Primo Water Corp
Form S-1/A
June 04, 2010

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As filed with the Securities and Exchange Commission on June 4, 2010

Registration No. 333-165452

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

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

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

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

104 Cambridge Plaza Drive
Winston-Salem, North Carolina 27104
(336) 331-4000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Mark Castaneda
Chief Financial Officer
Primo Water Corporation
104 Cambridge Plaza Drive
Winston-Salem, North Carolina 27104
(336) 331-4000

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

Please send copies of all communications to:

D. Scott Coward
K&L Gates LLP
4350 Lassiter at North Hills Avenue
Suite 300
Raleigh, NC 27609
(919) 743-7328

Rachel W. Sheridan
Latham & Watkins LLP
555 Eleventh Street, NW
Suite 1000
Washington, DC 20004-1036
(202) 637-2200

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(2)(3)
Common Stock	$ 92,000,000	$ 6,560

(1) Includes shares to be sold upon exercise of the underwriters over-allotment option. See Underwriting.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933.

(3) Of this amount, $4,991 was previously paid in connection with the initial filing of this Registration Statement on Form S-1 on March 12, 2010.

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

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 4, 2010

IPO PRELIMINARY PROSPECTUS

Shares
Common Stock
$ per share

Primo Water Corporation is selling shares of common stock. We have granted the underwriters a 30-day option to purchase up to an additional shares from us to cover over-allotments, if any.

This is an initial public offering of our common stock. We currently expect the initial public offering price to be between $ and $ per share. We have applied for approval to list our common stock on the Nasdaq Global Market under the symbol .

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE RISK FACTORS BEGINNING ON PAGE 13.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Wells Fargo Securities **Thomas Weisel Partners LLC**

BB&T Capital Markets

Signal Hill

The date of this prospectus is , 2010.

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

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

Industry and Market Data

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

Dealer Prospectus Delivery Obligation

Until   , 2010 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights information about our Company and this offering contained elsewhere herein and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. You should read this entire prospectus carefully, including Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations , Culligan Refill Acquisition Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related notes included elsewhere herein, before making an investment decision. In this prospectus, unless otherwise specified or the context otherwise requires, the terms Primo, we, us, our, our Company, or ours refer to Primo Water Corporation an consolidated subsidiaries but do not refer to or include information about (a) our former subsidiary, Prima Bottled Water, Inc., which was spun off to our stockholders effective December 31, 2009, or (b) the business and assets we propose to acquire from Culligan Store Solutions, LLC and Culligan of Canada, Ltd. that are described below under Culligan Refill Acquisition .

Our Business

We are a rapidly growing provider of three- and five-gallon purified bottled water and water dispensers sold through major retailers nationwide. We believe the market for purified water is growing due to evolving taste preferences, perceived health benefits and concerns regarding the quality of municipal tap water. Our products provide an environmentally friendly, economical, convenient and healthy solution for consuming purified water. Our business is designed to generate recurring demand for Primo purified bottled water through the initial sale of our innovative water dispensers. This business strategy is commonly referred to as razor-razorblade because the initial sale of a product creates a base of users who frequently purchase complementary consumable products. Once our bottled water is consumed using a water dispenser, empty bottles are exchanged at our recycling center displays where consumers receive a recycling ticket that offers a discount toward the purchase of a full bottle of Primo purified water. We believe Primo consumers purchase an average of 35 bottles of water annually and each bottle can be sanitized and reused up to 40 times before being taken out of use, crushed and recycled, substantially reducing landfill waste compared to consumption of equivalent volumes of single-serve bottled water. As of December 31, 2009, our water bottle exchange service and water dispensers were offered in each of the contiguous United States and located in approximately 7,000 and 5,500 retail locations respectively, including Lowe s Home Improvement, Sam s Club, Costco, Walmart, Target, Kroger, Winn-Dixie, Albertsons and Walgreens.

We have created a new nationwide single-vendor water bottle exchange solution for our retail customers, addressing a market demand that we believe was previously unmet. Our water bottle exchange solution is easy for retailers to implement, requires minimal management supervision and store-based labor and provides centralized billing and detailed performance reports. Our solution offers retailers attractive financial margins and the ability to optimize typically unused retail space with our displays. Additionally, due to the recurring nature of water consumption and water bottle exchange, retailers benefit from year-round customer traffic and highly predictable revenue.

We deliver our solution to retailers utilizing our current relationships with 55 independent bottlers and 27 independent distributors and our two Company-owned distribution operations, which Company-owned operations accounted for approximately 23.5% of our water bottle exchange volume in 2009. We refer to these independent bottlers and distributors together with our Company-owned distribution operations as our national network. Our independent bottlers and distributors typically have already made the capital investment required to deliver our solution, including investment in bottling facilities and storage and distribution assets. We focus our capital expenditures on developing new retail relationships, installing displays at store locations, raising brand awareness, research and development for new products and maintaining our management information system (MIS) tools. We are able to manage our national network on a real-time basis through our MIS tools, which provide resource planning and delivery schedule tracking, thus enabling us to optimize our network s assets and respond to customer needs. In addition, our national network benefits from the recurring nature of water consumption and water bottle exchange that generates year-round demand and optimizes utilization of existing production and distribution assets. We believe our solution and national network provide us a significant competitive advantage in servicing our retail customers.

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

Culligan Refill Acquisition

On June 1, 2010, we entered into an asset purchase agreement with Culligan Store Solutions, LLC and Culligan of Canada, Ltd. (together with Culligan International Company, Culligan) to purchase certain of Culligan s assets related to its business of providing reverse osmosis water filtration systems that generate filtered water for refill vending machines and store-use water services in the United States and Canada at approximately 4,500 retail locations. This business also sells empty reusable water bottles for use at refill vending machines (such businesses are together referred to as the Culligan Refill Business). Pursuant to the asset purchase agreement, we will purchase these assets (the Culligan Refill Acquisition) for a total purchase price of $105.0 million, consisting of a cash payment of $60.0 million and the issuance of shares of our common stock with a value of $45.0 million (or shares, assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus), all subject to a working capital adjustment. The cash portion of the purchase price will be increased and the number of shares of common stock we will issue will be decreased by an amount equal to the net cash proceeds we receive from any exercise of the underwriters over-allotment option. The closing of this offering and the closing of the Culligan Refill Acquisition are interdependent as we will not consummate either unless we consummate both.

The Culligan Refill Business provides filtered water through the installation and servicing of reverse osmosis water filtration systems. Retailers benefit from the reverse osmosis water filtration systems as they ensure water used throughout a store is clean and safe for self-serve refill vending and store-use services, such as food preparation and hydration of produce. Customers of the Culligan Refill Business include Walmart, Safeway, Meijer, Sobeys, Target, Hy-Vee and Kroger. For the year ended December 31, 2009, the Culligan Refill Business generated revenues of $26.0 million and net income of $4.3 million. Approximately 84% of the Culligan Refill Business s revenues were generated in the United States, with operations in 48 states, and approximately 16% of its revenues were generated in Canada across 10 provinces. The Culligan Refill Business s revenues are driven by self-serve refill vending services and empty reusable water bottle sales, which account for approximately 76% and 16% of its revenues, respectively, and to a lesser extent by store-use services.

The Culligan Refill Business provides us with an established platform to expand into the self-serve drinking water refill business. We believe the Culligan Refill Business is highly complementary to our water bottle exchange business from both a product and operational perspective. We believe the Culligan Refill Acquisition will:

- provide additional consumer value and convenience;
- augment our environmentally friendly product offering;
- allow us to leverage our marketing and increase the sales of our water dispensers;
- enhance our ability to provide retail customers a broad range of hydration solutions;

deepen our retail customer relationships through a more extensive product offering;

expand our retail customer base and geographic presence;

strengthen our distribution network;

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increase our knowledge base of the refill segment and add experienced personnel; and

provide a source of stable, dependable cash flows to fund future growth.

Upon consummation of the Culligan Refill Acquisition, we will report Refill as a third reportable segment in our consolidated financial statements for periods following the closing of the acquisition. The table below sets forth on a pro forma basis our net sales (total and by segment), loss from operations and net loss for the periods presented:

	Pro Forma	
	For Year Ended December 31, 2009	For Three Months Ended March 31, 2010
	(in thousands)	
Segment Net Sales:		
Exchange	$ 22,638	$ 5,541
Products	22,824	2,909
Refill	26,017	6,109
Other	1,611	383
Inter-company elimination	(92)	(4)
Total Net Sales	$ 72,998	$ 14,938
Loss from Operations	$ (106)	$ (530)
Net Loss	$ (7,533)	$ (1,517)

In connection with the closing of this offering and the completion of the Culligan Refill Acquisition, we intend to enter into a new $40.0 million senior revolving credit facility that will replace our current senior revolving credit facility.

Industry Overview

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

Emphasis on Health and Wellness

As part of a desire to live a healthier lifestyle, we believe consumers are increasingly focused on drinking more water relative to consumption of high caloric beverages, carbonated soft drinks and beverages containing artificial sweeteners.

Concerns Regarding Quality of Municipal Tap Water

Many consumers purchase purified water not only due to better taste, but also because of concerns regarding municipal tap water quality. Municipal water is typically surface water that is treated centrally and pumped to homes, which can allow additional contaminants to dissolve into the water through municipal or household pipes impacting taste and quality.

Growing Preference for Purified Water

We believe consumer preference toward purified water relative to tap water continues to grow as purified water has become accepted on a mainstream basis. According to a June 2009 report by independent market analyst Datamonitor, *Bottled Water in the United States*, consumers spent $18.4 billion in 2008 on bottled water and the bottled water industry is expected to grow at a compound annual growth rate of approximately 7.5%, reaching $26.5 billion by 2013.

Increasing Demand for Products with Lower Environmental Impact

We believe that consumers are increasingly favoring products with a lower environmental impact with a reuse, recycle, reduce mindset becoming a common driver of consumer behavior. Most single-serve polyethylene terephthalate (PET) water bottles are produced using fossil fuels and contribute to landfill waste given that only 27% of PET bottles are recycled according to a November 2009 Environmental Protection Agency report. Governmental legislation also reflects these concerns with numerous initiatives enacted to either tax purchases of beverages in plastic bottles or prohibit their use within government facilities or disposal in community landfills.

Availability of an Economical Water Bottle Exchange Service and Innovative Water Dispensers

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

Our Competitive Strengths

We believe that Primo s competitive strengths include the following:

Appeal to Consumer Preferences

Environmental Awareness. Our water bottle exchange service incorporates reuse of existing bottles, recycles water bottles when their lifecycle is complete and reduces landfill waste and fossil fuel usage compared to alternative methods of bottled water consumption.

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

Convenience. Our water bottle exchange service and water dispensers are available at major retail locations nationwide. In addition, our water bottle exchange service provides consumers the convenience of exchanging empty bottles and purchasing full bottles at any participating retailer. We offer three- and five-gallon water bottle options to address different consumer volume preferences.

Taste. We have dedicated significant time and effort to develop our water purification process and formulate the proprietary blend of mineral ingredients included in Primo purified water. We believe that Primo purified water has a silky smooth taste and in an independent taste test that we commissioned, four out of five participants preferred Primo purified water over municipal tap water and three out of four participants preferred Primo purified water over their region s market-leading bottled water.

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

Key Retail Relationships Served by Nationwide Single-Vendor Solution

We believe we are the only water bottle exchange provider with a single-vendor solution for retailers nationwide. Our national network utilizes our MIS tools and processes to optimize their production and distribution assets while servicing our retail customers. We believe the combination of our major retail relationships, unique single-vendor solution for retail customers, national network and our MIS tools is difficult to replicate. We anticipate these factors will facilitate our introduction of new purified water-related products in the future.

Ability to Attract and Retain Consumers

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

Efficient Business Model

Our business model allows us to efficiently offer our solution to our retail partners and centrally manage our national network without a substantial capital investment. We believe our business processes and MIS tools enable us to manage the bottling and distribution of our water, our product quality, retailer inventory levels and the return of used bottles on a centralized basis, leveraging our invested capital and personnel. We believe our water bottle exchange service is unique in that we are not required to make a significant portion of the capital investment required to operate our exchange service nationwide and our independent bottlers and distributors often are able to augment their current production capacity and leverage their existing bottling and distribution assets. In addition, the flow of payments between the retailer and our bottlers and distributors is controlled efficiently through electronic data interchange.

Benefit from Management s Proven Track Record

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

Growth Strategy

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

Increase Penetration with Existing Retail Relationships and Develop New Retail Relationships

We believe we have significant opportunities to increase store penetration with our existing retail relationships. As of December 31, 2009, our water bottle exchange service was offered at 6,000 of our top ten retailers nationwide locations. Such retailers present us an opportunity of approximately 7,500 additional nationwide locations. As of

December 31, 2009, the Culligan Refill Business was offered at approximately 3,400 of its top ten

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retailers locations. Such retailers present the Culligan Refill Business an opportunity of approximately 6,600 additional locations.

There is minimal overlap of fewer than 100 locations where our water bottle exchange service is offered and the Culligan Refill Business is operated. Following the Culligan Refill Acquisition, we intend to further penetrate our other existing retail customers with both our water bottle exchange service and the Culligan Refill Business which collectively provide us the opportunity to be present in more than 20,000 additional locations.

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

Drive Consumer Adoption Through Innovative Water Dispenser Models

We intend to continue to develop and sell innovative water dispensers at attractive retail prices, which we believe is critical to increasing consumer awareness and driving consumer adoption of our water bottle exchange service. We believe our water dispensers have appealing features that will continue to drive consumer adoption. Since we first began selling our water dispensers in 2005, we have sold over 520,000 units and have expanded our retail network from four locations as of December 31, 2007, to our current network of approximately 5,500 locations. Our long term strategy is to provide multiple purified water-based-beverages from a single Primo water dispenser, with consistent promotion of our water bottle exchange and, following the Culligan Refill Acquisition, refill vending services to supply the purified water.

Increase Same Store Sales

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

Develop and Install Other Hydration Solutions

We believe we have significant opportunities to leverage our national network and our systems and processes to offer other environmentally friendly, economical, convenient and healthy hydration solutions to our retail partners without significant increases in our centralized costs. For example, the Culligan Refill Business will provide us an established platform to offer our retail partners self-service refill vending machines that dispense drinking water into empty reusable bottles. In addition, we intend to offer our retail partners automated, self-bagging purified ice dispensers.

Pursue Strategic Acquisitions to Augment Geographic and Retail Relationships

In addition to the Culligan Refill Acquisition, we believe opportunities exist to expand through selective acquisitions, including smaller water bottle exchange businesses with established retail accounts, other on-premises self-service water refill vending machine networks and retail accounts, ice dispenser machine networks and retail accounts and water dispenser companies.

Risk Factors

Our business is subject to numerous risks, as more fully described in the section entitled Risk Factors beginning on page 13. You should carefully consider these risks before deciding to invest in our common stock. These risks include, among others:

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

Our Corporate Information

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

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THE OFFERING

Issuer	Primo Water Corporation
Common stock offered by us	shares (shares if the underwriters over-allotment option is exercised in full)
Common stock to be outstanding after this offering	shares (shares if the underwriters over-allotment option is exercised in full)
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $ million (or approximately $ million if the underwriters over-allotment option is exercised in full), assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus. We intend to use the net proceeds from this offering together with approximately $ in borrowings under our new senior revolving credit facility for the following purposes: to pay the cash portion of the purchase price for the Culligan Refill Acquisition; to redeem a portion of our outstanding Series B preferred stock and to pay accrued and unpaid dividends on all of our outstanding Series B preferred stock; to repay our 14% subordinated convertible notes due March 31, 2011; to repay borrowings under our current senior revolving credit facility, and to pay fees and expenses in connection with all of the foregoing items. If the underwriters exercise their over-allotment option, the cash portion of the purchase price for the Culligan Refill Acquisition will be increased and the number of shares of common stock we will issue to Culligan will be decreased by an amount equal to the net cash proceeds we receive as a result of such exercise. See Use of Proceeds.
Dividend policy	

	We currently do not intend to pay any cash dividends on our common stock.
Conflict of Interest	Because more than 5% of the net offering proceeds will be used to retire the balance of our current senior revolving credit facility under which Wells Fargo Bank, N.A. is the lender, its affiliate, Wells Fargo Securities, LLC (one of the underwriters for this offering), is deemed to have a conflict of interest under Rule 2720 of the Financial Industry Regulatory Authority, Inc. (or FINRA). Accordingly, this offering

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	will be conducted in accordance with the requirements of Rule 2720. For more information, see Use of Proceeds and Underwriting Conflict of Interest.
Risk factors	You should carefully read and consider the information set forth under Risk Factors, together with all of the other information set forth in this prospectus, before deciding to invest in shares of our common stock.
Proposed Nasdaq Global Market symbol	We have applied to list our common stock on the Nasdaq Global Market under the symbol .

The number of shares of our common stock that will be outstanding after this offering is based on shares of common stock outstanding as of , 2010. Unless otherwise indicated, all information in this prospectus, including the number of shares that will be outstanding after this offering and other share-related information:

- reflects a -for- reverse stock split of our common stock that will occur immediately prior to the closing of this offering;
- reflects the conversion of our Series A convertible preferred stock and our Series C convertible preferred stock into common stock immediately prior to the closing of this offering;
- reflects the conversion of 50% of our Series B preferred stock into common stock immediately prior to the closing of this offering at a ratio of : , which is calculated by dividing the liquidation preference of the Series B preferred stock by 90% of an assumed initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus;
- reflects the redemption of the remaining 50% of our Series B preferred stock and the payment of all accrued and unpaid dividends on our Series B Preferred Stock immediately following this offering;
- reflects our issuance of shares of our common stock with a value of $45.0 million (or shares assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus) to fund a portion of the purchase price for the Culligan Refill Acquisition;
- excludes shares of common stock issuable upon the exercise of warrants to purchase common stock issued in connection with our Series B preferred stock that will, subject to certain exceptions, expire May 31, 2016;
- excludes shares of common stock issuable upon the exercise of warrants to purchase common stock issued in connection with our Series C convertible preferred stock that will expire days after the closing of this offering;
- excludes shares of common stock issuable upon the exercise of warrants to purchase common stock issued to a third party that will expire days after the closing of this offering;
- excludes shares of common stock issuable upon the exercise of warrants to purchase common stock issued in connection with our 14% subordinated convertible notes due March 31, 2011 that will expire

December 30, 2019;

excludes an aggregate of shares of common stock issuable under our 2004 Stock Plan;

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excludes an aggregate of shares of common stock issuable under our 2010 Omnibus Long-Term Incentive Plan, which we have adopted in connection with this offering;

excludes an aggregate of shares of common stock issuable under our 2010 Employee Stock Purchase Plan, which we have adopted in connection with this offering; and

assumes no exercise of the underwriters over-allotment option to purchase up to additional shares of our common stock.

SUMMARY HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth, for the periods and dates indicated, our summary historical and pro forma consolidated financial and other data. The summary historical consolidated financial data as of and for the three years ended December 31, 2009 was derived from our audited historical consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data as of and for the three months ended March 31, 2009 and 2010 was derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for those periods. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The historical results included here and elsewhere in this prospectus are not necessarily indicative of future performance or results of operations.

The summarized unaudited pro forma financial data for the year ended December 31, 2009 and as of and for the three months ended March 31, 2010 have been prepared to give pro forma effect to (1) a -for- reverse stock split of our common stock, (2) the conversion of our Series A and Series C convertible preferred stock into common stock, (3) the conversion of 50% of our Series B preferred stock into common stock at a ratio of : , which is calculated by dividing the liquidation preference of the Series B preferred stock by 90% of an assumed initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus, (4) the redemption of the remaining 50% of our Series B preferred stock and the payment of all accrued and unpaid dividends on our Series B preferred stock, (5) the sale of shares in this offering at an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus, (6) the consummation of the Culligan Refill Acquisition and our issuance of shares of common stock with a value of $45.0 million (or shares assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus), (7) our entry into and making of borrowings under our new senior revolving credit facility and (8) the application of the net proceeds from this offering and borrowings under our new senior revolving credit facility for the purposes described herein, in each case as if they had occurred on January 1, 2009 with respect to statement of operations data and on March 31, 2010 with respect to balance sheet data. This data is subject, and gives effect, to the assumptions and adjustments described in the notes accompanying the unaudited pro forma financial statements included elsewhere in this prospectus. The summary unaudited pro forma financial data is presented for informational purposes only and should not be considered indicative of actual results of operations that would have been achieved had the Culligan Refill Acquisition and this offering been consummated on the dates indicated, and do not purport to be indicative of balance sheet data or results of operations as of any future date or for any future period.

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

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Culligan Refill Acquisition Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Historical					Pro Forma	
	Year Ended December 31,			Three Months Ended March 31,		Year Ended December 31,	Three Months Ended March 31,
	2007	2008	2009	2009	2010	2009	2010
				(Unaudited)		(Unaudited)	
	(in thousands, except per share data)						
Consolidated statements of operations data:							
Net sales	$ 13,453	$ 34,647	$ 46,981	$ 9,567	$ 8,829	$ 72,998	$ 14,938
Operating costs and expenses:							
Cost of sales	11,969	30,776	38,771	7,652	6,922	52,414	10,169
Selling, general and administrative expenses	10,353	13,791	9,922	2,605	2,733	12,799	3,381
Depreciation and amortization	3,366	3,618	4,205	1,034	995	7,891	1,918
Total operating costs and expenses	25,688	48,185	52,898	11,291	10,650	73,104	15,468
Loss from operations	(12,235)	(13,538)	(5,917)	(1,724)	(1,821)	(106)	(530)
Interest (expense) and other income, net	65	(70)	(2,257)	(477)	(720)	(1,764)	(485)
Loss from continuing operations before income taxes	(12,170)	(13,608)	(8,174)	(2,201)	(2,541)	(1,870)	(1,015)
Provision for income taxes						(2,013)	(502)
Loss from continuing operations	(12,170)	(13,608)	(8,174)	(2,201)	(2,541)	(3,883)	(1,517)
Loss from discontinued operations, net of income taxes	(1,904)	(5,738)	(3,650)	(486)		(3,650)	
Net loss	(14,074)	(19,346)	(11,824)	(2,687)	(2,541)	(7,553)	(1,517)
	(2,147)	(19,875)	(3,042)	(761)	(582)		

Preferred dividends and beneficial conversion charge[1]							
Net loss attributable to common stockholders	$ (16,221)	$ (39,221)	$ (14,866)	$ (3,448)	$ (3,123)	$ (7,533)	$ (1,517)
Basic and diluted loss per common share:							
Loss from continuing operations attributable to common stockholders	$	$	$	$	$	$	$
Loss from discontinued operations attributable to common stockholders							
Net loss attributable to common stockholders	$	$	$	$	$	$	$
Basic and diluted weighted average common shares outstanding:							

(1) In 2008, we recorded a non-cash beneficial conversion charge or deemed dividend of $17.6 million on our Series C preferred stock. This was a result of the adjustment of the conversion ratio on the Series C preferred stock based upon a formula taking into account our net sales for the year ending December 31, 2008, which resulted in a final conversion ratio of 1:1.92.

	As of December 31, 2009	As of March 31, 2010 Actual	As of March 31, 2010 Pro Forma
		(in thousands)	
		(Unaudited)	
Consolidated balance sheet data:			
Cash	$	$ 522	$ 522
Total assets	22,368	24,722	131,919
Current portion of long-term debt	426	18,872	2

Long-term debt, net of current portion	14,403	2	24,668

	Year Ended December 31,			Three Months Ended March 31,
	2007	2008	2009	2010
	(in thousands, except location data) (Unaudited)			
Other information:				
Primo water bottle exchange locations at period end	4,700	6,400	7,000	7,020
Primo water bottle units sold	1,994	3,215	3,853	965
Primo water dispenser units sold	12	177	272	62
Culligan refill vending locations at period end	4,100	4,300	4,400	4,500

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RISK FACTORS

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

Risks Relating to Our Business and Industry

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

We have incurred operating losses in the past and expect to incur operating losses in the future. As of March 31, 2010, our accumulated deficit was approximately $94.1 million. Our losses from continuing operations were $12.2 million for the year ended December 31, 2007, $13.6 million for the year ended December 31, 2008, $8.2 million for the year ended December 31, 2009 and $2.5 million for the three months ended March 31, 2010. We have not been profitable since our inception, and we may not become profitable in the future. Our losses may continue as we incur additional costs and expenses related to branding and marketing, expansion of operations, product development and development of relationships with strategic business partners. If our operating expenses exceed our expectations, our financial performance will be adversely affected. If our sales do not grow to offset these increased expenses, we may not become profitable. If we do not achieve sustained profitability, we may be unable to continue operations.

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

Certain retailers make up a significant percentage of our retail sales volume, such that if one or more of these retailers were to materially reduce or terminate its business with us, our sales would suffer. For 2009, Lowe s Home Improvement, Sam s Club and Walmart represented approximately 33%, 19% and 15% of our consolidated net sales, respectively. While we sell a small percentage of our dispensers directly to consumers through our online store, the vast majority of our sales for both of our water bottle exchange service and of our water dispensers are made through our retail partners.

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

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

We are a consumer products and services company operating in the highly-competitive bottled water market and rely on continued consumer demand or preference for our products and services. To generate sales and profits, we must sell products that appeal to retailers and to consumers. Our future success depends on consumer acceptance, particularly at the household level, of our bottled water products, water bottle exchange service and water dispensers. There is no guarantee that there will be significant market acceptance of our water bottle exchange service or that we will be successful in selling our water dispensers on a scale necessary to achieve sustained profitability.

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

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

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

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

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

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

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

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

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

We also compete directly and indirectly in the water dispenser marketplace. While we have had recent success in our sales of water dispensers to retailers, there are many large consumer products companies with substantially greater financial and other resources than we do, a larger brand presence with consumers and established relationships with retailers that could decide to enter the marketplace. Should any of these consumer products companies so decide to enter the water dispenser marketplace, sales of our water dispensers could be materially and adversely impacted, which, in turn, could materially and adversely affect our sales of bottled water. Finally, our water bottle exchange service faces competition from other methods of purified water consumption such as countertop filtration systems, faucet mounted filtration systems, in-line whole-house filtration systems, water filtration dispensing products such as pitchers and jugs, standard and advanced feature water coolers and refrigerator-dispensed filtered and unfiltered water.

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

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

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

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

If our bottled water became contaminated, our business could be seriously harmed.

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

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

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

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

We are highly dependent upon the services of our senior management because of their experience, industry relationships and knowledge of the business. We are particularly dependent on the services of Billy D. Prim, our

Chairman, President and Chief Executive Officer. We do not have a formal succession plan in place for Mr. Prim. While our employment agreements with members of our senior management include customary confidentiality, non-competition and non-solicitation covenants, there can be no assurance that such provisions will be enforceable or adequately protect us. The loss of one or more of our key employees could seriously harm our business and we

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

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

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

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

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

Adverse weather conditions could negatively impact our business.

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

We depend on key management information systems.

We depend on our management information systems (MIS) to process orders, manage inventory and accounts receivable, maintain distributor and customer information, maintain cost-efficient operations and assist distributors in delivering products and services on a timely basis. Any disruption in the operation of our MIS tools, the loss of employees knowledgeable about such systems, the termination of our relationships with third-party MIS partners or our failure to continue to effectively modify such systems as business expands could require us to expend significant additional resources or to invest additional capital to continue to manage our business effectively, and could even affect our compliance with public reporting requ