoke a release to receive a payment hereunder shall apply to a payment described in Section 6.1 only if the

Company provides the release to you on or before the date of your Involuntary Termination.

6.3. Payment Following Involuntary Termination. Notwithstanding any other provision herein to the contrary, any payment described in the Severance and Non-Competition Plan that is due to be paid within a stated period following your Involuntary Termination shall be paid:

(a) If, at the time of your Involuntary Termination, you are a “specified employee” as defined in Section 409A of the Code and such payment is subject to (and not exempt from) Section 409A of the Code, such payment shall be made as of the later of (i) the date payment is due hereunder, or (ii) the earlier of the date which is six months after your “separation from service” (as defined under Section 409A of the Code), or the date of your death; or

(b) In any other case, on the later of (i) last day of the stated period, or if such stated period is not more than 90 days, at any time during such stated period as determined by the Company without any input from you, or (ii) the date of your “separation from service” (as defined under Section 409A of the Code).

6.4. Reimbursements. The following shall apply to any reimbursement that is a payment described in Section 6.1: (a) with respect to any such reimbursement under Section 7.8, reimbursement shall not be made unless the expense is incurred during the period beginning on your effective hire date and ending on the sixth anniversary of your death; (b) the amount of expenses eligible for reimbursement during your taxable year shall not affect the expenses eligible for reimbursement in any other year; and (c) the timing of all such reimbursements shall be as provided herein, but not later than the last day of your taxable year following the taxable year in which the expense was incurred.

6.5. Offset. If payments to you under this Agreement are subject to Section 409A of the Code, any offset under Section 7.11 shall apply to a payment described in Section 6.1 only if the debt or obligation was incurred in the ordinary course of your employment with the Company, the entire amount of the set-off in any taxable year of the Company does not exceed \$5,000, and the set-off is made at the same time and in the same amount as the debt or obligation otherwise would have been due and collected from you.

6.6. Interpretation. This Offer Letter shall be interpreted and construed so as to avoid the additional tax under Section 409A(a)(1)(B) of the Code to the maximum extent practicable.

7. General Provisions.

7.1. Entire Agreement. This Offer Letter, together with the plans and documents referred to herein, constitutes and expresses the whole agreement of the parties hereto with reference to any of the matters or things herein provided for or herein before discussed or mentioned with reference to your employment and supersedes any prior offer letters or severance arrangements offered by the Company or any of its affiliates (including that Offer Letter dated July 13, 2020). All promises, representation, collateral agreements and undertakings not expressly incorporated in this Offer Letter are hereby superseded by this Offer Letter.

7.2. **Amendment.** This Offer Letter may be amended or modified only by a writing signed by both of the parties hereto.

7.3. **Assignment.** This Offer Letter may be assigned by the Company to any successor to its business or operations. Your rights hereunder may not be transferred by you except by will or by the laws of descent and distribution and except insofar as applicable law may otherwise require. Any purported assignment in violation of the preceding sentence shall be void.

7.4. **Governing Law; Consent to Personal Jurisdiction and Venue.** This Offer Letter takes effect upon its acceptance and execution by the Company. The validity, interpretation, and performance of this Offer Letter shall be governed, interpreted, and construed in accordance with the laws of the State of Florida without giving effect to the principles of comity or conflicts of laws thereof. You hereby consent to personal jurisdiction and venue, for any action brought by the Company arising out of a breach or threatened breach of this Offer Letter or out of the relationship established by this Offer Letter, exclusively in the United States District Court for the Middle District of Florida, Tampa Division, or in the Circuit Court in and for Hillsborough County, Florida; and, if applicable, the federal and state courts in any jurisdiction where you are employed or reside; you hereby agree that any action brought by you, alone or in combination with others, against the Company, whether arising out of this Offer Letter or otherwise, shall be brought exclusively in the United States District Court for the Middle District of Florida, Tampa Division, or in the Circuit Court in and for Hillsborough County, Florida.

7.5. **Severability.** The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Offer Letter shall not affect the enforceability of the remaining portions of the Offer Letter or any part thereof, all of which are inserted conditionally on their being valid in law, and, in the event that any one or more of the words, phrases, sentences, clauses or sections contained in the Offer Letter shall be declared invalid, the Offer Letter shall be construed as if such invalid word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted.

7.6. **Section Headings and Gender.** The section headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this agreement. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, as the identity of the person or persons may require.

7.7. **No Term of Employment.** Nothing herein obligates the Company to continue to employ you. Where lawfully permitted in any jurisdiction in which you perform employment responsibilities on behalf of the Company, your employment shall be at will.

7.8. **Indemnification.** The Company will indemnify and hold you harmless to the maximum extent permitted by applicable law against judgments, fines, amounts paid in settlement and reasonable expenses, including reasonable attorneys' fees, in connection with the defense of, or as a result of any action or proceeding (or any appeal from any action or proceeding) in which you are made or are threatened to be made a party by reason of the fact that you are or were an officer of the Company or any Affiliate (as defined in the Severance and Non- Competition Plan). In

addition, the Company agrees that you shall be covered and insured up to the maximum limits provided by any insurance which the Company maintains to indemnify its directors and officers (as well as any insurance that it maintains to indemnify the Company for any obligations which it incurs as a result of its undertaking to indemnify its officers and directors).

7.9. Survivorship. Upon the termination your employment, the respective rights and obligations of the parties shall survive such termination to the extent necessary to carry out the intended preservation of such rights and obligations.

7.10. Taxes. All payments under this Offer Letter shall be subject to withholding of such amounts, if any, relating to tax or other payroll deductions as the Company may reasonably determine and should withhold pursuant to any applicable law or regulation.

7.11. Set-Off. Except as limited by Section 6.5, the Company may set off any amount or obligation that may be owing by you to the Company against any amount or obligation owing by the Company to you.

7.12. Records. All books, records, and accounts relating in any manner to the Company or to any suppliers, customers, or clients of the Company, whether prepared by you or otherwise coming into your possession, shall be the exclusive property of the Company and immediately returned to the Company upon termination of employment or upon request at any time.

7.13. Counterparts. This Offer Letter may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

7.14. Consultation with Counsel. You acknowledge that you have been advised, and have had a sufficient opportunity to, confer with your own counsel with respect to this Offer Letter, and that you understand the restrictions and limitations that it imposes upon your conduct.

Please indicate your acceptance of this offer by returning one signed original of this Offer Letter. Yours truly,

/s/ Thomas Harrington

Thomas Harrington

I accept this offer of employment and agree to be bound by the terms and conditions listed herein.

/s/ Anne Melaragni

5/4/2021

Anne Melaragni

Date

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. Harrington, certify that:

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

/s/ Thomas J. Harrington

Thomas J. Harrington
Chief Executive Officer
Dated: August 6, 2021

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jay Wells, certify that:

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

/s/ Jay Wells

Jay Wells

Chief Financial Officer

Dated: August 6, 2021

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

The undersigned, Thomas J. Harrington, Chief Executive Officer of Primo Water Corporation (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2021 (the "Report").

The undersigned hereby certifies that to the best of his knowledge:

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 6th day of August, 2021.

/s/ Thomas J. Harrington

Thomas J. Harrington
Chief Executive Officer

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

The undersigned, Jay Wells, Chief Financial Officer of Primo Water Corporation (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2021 (the "Report").

The undersigned hereby certifies that to the best of his knowledge:

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 6th day of August, 2021.

/s/ Jay Wells

Jay Wells

Chief Financial Officer