

# PRIMO WATER CORP /CN/

## FORM 10-Q (Quarterly Report)

Filed 08/14/01 for the Period Ending 06/30/01

Address	4221 W. BOY SCOUT BLVD. SUITE 400 TAMPA, FL, 33607
Telephone	813-313-1732
CIK	0000884713
Symbol	PRMW
SIC Code	2086 - Bottled and Canned Soft Drinks and Carbonated Waters
Industry	Non-Alcoholic Beverages
Sector	Consumer Non-Cyclicals
Fiscal Year	12/02

# COTT CORP /CN/

## FORM 10-Q (Quarterly Report)

Filed 8/14/2001 For Period Ending 6/30/2001

Address	207 QUEENS QUAY W SUITE 340 TORONTO ONTARIO CANA, 00000
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CIK	0000884713
Industry	Beverages (Non-Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	12/31



**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**COTT CORPORATION**

**Consolidated Statements of Income**

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

**Unaudited**

	For the three months ended		For the six months ended	
	JUNE 30, 2001	JULY 1, 2000	JUNE 30, 2001	JULY 1, 2000
SALES	\$ 305.6	\$ 288.9	\$ 534.6	\$ 503.9
Cost of sales	251.0	241.8	443.9	421.7
GROSS PROFIT	54.6	47.1	90.7	82.2
Selling, general and administrative expenses	25.6	24.4	48.7	48.0
OPERATING INCOME	29.0	22.7	42.0	34.2
Other expenses (income), net	0.4	0.1	(1.6)	--
Interest expense, net	7.0	7.7	13.7	15.8
INCOME BEFORE INCOME TAXES AND EQUITY INCOME	21.6	14.9	29.9	18.4
Income taxes - note 3	(7.1)	(6.0)	(10.3)	(7.5)
NET INCOME - note 4	\$ 14.5	\$ 8.9	\$ 19.6	\$ 10.9
PER SHARE DATA - note 5				
NET INCOME PER COMMON SHARE				
Basic	\$ 0.24	\$ 0.15	\$ 0.33	\$ 0.18
Diluted	\$ 0.21	\$ 0.13	\$ 0.29	\$ 0.16

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

**COTT CORPORATION**  
**Consolidated Balance Sheets**  
(in millions of U.S. dollars)

	JUNE 30, 2001	DECEMBER 30, 2000
	----- Unaudited	----- Audited
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9.3	\$ 7.2
Accounts receivable	126.0	109.0
Inventories - note 6	77.1	64.0
Prepaid expenses	3.5	2.2
	-----	-----
	215.9	182.4
PROPERTY, PLANT AND EQUIPMENT - note 7	239.7	245.0
GOODWILL	110.3	115.2
INTANGIBLES AND OTHER ASSETS	76.0	79.0
	-----	-----
	\$ 641.9	\$ 621.6
	=====	=====
LIABILITIES		
CURRENT LIABILITIES		
Short-term borrowings	\$ 21.5	\$ 36.6
Current maturities of long-term debt	3.4	1.6
Accounts payable and accrued liabilities	129.6	114.5
Discontinued operations	0.6	0.6
	-----	-----
	155.1	153.3
LONG-TERM DEBT	277.0	279.6
OTHER LIABILITIES	38.8	30.2
	-----	-----
	470.9	463.1
	-----	-----
SHAREOWNERS' EQUITY		
CAPITAL STOCK		
Common shares - 60,126,092 (2000 - 59,868,342) shares issued	190.6	189.1
Second preferred shares, Series 1 - 4,000,000 shares issued	40.0	40.0
DEFICIT	(18.3)	(37.9)
ACCUMULATED OTHER COMPREHENSIVE INCOME	(41.3)	(32.7)
	-----	-----
	171.0	158.5
	-----	-----
	\$ 641.9	\$ 621.6
	=====	=====

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

**COTT CORPORATION**  
**Consolidated Statements of Shareowners' Equity**  
(in millions of U.S. dollars)  
**Unaudited**

	NUMBER OF COMMON SHARES (in thousands)	COMMON SHARES	PREFERRED SHARES	DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY
	-----	-----	-----	-----	-----	-----
Balance at January 1, 2000	59,837	\$ 189.0	\$ 40.0	\$ (63.3)	\$ (23.4)	\$ 142.3
Options exercised	11	--	--	--	--	--
Comprehensive income - note 4						
Currency translation adjustment	--	--	--	--	(7.4)	(7.4)
Net income	--	--	--	10.9	--	10.9
	-----	-----	-----	-----	-----	-----
Balance at July 1, 2000	59,848	\$ 189.0	\$ 40.0	\$ (52.4)	\$ (30.8)	\$ 145.8
	=====	=====	=====	=====	=====	=====
Balance at December 30, 2000	59,868	\$ 189.1	\$ 40.0	\$ (37.9)	\$ (32.7)	\$ 158.5
Options exercised	258	1.5	--	--	--	1.5
Comprehensive income - note 4						
Currency translation adjustment	--	--	--	--	(8.6)	(8.6)
Net income	--	--	--	19.6	--	19.6
	-----	-----	-----	-----	-----	-----
Balance at June 30, 2001	60,126	\$ 190.6	\$ 40.0	\$ (18.3)	\$ (41.3)	\$ 171.0
	=====	=====	=====	=====	=====	=====

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

**COTT CORPORATION**  
**Consolidated Statements of Cash Flows**  
(in millions of U.S. dollars)  
**Unaudited**

	For the six months ended	
	JUNE 30, 2001	JULY 1, 2000
	-----	-----
OPERATING ACTIVITIES		
Net Income	\$ 19.6	\$ 10.9
Depreciation and amortization	20.1	19.3
Deferred income taxes	9.0	7.3
Gain on sale of property, plant and equipment	(0.1)	(0.1)
Other non-cash items	(1.1)	0.7
Net change in non-cash working capital - note 8	(16.7)	(20.1)
	-----	-----
Cash provided by operating activities	30.8	18.0
	-----	-----
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(16.3)	(11.9)
Proceeds from disposal of businesses	1.2	15.9
Proceeds from disposal of property, plant and equipment	1.0	0.3
Other	(0.4)	(2.1)
	-----	-----
Cash provided by (used in) investing activities	(14.5)	2.2
	-----	-----
FINANCING ACTIVITIES		
Payments of long-term debt	(0.7)	(5.1)
Short-term borrowings	(15.0)	2.6
Issue of common shares	1.5	0.1
Other	--	(2.1)
	-----	-----
Cash used in financing activities	(14.2)	(4.5)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	--	(0.2)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	2.1	15.5
	-----	-----
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7.2	2.6
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 9.3	\$ 18.1
	=====	=====

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

# COTT CORPORATION

## Notes to the Consolidated Financial Statements Unaudited

### NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, the statements reflect all adjustments that are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

Certain comparative amounts have been restated to conform to the financial statement presentation adopted in the current year.

Consolidated financial statements in accordance with Canadian GAAP, in U.S. dollars, are made available to all shareowners and filed with various regulatory authorities.

### NOTE 2 - BUSINESS SEASONALITY

The Company's results for the second quarter and six months ending June 30, 2001 are not necessarily indicative of the results that may be expected for the full year due to business seasonality. Operating results are significantly impacted by business seasonality, which arises from higher sales in the second and third quarters versus the first and fourth quarters of the year in contrast to fixed costs such as depreciation, amortization and interest which are not significantly impacted by seasonal trends.

### NOTE 3 - INCOME TAXES

The following table reconciles income taxes calculated at the basic Canadian corporate rates with the income tax provision

(in millions of U.S. dollars)	For the three months ended		For the six months ended	
	JUNE 30, 2001	JULY 1, 2000	JUNE 30, 2001	JULY 1, 2000
Income tax provision based on Canadian statutory rates	\$ (8.9)	\$ (6.3)	\$ (12.3)	\$ (7.9)
Foreign tax rate differential	0.3	0.5	0.8	1.1
Manufacturing and processing Deduction	0.2	0.2	0.2	0.2
Decrease in valuation allowance	3.2	0.1	3.2	--
Adjustment due to decrease in tax rates	(1.5)	--	(1.5)	--
Non-deductible items	(0.4)	(0.5)	(0.7)	(0.9)
	-----	-----	-----	-----
	\$ (7.1)	\$ (6.0)	\$ (10.3)	\$ (7.5)
	=====	=====	=====	=====



**NOTE 4 - COMPREHENSIVE INCOME**

(in millions of U.S. dollars)	For the three months ended		For the six months ended	
	JUNE 30, 2001	JULY 1, 2000	JUNE 30, 2001	JULY 1, 2000
Net income	\$ 14.5	\$ 8.9	\$ 19.6	\$ 10.9
Foreign currency translation	3.2	(5.5)	(8.6)	(7.4)
	\$ 17.7	\$ 3.4	\$ 11.0	\$ 3.5
	=====	=====	=====	=====

**NOTE 5 - INCOME PER SHARE**

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share includes the effect of exercising stock options and converting the preferred shares, only if dilutive.

The following table reconciles the basic weighted average number of shares outstanding to the diluted weighted average number of shares outstanding:

(in thousands)	For the three months ended		For the six months ended	
	JUNE 30, 2001	JULY 1, 2000	JUNE 30, 2001	JULY 1, 2000
Weighted average number of shares outstanding - basic	60,124	59,848	60,058	59,847
Dilutive effect of stock options	1,847	321	1,824	364
Dilutive effect of second preferred Shares	6,286	6,286	6,286	6,286
Adjusted weighted average number of shares outstanding - diluted	68,257	66,455	68,168	66,497
	=====	=====	=====	=====

As of June 30, 2001, the Company has the following equity instruments outstanding: 60,126,092 common shares, 4,676,660 common share stock options and 4,000,000 second preferred shares convertible into 5,837,419 common shares and entitled to 5,837,419 votes.

**NOTE 6 - INVENTORIES**

(in millions of U.S. dollars)	JUNE 30, 2001	DECEMBER 30, 2000
Raw materials	\$ 22.9	\$ 21.3
Finished goods	45.0	34.3
Other	9.2	8.4
	\$ 77.1	\$ 64.0
	=====	=====

**COTT CORPORATION**

Notes to the Consolidated Financial Statements Unaudited

**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT**

(in millions of U.S. dollars)	JUNE 30, 2001	DECEMBER 30, 2000
	-----	-----
Cost	\$ 396.1	\$ 390.1
Accumulated depreciation	(156.4)	(145.1)
	-----	-----
	\$ 239.7	\$ 245.0
	=====	=====

**NOTE 8 - NET CHANGE IN NON-CASH WORKING CAPITAL**

The changes in non-cash working capital components, net of effects of unrealized foreign exchange gains and losses, are as follows:

(in millions of U.S. dollars)	JUNE 30, 2001	JULY 1, 2000
	-----	-----
Decrease (increase) in accounts receivable	\$ (18.3)	\$ (26.9)
Decrease (increase) in inventories	(14.0)	(5.7)
Decrease (increase) in prepaid expenses	(1.4)	0.2
Increase (decrease) in accounts payable and accrued liabilities	17.0	12.3
	-----	-----
	\$ (16.7)	\$ (20.1)
	=====	=====

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The Company is 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 the Company's financial position or results from operations.

**COTT CORPORATION**  
**Notes to the Consolidated Financial Statements**

**Unaudited**

**NOTE 10 - SEGMENT REPORTING**

The Company produces, packages and distributes retailer brand and branded bottled and canned soft drinks to regional and national grocery, mass-merchandise and wholesale chains in the U.S., Canada and the United Kingdom (U.K.) & Europe. The Company manages its beverage business by geographic segments as described below:

FOR THE THREE MONTHS ENDED JUNE 30, 2001	UNITED STATES	CANADA	U.K. & EUROPE	CORPORATE & OTHER	TOTAL
	-----	-----	-----	-----	-----
(in millions of U.S. dollars)					
External sales	\$ 219.7	\$ 47.1	\$ 38.1	\$ 0.7	\$ 305.6
Intersegment sales	0.6	4.7	--	(5.3)	--
Depreciation and amortization	6.2	1.7	2.0	0.3	10.2
Operating income (loss)	26.8	5.6	(0.1)	(3.3)	29.0
 Total assets	 449.0	 153.3	 148.0	 (108.4)	 641.9
 Additions to property, plant and equipment	 3.1	 1.0	 1.2	 1.0	 6.3
	-----	-----	-----	-----	-----
FOR THE THREE MONTHS ENDED JULY 1, 2000	UNITED STATES	CANADA	U.K. & EUROPE	CORPORATE & OTHER	TOTAL
	-----	-----	-----	-----	-----
(in millions of U.S. dollars)					
External sales	\$ 190.6	\$ 50.3	\$ 45.3	\$ 2.7	\$ 288.9
Intersegment sales	1.4	4.2	--	(5.6)	--
Depreciation and amortization	4.8	2.0	2.2	0.4	9.4
Operating income (loss)	18.0	5.4	2.3	(3.0)	22.7
 Total Assets (December 30, 2000)	 427.5	 143.7	 156.5	 (106.1)	 621.6
 Additions to property, plant and equipment	 3.3	 0.5	 1.2	 0.1	 5.1
	-----	-----	-----	-----	-----

**COTT CORPORATION**  
**Notes to the Consolidated Financial Statements**

**Unaudited**

**NOTE 10 - SEGMENT REPORTING (continued)**

FOR THE SIX MONTHS ENDED JUNE 30, 2001	UNITED STATES	CANADA	U.K. & EUROPE	CORPORATE & OTHER	TOTAL
(in millions of U.S. dollars)					
External sales	\$ 388.4	\$ 81.0	\$ 63.5	\$ 1.7	\$ 534.6
Intersegment sales	1.0	6.0	--	(7.0)	--
Depreciation and amortization	12.1	3.3	4.0	0.7	20.1
Operating income (loss)	43.3	7.3	(1.6)	(7.0)	42.0
Total assets	449.0	153.3	148.0	(108.4)	641.9
Additions to property, plant and equipment	9.7	2.1	2.5	2.0	16.3
FOR THE SIX MONTHS ENDED JULY 1, 2000					
(in millions of U.S. dollars)					
External sales	\$ 334.3	\$ 87.6	\$ 78.0	\$ 4.0	\$ 503.9
Intersegment sales	2.3	7.1	--	(9.4)	--
Depreciation and amortization	9.7	4.1	4.6	0.9	19.3
Operating income (loss)	30.1	7.7	1.6	(5.2)	34.2
Total assets (December 30, 2000)	427.5	143.7	156.5	(106.1)	621.6
Additions to property, plant and equipment	8.3	0.7	1.6	1.3	11.9

Intersegment sales and total assets under the Corporate & Other caption include the elimination of intersegment sales, receivables and investments.

For the six months ended June 30, 2001, sales to two major customers accounted for 36% and 12% respectively, of the Company's total sales (33% and 13% - July 1, 2000).

**COTT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**Unaudited**

**NOTE 11 - ACCOUNTING DEVELOPMENTS**

On June 29, 2001, the FASB unanimously approved the issuance of two statements, Statement 141, "Business Combinations", and Statement 142, "Goodwill and Other Intangible Assets", that amend APB Opinion No. 16, "Business Combinations," and supersede APB Opinion No. 17, "Intangible Assets." The two statements modify the method of accounting for business combinations entered into after June 30, 2001 and address the accounting for intangible assets. Beginning January 1, 2002, the Company anticipates that will no longer amortize its goodwill and intangible assets with an indefinite life, but will, however, evaluate them for impairment annually. The statements were issued on July 20, 2001. The Company is currently reviewing the statements to determine the effect on the financial statements.

**NOTE 12 - SUBSEQUENT EVENT**

Effective July 19, 2001, the Company completed an acquisition of certain assets of Royal Crown Company, Inc. ("Royal Crown"). The purchased assets included intellectual property, licenses and permits, equipment, working capital, and the facility used by Royal Crown in the production of concentrate. The Company intends to use the concentrate assets to produce all its concentrate requirements previously produced by Royal Crown. The Company also purchased the assets of Royal Crown's international business. The total purchase price was US \$94 million, subject to standard purchase price adjustments. The Company funded the acquisition with proceeds from a new US \$100 million secured credit facility.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cott Corporation is the world's largest supplier of retailer brand soft drinks, with manufacturing, distribution, marketing, product development and customer service facilities in the U.S., Canada, and the U.K. The Company is focused on growing sales and building volume with key customers, reducing costs and improving margins and continuing to drive innovation in the retailer brand beverage category.

### RESULTS OF OPERATIONS

The Company reported its tenth consecutive profitable quarter, posting a net income of \$14.5 million or \$0.21 per diluted share for the second quarter of 2001, a 63% increase compared with \$8.9 million or \$0.13 per diluted share reported in the second quarter of 2000. For the first six months of 2001, earnings per diluted share of \$0.29 were ahead 81% from the first six months of 2000. Net income in the second quarter of 2001 grew to \$19.6 million from \$10.9 million in the second quarter of 2000. Operating efficiencies in manufacturing and distribution systems led to the strong growth in net income. A Canadian deferred tax adjustment also contributed \$1.7 million or \$0.03 per share.

**SALES** - Sales were \$305.6 million for the second quarter of 2001, up 5.8% from \$288.9 million in the second quarter of 2000. For the first six months of 2001, sales at \$534.6 million were 6.1% higher than the \$503.9 million for the corresponding period last year. Excluding the impact of the Concord acquisition sales were down approximately 2% versus the second quarter and six months of last year. Case sales improved by 8.5% for the second quarter and 9.8% in the first six months of this year. The company's focus on product innovation and customer service excellence contributed to sales volume growth with our customers in the first half of 2001.

Sales in the U.S. during the second quarter of 2001 increased to \$219.7 million, up 15.3% from \$190.6 million in the second quarter of 2000. Similarly, in the first half of 2001, sales were up \$54.1 million or 16.2% from the first half of last year. The Concord acquisition contributed 11.0% to the second quarter of 2001 sales gain and 12.1% to the first six months of 2001.

Sales in Canada were \$47.1 million for the second quarter of 2001 and \$81.0 million for the first six months of 2001, down 6.4% and 7.5%, respectively for comparable periods last year. A combination of competitive pressures and a weaker Canadian currency contributed to lower than anticipated results.

Sales in the U.K. fell 15.9% in the second quarter of 2001 and 18.6% for the first six months of 2001 compared to the same period last year. Almost half of this loss is attributed to currency fluctuation that has weakened the pound sterling. In addition, grocery sector price deflation continued to impact retail grocery and wholesaler prices in the U.K. and combined with somewhat lower volume resulted in the sales decline.

**GROSS PROFIT** - Gross profit increased 1.6 percentage points to 17.9% in the second quarter of 2001 compared to 16.3% in the second quarter of 2000. This improvement resulted from gains in production efficiency and favorable package mix. For the first six months of 2001, gross profit rose from 16.3% to 17.0% although the U.K. suffered erosion in its gross margin, falling 4.8 basis points from 15.4% to 10.6%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A") - SG&A of \$25.6 million in the second quarter of 2001 was 4.9% higher from the second quarter of last year. For the first six months of 2001 SG&A was flat at \$48.7 million.

INTEREST EXPENSE - Net interest expense was \$7.0 million in the second quarter of 2001 as compared with \$7.7 million for the second quarter of 2000. For the first six months of 2001, net interest expense totaled \$13.7 million, down \$2.1 million from last year. In the fourth quarter of 2000, the Company repaid its U.K. term loan that resulted in lower interest expense in 2001. However, this decrease was partially offset by interest expense related to the Concord acquisition.

INCOME TAXES - The Company recorded an income tax provision of \$7.1 million for the second quarter of 2001 and \$10.3 million for the first six months of 2001 as compared with \$6.0 million and \$7.5 million for the respective periods of last year. The tax rate reduction previously announced by the Canadian federal and provincial governments were enacted during the quarter. Consequently, the tax benefit recognized on prior period losses was revalued at the new rate. This resulted in an increase in the income tax provision of \$1.5 million, which was offset by a \$3.2 million benefit resulting from a decrease in valuation allowance of loss carryforwards.

For the first six months of 2001, the overall effective tax rate was 34.5% compared with 40.8% in the first six months of 2000. This reduction in the effective tax rate was primarily a result of recognizing the previously unrecorded tax benefit on losses from prior year.

FINANCIAL CONDITION - Cash flow generated by operations of \$30.8 million for the first six months of 2001 was up significantly from \$18.0 million during the same time last year. The Company's cash and cash equivalents increased \$2.1 million during the first half of 2001 from \$7.2 million as of December 30, 2000.

Under credit facilities in existence as of June 30, 2001 the Company was provided maximum credit of \$54.1 million depending on available collateral. At June 30, 2001, approximately \$38.8 million of the committed credit facility and \$11.4 million of the demand credit facility in the U.K. were available. This credit facility was replaced on July 19, 2001 by the facility described under subsequent event.

CAPITAL EXPENDITURES - Capital expenditures were \$16.3 million for the first six months of 2001 compared with \$11.9 million for the first six months of 2000. The continued low level of capital spending reflects management's commitment to make the assets "sweat". The Company's capital spending policy favors projects with an expected internal rate of return above 30%, in addition to those required for essential maintenance, safety and regulatory compliance. Spending in the second quarter of 2001 included continued expenditures for the installation of purified drinking water systems in the Texas and North Carolina plants, as well as warehouse improvements in the Texas plant.

LONG-TERM DEBT - As of June 30, 2001, the Company's long-term debt totaled \$280.4 million as compared with \$281.2 million as of December 30, 2000 and \$316.1 million as of July 1, 2000. At quarter end, debt consisted of \$276.4 million in senior unsecured notes and \$4.0 million of other term debt. The Company is exposed to minimal interest rate risk as substantially all debt is at fixed rates.

Management believes the Company has the financial resources to meet its ongoing cash requirements for operations and capital expenditures as well as its other financial obligations.

**SUBSEQUENT EVENT** - On July 19, 2001 the Company completed an acquisition of certain Royal Crown assets for approximately \$94 million. With this acquisition the Company now has control over its retailer brand concentrates and intellectual property. The Company also acquired a concentrate manufacturing facility and the RC International business. To fund this acquisition the Company executed a \$100 million term loan agreement. In conjunction with the financing for the acquisition, the Company replaced its \$40 million revolving credit facility with a \$50 million revolving loan subject to available collateral.

**OUTLOOK** - The Company revised its earnings guidance for 2001 from the \$0.49-\$0.51 per diluted share previously announced, to \$0.52-\$0.56 per diluted share. Sales growth is expected to remain in the range of 10-15% despite the adverse impact of the U.S. dollar on Canadian and U.K. operations. Capital expenditures will likely total \$30-\$35 million for the year.

The carbonated soft drink industry continues to experience positive growth. Expectations for market growth in Cott's three core geographic markets, Canada, the United Kingdom and the United States, extend through the next several years. Facing intense price competition from heavily promoted global and regional brands, the Company's major opportunity for growth depends on management's execution of critical strategies and on retailers' continued commitment to their retailer brand soft drink programs. Risks and uncertainties include stability of procurement costs for such items as sweetener, packaging materials and other ingredients, national brand pricing and promotional strategies and fluctuations in currency versus the U.S. dollar. The Company's exposure to raw material price fluctuations is minimized by the existence of long-term contracts for certain key raw materials.

**RISKS AND UNCERTAINTIES** - Sales to the top two customers in the first six months of 2001 and 2000 accounted for 48% and 46%, respectively, of the Company's total sales volumes. The loss of any significant customer or any significant portion of the Company's sales could have a material adverse effect on the Company's operating results and cash flows.

**FORWARD LOOKING STATEMENTS** - The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in this report and other public filings. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "will" and similar expressions identify forward-looking statements. All statements which address operating performance, events or developments that the Company expects or anticipates will occur in the future - including statements relating to operations, economic performance, financial condition and achievements of the Company, statements relating to objectives, business plans or strategies, and projected or anticipated benefits or other consequences of such plans or strategies, statements expressing general optimism about future operating results or of the performance of management - are forward-looking statements within the meaning of the Act. The forward-looking statements are and will be based on management's views and assumptions, at the times such statements are made, regarding future events and operating performance, and speak only as of such times. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following are some of the factors that could affect the Company's 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:



o Increased competitor consolidations, market place competition, particularly among branded beverage products, and competitive product and pricing pressures could impact the Company's earnings, market share and volume growth.

o Changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws in domestic or foreign jurisdictions.

o Fluctuations in the cost and availability of raw materials and ingredients and the ability to maintain favorable supplier arrangements and relationships.

o Interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations, which are subject to various factors, including the impact of changes in worldwide and national economies, foreign currency movements, pricing fluctuations for the Company's products and changes in interest rates.

o Retailers' continued commitment to their retailer brand beverage programs.

o Changes in consumer tastes and preference and market demand for new and existing products.

o The ability to integrate acquired businesses into its operations.

o The uncertainties of litigation, as well as other risks and uncertainties detailed from time to time in the Company's other public filings.

o Changes in general economic and business conditions.

o The effectiveness and success of the Company's spending programs and acquisition investments.

o Adverse weather conditions, which could reduce demand for the Company's products.

The foregoing list of important factors is not exclusive or exhaustive. Many of these factors are beyond the Company's ability to control or predict. The Company cautions investors not to place undue reliance on forward-looking statements.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Reference is made to Item 3 "Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 30, 2000 and the description of the litigation involving Channelmark Corporation. Trial was held in this matter in March 2001 and the court entered a judgment against the Company in an immaterial amount on May 31, 2001.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

(a) The Annual Meeting of the Company's shareholders was held on April 18, 2001

(b) The meeting was held to consider and vote on the following matters:

MATTERS SUBMITTED TO A VOTE*	FOR	WITHHOLD	NOT VOTED
-----	-----	-----	-----
To elect directors for a period of one year:			
Colin J. Adair	41,242,275	63,921	-
W. John Bennett	41,241,070	65,126	-
C. Hunter Boll	41,241,875	64,321	-
Serge Gouin	41,242,250	63,946	-
Thomas M. Hagerty	40,908,478	397,718	-
Stephen H. Halperin	41,240,075	66,121	-
David V. Harkins	41,764,578	541,618	-
True H. Knowles	41,242,250	63,946	-
Fraser D. Latta	41,242,275	63,921	-
Donald G. Watt	41,240,670	65,526	-
Frank E. Weise III	41,241,856	64,340	-
To appoint PricewaterhouseCoopers LLP as auditors and authorize the directors to fix their remuneration	41,165,260	72,154	1,399
	FOR	AGAINST	NOT VOTED
	-----	-----	-----
To approve the amendment to the Company's 1986 common share option plan	31,408,522	5,149,736	4,707,064

\*Vote totals include 3,979,072 outstanding Second Preferred Shares, Series 1, which voted on an as converted basis entitling the holders thereof (in the aggregate) to 5,806,877 votes at such meeting.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

### (a) Exhibits

- 2.1 \*Asset Purchase Agreement by and among Royal Crown Company Inc., Cott Corporation and BCB USA Corp. dated as of June 13, 2001 (which is incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated July 19, 2001).
- 10.1 \*Credit Agreement dated as of July 19, 2001 between BCB USA Corp., Cott Corporation and The Several Lenders from Time to Time Parties Hereto, Lehman Brothers Inc. as advisor, lead arranger and book manager, First Union National Bank as syndication agent and as working capital term loan facility agent and revolving credit facility agent, Bank of Montreal as Canadian administrative agent and Lehman Commercial paper, Inc. as general administrative agent (which is incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated July 19, 2001).
- 10.2 Agreement dated July 3, 2001 amending the Employment Agreement between Cott Corporation and Frank E. Weise III dated June 11, 1998 (filed herewith).

\*Certain portions of these exhibits are subject to an application for Confidentiality Treatment.

### (b) Reports on Form 8-K

On August 2, 2001, the Company filed a Current Report on Form 8-K, dated July 19, 2001, with the Securities Exchange Commission to report the acquisition of assets from Royal Crown and the execution of a new US\$150 million combined term and revolving credit facility.

## 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.

### COTT CORPORATION (Registrant)

Date: August 14, 2001

/s/ Raymond P. Silcock

\_\_\_\_\_  
Raymond P. Silcock  
Executive Vice President &  
Chief Financial Officer  
(On behalf of the Company)

Date: August 14, 2001

/s/ Tina Dell'Aquila

\_\_\_\_\_  
Tina Dell'Aquila  
Vice President, Controller  
(Principal accounting officer)

**Exhibit 10.2**

July 3, 2001

Mr. Frank E. Weise III  
c/o Cott Corporation  
207 Queen's Quay West  
Suite 340  
Toronto, ON M5J 1A7

Dear Sir:

**RE: EMPLOYMENT AGREEMENT (THE "ORIGINAL AGREEMENT") BETWEEN COTT CORPORATION (THE "CORPORATION") AND FRANK E. WEISE III DATED JUNE 11, 1998**

Set out below are the terms upon which the Original Agreement shall be amended, effective July 3, 2001.

All capitalized words and phrases used in this letter agreement shall have the meaning ascribed to such words and phrases in the Original Agreement, unless otherwise defined herein. The term "Agreement" shall mean the Original Agreement as amended by this letter agreement. The term "you" shall have the same meaning as the term "Executive."

**1. TERM**

- (a) The first sentence of Section 1.1 shall be amended to substitute the words "June 30, 2003" in place of the words "January 31, 2002."
- (b) The third sentence of Section 1.1 shall be amended to substitute the words "one hundred and twenty (120)" in place of the words "one hundred and eighty (180)"
- (c) The fourth sentence of Section 1.1 shall be amended to insert "3," immediately prior to "4."

**2. BENEFITS ON TERMINATION**

- (a) There shall be added to Article 3 of the Agreement a new Section 3.3(e), as follows:

"(e) Upon the termination of this Agreement (other than for Just Cause) or upon the expiry of the Term of the Agreement, in addition to the other benefits you shall receive upon such a termination or expiry,

you and your spouse shall, as long as either of you shall live, be entitled to health insurance benefits (medical, dental and vision care, including prescriptions) ("Health Insurance Benefits") equal to the greater of (i) all Health Insurance Benefits provided from time to time to the Chief Executive Officer of the Corporation or any successor corporation or, in the absence of such Chief Executive Officer, the highest paid officer of the Corporation or any successor corporation and (ii) the Health Insurance Benefits immediately prior to the termination of your employment provided to you. Health Insurance Benefits includes the benefits provided to the Executive as well as terms relating to the provision of such benefits. In the event the Corporation or successor corporation does not provide such Health Insurance Benefits, the Corporation shall reimburse you for any expenses you incur to replace such Health Insurance Benefits."

(b) There shall be added to Article 5 of the Agreement a new Section 5.2(c).

"(c) The Corporation shall provide Health Insurance Benefits to the Executive and his spouse in accordance with Section 3.3(e)."

(c) Section 5.4(c) shall be amended to substitute the words "this Section 5.4" for the words "this Section 5.3."

(d) There shall be added to Article 5 of the Agreement a new Section 5.4(c)(iii):

"(iii) The Corporation shall provide Health Insurance Benefits to the Executive and his spouse in accordance with Section 3.3(e)."

(e) Section 5.4(c)(iii), (iv) and (v) shall be renumbered 5.4(c)(iv),(v) and (vi) respectively.

### 3. BONUS

The first sentence of Section 3.2 shall be amended to substitute the words "two hundred percent (200%)" in place of the words "one hundred percent (100%)."

### 4. OPTIONS

#### **There shall be added to Article 3 new Sections 3.6(i) and (j).**

"(i) Effective June 30, 2001, you shall be entitled to an additional grant of an irrevocable option (the "New Option") pursuant to the Restated 1986 Common Share Option Plan of the Corporation (the "Plan") to purchase up to 500,000 common shares (the "New Optioned Shares") in the capital of the Corporation at a price of Cdn.\$16.68 per common share, being the closing price of the common shares on The Toronto Stock

Exchange on June 29, 2001. The New Option may be exercised on a cumulative basis in respect of 1/36 of the total New Optioned Shares on each of the next 36 monthly anniversaries of this Agreement. The New Option shall expire in respect of New Optioned Shares not previously acquired thereunder or in respect of which rights shall not have otherwise terminated on the seventh anniversary of the date of its grant.

(j) The termination of your employment under this Agreement (other than for Just Cause or upon your voluntary resignation prior to June 30, 2003) shall be deemed to be a "retirement" under Section 16(iii) of the Plan for purposes of the New Option, the Option and any other options you may have to purchase common shares in the capital of the Corporation."

Other than as expressly set out in this letter agreement, the Original Agreement shall remain in full force and effect, unamended.

If you are in agreement with the foregoing, please execute a duplicate copy of this letter agreement which is attached and return to the undersigned.

Yours very truly,

**COTT CORPORATION**

**Per:**

Name: Colin D. Walker Title: Senior Vice President, Human Resources

**Per:**

Name: Mark R. Halperin Title: Senior Vice President, General Counsel and Secretary

**ACKNOWLEDGED, AGREED AND ACCEPTED**

**AS OF THIS 3RD DAY OF JULY, 2001**

----- )  
Witness ) -----  
 ) FRANK E. WEISE III

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**End of Filing**

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