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

Form 10-K

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

For the fiscal year ended December 28, 2019

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

For the transition period from __________ to __________

Commission file number 001-31410

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

Canada	98-0154711
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

4221 West Boy Scout Boulevard
Suite 400
Tampa, Florida 33607
United States
(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
COMMON SHARES WITHOUT NOMINAL OR PAR VALUE	COT	New York Stock Exchange
	BCB	Toronto Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 29, 2019 (based on the closing sale price of $13.35 for the registrant's common shares as reported on the New York Stock Exchange on June 28, 2019) was $1,759.1 million.

(Reference is made to Part II, Item 5 for a statement of assumptions upon which the calculation is made).

The number of the registrant's outstanding common shares as of February 20, 2020 was 135,359,506.

Documents incorporated by reference

Portions of our definitive proxy statement for the 2020 Annual Meeting of Shareowners, to be filed within 120 days of December 28, 2019, are incorporated by reference in Part III. Such proxy statement, except for the parts therein which have been specifically incorporated by reference, shall not be deemed "filed" for the purposes of this Annual Report on Form 10-K.

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Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP") in U.S. dollars. Unless otherwise indicated, all amounts in this Annual Report on Form 10-K are in U.S. dollars and U.S. GAAP.

Any reference to 2019, 2018 and 2017 corresponds to our fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

Forward-looking statements

In addition to historical information, this Annual Report on Form 10-K, and the reports and documents incorporated by reference in this Annual Report on Form 10-K, may contain statements relating to future events and future results. These statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation and involve known and unknown risks, uncertainties, future expectations and other factors that may cause actual results, performance or achievements of Cott Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements include, but are not limited to, statements that relate to projections of sales, cash flows, capital expenditures or other financial items, statements regarding our intentions to pay regular quarterly dividends on our common shares, statements related to shares repurchased under share repurchase programs in effect from time to time, and discussions of estimated future revenue enhancements and cost savings. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. Generally, words such as "anticipate," "believe," "continue," "could," "endeavor," "estimate," "expect," "intend," "may," "will," "plan," "predict," "project," "should" and similar terms and phrases are used to identify forward-looking statements in this Annual Report on Form 10-K and in the documents incorporated in this Annual Report on Form 10-K by reference. These forward-looking statements reflect current expectations regarding future events and operating performance and are made only as of the date of this Annual Report on Form 10-K.

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. "Risk Factors" and elsewhere in this Annual Report on Form 10-K and those described from time to time in our future reports filed with the Securities and Exchange Commission and Canadian securities regulatory authorities.

We undertake no obligation to update any information contained in this Annual Report on Form 10-K or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware of after the date of this Annual Report on Form 10-K. Undue reliance should not be placed on forward-looking statements.

All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

PART I

ITEM 1. BUSINESS

Our Company

When used in this report, the terms "Cott," "the Company," "our Company," "Cott Corporation," "we," "us," or "our" mean Cott Corporation and its consolidated subsidiaries, collectively.

We incorporated in 1955 and are governed by the Canada Business Corporations Act. Our principal executive office is located at 4221 W. Boy Scout Boulevard Suite 400, Tampa, Florida, United States 33607.

Cott is a water and filtration service company with a leading volume-based national presence in the North American and European home and office delivery industry for bottled water. Our platform reaches over 2.5 million customers or delivery points across North America and Europe and is supported by strategically located sales and distribution facilities and fleets, as well as wholesalers and distributors. This enables us to efficiently service residences, businesses, and small and large retailers.

In July 2017, we entered into a Share Purchase Agreement (the "Purchase Agreement") with Refresco Group B.V., a Dutch company ("Refresco"), pursuant to which we sold to Refresco, on January 30, 2018, our carbonated soft drinks and juice businesses via the sale of our North America, United Kingdom and Mexico business units (including the Canadian business) and our Royal Crown International ("RCI") finished goods export business (collectively, the "Traditional Business" and such transaction, the "Traditional Business Disposition"). The Traditional Business Disposition was structured as a sale of the assets of our Canadian business and a sale of the stock of the operating subsidiaries engaged in the Traditional Business in the other jurisdictions after we completed an internal reorganization. The aggregate deal consideration was $1.25 billion, paid at closing in cash, with customary post-closing adjustments resolved in December 2018 by the payment of $7.9 million from the Company to Refresco. The sale of the Traditional Business represented a strategic shift and had a major effect on our operations and, therefore, the Traditional Business is presented herein as discontinued operations. See Note 3 to the Consolidated Financial Statements for additional information on discontinued operations. The Traditional Business Disposition did not include our Route Based Services and Coffee, Tea and Extract Solutions reporting segments, or our soft drink concentrate production business and our RCI division ("Cott Beverages LLC").

In February 2019, we sold all of the outstanding equity of Cott Beverages LLC to Refresco. The aggregate deal consideration paid at closing was $50.0 million, subject to post-closing adjustments for working capital, indebtedness and other customary items. We used the proceeds of this transaction to repay a portion of the outstanding borrowings under our asset-based lending credit facility (the "ABL facility").

On January 13, 2020, Cott entered into an Agreement and Plan of Merger with Cott Holdings Inc., a wholly-owned subsidiary of Cott ("Holdings"), Fore Merger LLC, a wholly-owned subsidiary of Holdings ("Merger Sub"), Fore Acquisition Corporation, a wholly-owned subsidiary of Merger Sub (the "Primo Purchaser"), and Primo Water Corporation ("Primo"), pursuant to which, on January 28, 2020, the Primo Purchaser commenced an exchange offer to purchase all of the outstanding shares of common stock of Primo, par value $0.001 per share, in exchange for, at the election of the Primo's stockholders, (i) $14.00 in cash, (ii) 1.0229 Cott common shares, no par value per share, plus cash in lieu of any fractional Cott common shares, or (iii) $5.04 in cash and 0.6549 Cott common shares (the "Offer"). As soon as practicable following the consummation of the Offer, the Primo Purchaser intends to acquire any remaining Primo shares by a merger of the Primo Purchaser with and into Primo (the "First Merger"), with Primo surviving the First Merger as a wholly-owned subsidiary of Merger Sub. Immediately following the First Merger, Primo intends to merge with and into Merger Sub, with Merger Sub being the surviving entity (the "Second Merger" and, together with the First Merger, the "Mergers"). Cott expects to issue an aggregate of up to 26,825,842 shares of our common stock in the Offer and the Mergers (collectively, the "Primo Acquisition"). The estimated aggregate consideration to be paid in the Primo Acquisition is approximately $775 million and includes approximately $216 million to be paid in cash, $367 million of Cott common shares and $192 million of cash paid to retire outstanding indebtedness on behalf of Primo. The actual aggregate consideration will be calculated upon closing of the Primo Acquisition based on the closing price of Cott common shares as of that date and actual outstanding indebtedness. The Primo Acquisition is expected to close in the first quarter of 2020, subject to satisfaction of certain conditions to the Offer and the First Merger.

On January 30, 2020, Cott entered into a Stock Purchase Agreement with Holdings, S. & D. Coffee, Inc. ("S&D"), a wholly-owned subsidiary of Cott, and Westrock Coffee Company, LLC, a Delaware limited liability company ("Purchaser"), pursuant to which Purchaser will acquire all of the issued and outstanding equity of S&D from Holdings (the "S&D Disposition"). The aggregate deal consideration is $405 million, payable at closing in cash, subject to adjustments for indebtedness, working capital, and cash. The S&D Disposition is expected to close in the first quarter of 2020 and is subject to satisfaction of certain conditions, including receipt of U.S. regulatory clearance. The Company intends to use the proceeds of the S&D Disposition to finance a portion of its acquisition of Primo, depending on the timing of closing, or otherwise to pay down indebtedness.

The Primo Acquisition, along with the S&D Disposition, will transition Cott into a pure-play water company.

Our Operations

During the first quarter of 2019, we reviewed and realigned our reporting segments to reflect how the business will be managed and the results will be reviewed by the Chief Executive Officer, who is our chief operating decision maker. Following such review, we realigned our three reporting segments as follows: Route Based Services (which includes our DS Services of America, Inc. ("DSS"), Aquaterra Corporation ("Aquaterra"), Mountain Valley Spring Company ("Mountain Valley"), Eden Springs Europe B.V. ("Eden") and Aimia Foods ("Aimia") businesses); Coffee, Tea and Extract Solutions (which includes our S&D business); and All Other (which includes miscellaneous expenses and our Cott Beverages LLC business, which was sold in the first quarter of 2019). Our segment reporting results have been recast to reflect these changes for all periods presented. See Note 11 to the Consolidated Financial Statements for segment reporting.

Route Based Services

Our Route Based Services reporting segment provides bottled water, coffee and water filtration services to customers in North America, Europe, and Israel. Route Based Services products include bottled water, coffee, brewed tea, water dispensers, coffee and tea brewers and filtration equipment.

Coffee, Tea and Extract Solutions

Our Coffee, Tea and Extract Solutions reporting segment provides premium coffee roasting and customized coffee, tea and extract solutions to customers in the United States. Coffee, Tea and Extract Solutions products include fresh brewed coffee or tea, specialty coffee, liquid coffee or tea concentrate, single cup coffee, cold brewed coffee, iced blend coffee or tea beverages, tea, blended teas, hot tea, sparkling tea, and coffee or tea extract solutions.

All Other

Our All Other segment consists of miscellaneous expenses and our Cott Beverages LLC business, which serviced customers located primarily outside of North America and was sold in the first quarter of 2019. All Other products included primarily soft drink concentrates.

Competitive Strengths

The combination of our scale and density of our routes in key markets, our industry-leading infrastructure, and our emphasis on superior customer service is intended to create significant competitive strengths. With respect to our Route Based Services reporting segment, we continually invest in our delivery infrastructure, call centers and service capabilities to maintain our established position as a leader in this segment. We believe these investments have positioned us to capitalize on a number of positive industry dynamics and new growth opportunities. First, we intend to capture new customers as we capitalize on favorable consumer trends across our addressable markets, including increased focus on health and wellness, and concerns about deteriorating municipal water quality. Second, we believe our ability to cross-sell complementary water and filtration products and services represents a significant untapped opportunity. Third, the highly fragmented market in which we operate affords us ample opportunity to make the most of our scale, systems and customer density to execute synergistic tuck-in acquisitions across all of our service areas. We believe these strengths, along with the strengths outlined below, will allow us to capitalize on growth opportunities to drive sustainable and profitable growth.

Leading Position in Multiple Service Platforms

We have a leading volume-based national presence in the North American and European home and office industry for bottled water. In bottled water, we offer a portfolio of well-known brands with longstanding heritages, such as Mountain Valley, Crystal Rock, Vermont Pure, Sparkletts, Hinckley Springs, Kentwood Springs, Canadian Springs, Labrador and Eden Springs, which have contributed to our leadership position in the home and office bottled water industry. In office coffee services, we offer a complete range of products under leading brands including Keurig®, Mars Alterra®, Starbucks® Coffee, Caribou Coffee®, Peet's Coffee & Tea®, Javarama® and Lavazza®. In water filtration, we offer a complete range of products including carbon filtration and reverse osmosis filtration.

We are one of the only direct-to-customer providers that can offer comprehensive services to residential customers and small and medium-sized businesses, as well as large regional and national corporations and retailers. Our broad direct-to-consumer network creates an advantage in marketing and customer reach, while our extensive range of products and capabilities allows us to offer customers a convenient, single solution for high quality drinking water. We believe our position will be further strengthened through our ongoing efforts to enhance and promote our full-service beverage offering to new and existing customers.

We also believe that opportunities exist to increase sales of our products in our core markets by optimizing existing customer relationships, capitalizing on cross-selling and up-selling opportunities, obtaining new customers, exploring new channels of distribution and introducing new products through our broad reaching distribution network.

International Home and Office Water Delivery, Water Filtration or Point of Use and Office Coffee Service Platforms

We believe that having one of the leading North American and European home and office water delivery production and distribution networks in the industry gives us the ability to reduce our purchasing, manufacturing and delivery costs relative to our competitors as well as drive customer density within the markets we serve. We have an extensive home and office water delivery, water filtration and office coffee services distribution network with a unique ability to service customers. We believe few companies have a comparable footprint or infrastructure to support local, regional and national accounts directly, which differentiates us in the industry. Our network has allowed us to secure strategic relationships, which have been successful in attracting new customers and leveraging our production and delivery infrastructure. We are able to provide multiple products to our home and office water delivery, water filtration and office coffee services customers at minimal additional cost and generate additional profits on those incremental sales.

The acquisition of Eden in 2016 further expanded our European capabilities. We believe that our large distribution footprint in the water-and-coffee solutions space in Europe differentiates us from our competitors, providing us with region wide coverage for our most significant businesses and allowing us to meet the water and coffee needs of our diversified customer base, including both small and medium sized businesses and larger European customer accounts.

High Levels of Customer Service and Strong Customer Integration

Customer service and customer retention are key indicators of success within our Route Based Services reporting segment. Route Sales Representatives or “RSRs”, who comprise the consumer-facing part of the business, are an important part of the customer relationship and not only drive customer service, but also generate new organic customer growth. Our Route Based Services reporting segment provides reliable deliveries and closely tracks call center and customer service metrics to continually improve customer satisfaction.

Business Strategy

Our vision is to be the preeminent international route based direct to consumer and service provider across water and filtration solutions with dedicated focus on shareowner returns through continuous growth, expanding margins, and growing free cash flow. Our business services profile offers recurring and repeatable revenue streams and scalable platforms that uniquely position us to allow for operational leverage with growth and to capture synergies through tuck-in acquisition opportunities. We intend to drive value creation through growth from our “Better-for-You” product offerings (positioned in growing categories within water and filtration solutions), focused innovation with product development, route logistics and technology creating further growth, as well as cross selling and customer service opportunities, margin expansion driven by scaled platforms with increased customer and route density, highly synergistic customer list or tuck-in acquisition opportunities, and strong free cash flow generation.

Focus on Water and Filtration Solutions Growth

Our goal is to grow profitably as consumers move to healthier beverage options and increase free cash flow by expanding our customer density and consumption, focusing on customer service and reducing costs to serve, as well as price improvement.

We will remain focused on expanding our small and medium-sized business customer base, a market segment that we believe remains underpenetrated, by continuing to capitalize on our strong direct-to-consumer distribution network, international sales and marketing efforts as well as our strategic partnerships.

We believe our ability to cross-sell complementary water and filtration products and services represents a significant untapped opportunity as nearly all of our existing and target customers consume multiple products. We believe we are well-positioned to capitalize on this opportunity utilizing our strong relationships and frequent face-to-face interactions with our large installed customer base. RSRs are trained to sell across our product set and are highly incentivized through our commission structure to promote new products to existing customers, which increases sales and average revenue per customer.

We intend to proactively pursue accretive acquisitions to complement our organic growth. The highly fragmented market in which we operate affords us ample opportunities to execute synergistic home and office water and filtration tuck-in acquisitions. Our acquisition strategy is consistent with our objective to continually build customer density and reduce the overall cost of servicing our existing customer base. We have a proven track record of achieving significant synergies and integrating companies onto our platform, and we believe that our acquisition strategy will continue to improve our profitability and margins.

We have managed to pursue this acquisition strategy while reducing leverage levels from the time of the acquisition of DSS in 2014 by employing a combination of disciplined purchase pricing, successful integration and synergy realization, and divestiture of assets that are no longer instrumental to our mission and strategy.

Evaluate Acquisition Opportunities

We will continue to evaluate additional mid-to-larger scale opportunities to expand our positions in the home and office water and filtration service categories, as well as other higher margin or growth-oriented water categories where we believe our platform, operating strength and synergies can be leveraged.

Financial Information about Segments

For financial information about reporting segments and geographic areas, see Note 11 to the Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Ingredient and Packaging Supplies

In addition to water, the principal raw materials required to produce our products are polyethylene terephthalate (“PET”) resin, high-density polyethylene (“HDPE”) and polycarbonate bottles, caps and preforms, labels and cartons and trays. The cost of these raw materials can fluctuate substantially over time. We have implemented a number of risk mitigation programs in order to reduce the risk of commodity fluctuations in key areas such as energy surcharges tied to certain energy indexes within North America and throughout our European footprint. Our core product of home and office bottled water utilizes a reusable bottle that allows for the overall cost to service to be spread out over a number of recurring trips to our customer base. We utilize a refill, reuse and recycle concept with our three gallon (“3G”) and five gallon (“5G”) bottled water packaging, which can be reused as many as fifty times per bottle. Where we have not established a risk mitigation program, it is often necessary to recover the increased cost of materials through price increases which we have historically had success in utilizing in order to reduce our overall exposure to rising ingredient and packaging costs.

Under many of our supply arrangements for these raw materials, the price we pay fluctuates along with certain changes in underlying commodity costs, such as resin in the case of PET, and HDPE. We believe that we will be able to either renegotiate contracts with these suppliers when they expire or find alternative sources for supply. We also believe there is adequate supply of the ingredient and packaging materials used to produce and package our products.

Generally, we bear the risk of increases in the costs of the ingredient and packaging materials used to produce our products, including the underlying costs of the commodities used to manufacture them and, to some extent, the costs of converting those commodities into the materials we purchase.

Resin for PET, HDPE and fuel are examples of underlying commodities for which we bear the risk of increases in costs. In addition, the contracts for certain of our ingredient and packaging materials permit our suppliers to increase the costs they charge us based on increases in their cost of converting the underlying commodities into the materials we purchase. In certain cases, those increases are subject to negotiated limits. Changes in the prices we pay for ingredient and packaging materials occur at times that vary by product and supplier, and take place on a monthly, quarterly or annual basis.

Trade Secrets, Copyrights, Trademarks and Licenses

We sell a majority of our home and office 3G and 5G bottled water under our own brands while our office coffee services business sells both our branded products as well as products under which we have a distribution license. We own registrations, or applications to register, various trademarks that are important to our worldwide business, including Alhambra®, Crystal Rock®, Vermont Pure®, Mountain Valley®, Deep Rock®, Hinckley Springs®, Crystal Springs®, Kentwood Springs®, Mount Olympus®, Pureflo®, Standard Coffee®, Javarama®, Athena®, Nursery®, Relyant®, Sierra Springs® and Sparkletts® in the United States, Canadian Springs® and Labrador® in Canada, and Decantae®, Eden®, Eden Springs®, Chateaud’eau®, Edelvia®, Mey Eden®, Edenissimo®, Kafevend®, Pauza®, and Garraways® in Europe and Israel. The licenses to which we are a party are of varying terms, including some that are perpetual. Trademark ownership is generally of indefinite duration when marks are properly maintained in commercial use.

Our success depends in part on our intellectual property, which includes trademarks for the names of the beverages we sell. To protect this intellectual property, we rely principally on registration of trademarks, contractual responsibilities and restrictions in agreements (such as indemnification, nondisclosure and confidentiality agreements) with employees, consultants and customers, and on the common law and/or statutory protections afforded to trademarks, copyrights, trade secrets and proprietary "know-how." We also closely monitor the use of our trademarks and, when necessary, vigorously pursue any party that infringes on our trademarks, using all available legal remedies.

Customers

We have limited customer concentration, of which no customer accounts for more than 10% of our net revenues.

Competition

Our principal competitor in the 3G and 5G home and office bottled water business in the United States is Nestlé, which competes with us directly in many of our markets. Within Canada and Europe, our principal competitors are local or regional home and office bottled water businesses. We face competition in our home and office business as distribution methods for residential and commercial bottled water products continue to change and evolve, including the increasing availability of 3G and 5G water bottles in retail stores. This could affect our business as some customers may choose to purchase water in returnable bottles through retailers rather than through our sales and distribution network. We have a strategic alliance with Primo to bottle and distribute Primo's 3G and 5G water bottles through retail stores, but customers could choose to purchase Primo's competitors' retail products. Our home and office business also faces increased competition from filtration units in the residential and commercial market. Because homes and offices with installed filtration systems participate at a lower rate in the bottled water market, the installation of these systems poses a competitive threat to our business and reduces the number of potential customers for our bottled water products. In addition, consumers may choose to drink from municipal water sources instead of purchasing bottled water or using a filtration unit.

We seek to differentiate ourselves from our competitors by offering our customers high-quality products, category management strategies, packaging and marketing strategies, efficient distribution methods, and superior service.

Government Regulation and Environmental Matters

The production, distribution and sale in the United States of many of our products are subject to the Federal Food, Drug, and Cosmetic Act, the Federal Trade Commission Act, the Lanham Act, state consumer protection laws, federal, state and local workplace health and safety laws, various federal, state and local environmental protection laws and various other federal, state and local statutes and regulations applicable to the production, transportation, import, sale, safety, advertising, labeling and ingredients of such products. Outside the United States, the production, distribution and sale of our many products and related operations are also subject to numerous similar and other statutes and regulations.

A number of states have passed laws setting forth warning or labeling requirements relating to products made for human consumption. For example, the California law known as "Proposition 65" requires that a specific warning appear on any product sold in California containing a substance listed by that state as having been found to cause cancer or reproductive toxicity. This law, and others like it, exposes all food and beverage producers to the possibility of having to provide warnings on their products. The detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label, although products containing listed substances that occur naturally or that are contributed to such products solely by a municipal water supply are generally exempt from the warning requirement. From time to time over the past several years, certain of our customers have received notices alleging that the labeling requirements of the relevant state regulation would apply to products manufactured by us and sold by them. There can be no assurance that we will not be adversely affected by actions against our customers or us relating to Proposition 65 or similar "failure to warn" laws.

We currently offer and use non-refillable recyclable containers in the United States and other countries around the world. We also offer and use refillable containers, which are also recyclable. Legal requirements apply in various jurisdictions in the United States and other countries requiring that deposits or certain taxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other types of beverage container-related deposit, recycling, tax and/or product stewardship statutes and regulations also apply in various jurisdictions. We anticipate that additional, similar legal requirements may be proposed or enacted in the future at local, state and federal levels, both in the United States and elsewhere.

We are a member of the International Bottled Water Association ("IBWA") and the Water Quality Association. These associations often set higher water quality standards than those set by governmental agencies. Members must comply with these standards, which are enforced by the members themselves. The IBWA requires submission to annual plant inspections administered by an independent third-party inspection agency, such as the National Sanitation Foundation. These inspections audit quality and testing records, review all areas of plant operations and the bottling process, and check compliance with relevant national standards, good manufacturing practices, and any other regulations set by the IBWA. If we fail to meet the standards set by the IBWA and the Water Quality Association, there could be an adverse impact on our reputation, which could have a material adverse effect on our business and results of operations.

All of our production facilities and other operations are subject to various environmental protection statutes and regulations, including those of the U.S. Environmental Protection Agency ("EPA"), which pertain to the use of water resources and the discharge of waste water. Failure to comply with these regulations can have serious consequences, including civil and administrative penalties. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect on our capital expenditures, net income or competitive position.

Subject to the terms and conditions of the applicable policies, we have coverage for product recalls and product liability claims that could result from the injury, illness or death of consumers using our products, contamination of our products, or damage to or mislabeling of our products.

Employees

As of December 28, 2019, we had over 11,580 employees, of whom approximately 10,170 were in the Route Based Services reporting segment; 1,350 were in the Coffee, Tea and Extract Solutions reporting segment; and 60 were in All Other. We have entered into collective bargaining agreements covering approximately 1,250 of the employees in the Route Based Services reporting segment that contain terms that we believe are typical in our industry. As these agreements expire, we believe that they can be renegotiated on terms satisfactory to us. We consider our relations with employees to be generally good.

Availability of Information and Other Matters

We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the "SEC") and Canadian securities regulatory authorities. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at www.sec.gov. Information filed with the Canadian securities regulatory authorities is available at www.sedar.com.

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are also available free of charge on our website at www.cott.com, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information found on our website is not part of this or any other report that we file with, or furnish to, the SEC or to Canadian securities regulatory authorities.

We are responsible for establishing and maintaining adequate internal control over financial reporting as required by the SEC. See "Management's Report on Internal Control over Financial Reporting" in Item 9A.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Annual Report on Form 10-K, you should carefully consider the following factors, which could materially affect our business, financial condition or results of operations. The risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may negatively affect our business, financial condition or results of operations.

We may be unable to compete successfully in the markets in which we operate.

We face competition in our home and office water business as distribution methods for residential and commercial bottled water products continue to change and evolve. The increasing availability of 3G and 5G water bottles in retail stores could affect our business as some customers may choose to purchase water in returnable bottles through retailers rather than through our sales and distribution network. We have a strategic alliance with Primo to bottle and distribute Primo's 3G and 5G water bottles through retail stores, but customers could choose to purchase Primo's competitors' retail products. Our home and office water business also faces increased competition from filtration units in the residential and commercial market. Because homes and offices with installed filtration systems participate at a lower rate in the bottled water market, the installation of these systems poses a competitive threat to our business and reduces the number of potential customers for our bottled water products. In addition, consumers may choose to drink from municipal water sources instead of purchasing bottled water or using a filtration unit. Additionally, retail and internet availability of these products could negatively affect demand for the direct distribution sources we offer.

Our ingredients, packaging supplies and other costs are subject to price increases, and we may be unable to effectively pass rising costs on to our customers.

We typically bear the risk of changes in prices on the ingredient and packaging materials in our products. The majority of our ingredient and packaging supply contracts allow our suppliers to alter the prices they charge us based on changes in the costs of the underlying commodities that are used to produce them and, in some cases, changes in production costs. Resin for PET, HDPE and polycarbonate bottles are examples of these underlying commodities. These changes in the prices we pay for ingredient and packaging materials occur at times that vary by product and supplier, and take place, on a monthly, quarterly or annual basis.

Accordingly, we bear the risk of fluctuations in the costs of these ingredient and packaging materials, including the underlying costs of the commodities used to manufacture them and, to some extent, the costs of converting those commodities into the materials we purchase. If the cost of these ingredients or packaging materials increases, we may be unable to pass these costs along to our customers through adjustments to the prices we charge, which could have a negative effect on our results of operations. If we are able to pass these costs on to our customers through price increases, the impact those increased prices could have on our volumes is uncertain.

Our production facilities use a significant amount of electricity, natural gas and other energy sources to operate. Fluctuations in the price of fuel and other energy sources for which we have not locked in long-term pricing commitments or arrangements would affect our operating costs, which could negatively affect our results of operations.

If we fail to manage our operations successfully, our business and results of operations may be negatively affected.

In recent years, we have grown our business and beverage offerings primarily through the acquisition of other companies, development of new product lines and growth with key customers. We believe that opportunities exist to grow our business by leveraging existing customer relationships, obtaining new customers, exploring new channels of distribution, introducing new products or identifying appropriate acquisition or strategic alliance candidates. The success of this strategy with respect to acquisitions depends on our ability to manage and integrate acquisitions and alliances into our existing business. Furthermore, the businesses or product lines that we acquire or align with may not be integrated successfully into our business or prove profitable. In addition to the foregoing factors, our ability to expand our business in foreign countries is also dependent on, and may be limited by, our ability to comply with the laws of the various jurisdictions in which we may operate, as well as changes in local government regulations and policies in such jurisdictions. If we fail to successfully manage our operations, our business and results of operation could be adversely affected.

We may devote a significant amount of our management's attention and resources to our ongoing review of strategic opportunities, and we may not be able to fully realize the potential benefit of any such alternatives that we pursue.

As part of our overall strategic planning process, from time to time we evaluate whether there are alternatives available to complement our strategy of organic growth and growth through diversification. Accordingly, we may from time to time be engaged in evaluating potential transactions and other strategic alternatives, and we may engage in discussions that may result in one or more transactions, including the transition of Cott into a pure-play water company through the combination of Cott and Primo and the divestiture of the S&D business. Although there would be uncertainty that any of these discussions would result in definitive agreements or the completion of any transaction, we may devote a significant amount of our management's attention and resources to evaluating and pursuing a transaction or opportunity, which could negatively affect our operations.
In addition, we may incur significant costs in connection with evaluating and pursuing other strategic opportunities, regardless of whether any transaction is completed. We may not fully realize the potential benefits of any strategic alternatives or transactions that we pursue.

We have completed the divestiture of our Traditional Business, and have ongoing obligations and potential liabilities associated with the Traditional Business Disposition.

On January 30, 2018, we completed the divestiture of our Traditional Business. Under the Purchase Agreement, we remain liable for certain pre-closing liabilities associated with the divested business, such as taxes and certain litigation, and we remain liable for a period of time for breaches of representations, warranties and covenants made to the purchaser. We have also indemnified the purchaser in the event of such breaches and for other specific risks. Even though the Purchase Agreement contains what we believe to be customary liability caps, and we have established reserves for any expected ongoing liability associated with the divested business, unexpected liabilities may arise for which we could be responsible. If that occurs, or if established reserves are not sufficient, it could negatively affect our financial condition and future results of operations.

We may not realize the expected revenue and cost synergies related to our acquisitions.

The success of our acquisitions, including the Primo Acquisition, will depend, in part, on our ability to realize all or some of the anticipated benefits from integrating with our existing businesses. The integration process may be complex, costly, time-consuming and subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. The difficulties of integrating the operations and realizing revenue and cost synergies include, among others:

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;
- possible inconsistencies in standards, controls, procedures and policies, and compensation structures between acquired structures and our structure;
- failure to retain key customers and suppliers;
- unanticipated changes in applicable laws and regulations;
- failure to retain key employees;
- additional exposure to risks of new markets and geographies;
- inherent operating risks; and
- other unanticipated issues, expenses and liabilities.

We may not be able to maintain the levels of revenue, earnings or operating efficiency that each of Cott, on the one hand, and the acquired businesses, on the other hand, had achieved or might achieve separately. Even if we realize the expected benefits, this may not be achieved within the anticipated time frame. Furthermore, the synergies from acquisitions may be offset by costs incurred in consummating such acquisitions or in integrating the acquired businesses, increases in other expenses, operating losses or unrelated adverse results in the business. As a result, there can be no assurance that such synergies will be achieved.

In addition, actual results may differ from pro forma financial information of the combined companies due to changes in the fair value of assets acquired and liabilities assumed, changes in assumptions used to form estimates, difference in accounting policies between the companies, and completion of purchase accounting.

We have limited indemnification rights in connection with the Primo Acquisition.

In connection with the Primo Acquisition, we will be subject to all of the liabilities of the acquired business that have not been satisfied on or prior to the closing date of the transaction. There may be liabilities that we underestimated or did not discover in the course of performing our due diligence investigation. Under the merger agreement, we have been provided with a limited set of warranties in relation to identified risks, none of which will survive the closing date. We have secured insurance to cover losses arising in respect of the breach by Primo of those warranties, but our recovery may be insufficient to fully reimburse us for those losses. Damages resulting from a breach of warranty could have a material and adverse effect on our financial condition and results of operations.

Changes in future business conditions could cause business investments and/or recorded goodwill, indefinite life intangible assets or other intangible assets to become impaired, resulting in substantial losses and write-downs that would negatively affect our results of operations.

As part of our overall strategy, we will, from time to time, make investments in other businesses. These investments are made upon target analysis and due diligence procedures designed to achieve a desired return or strategic objective. These procedures often involve certain assumptions and judgment in determining investment amount or acquisition price. After consummation of an acquisition or investment, unforeseen issues could arise that adversely affect anticipated returns or that are otherwise not recoverable as an adjustment to the purchase price. Even after careful integration efforts, actual operating results may vary significantly from initial estimates. Goodwill accounted for approximately $1,175.7 million of our recorded total assets as of December 28, 2019. We evaluate the recoverability of recorded goodwill amounts annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment and certain underlying assumptions. Our other intangible assets with indefinite lives as of December 28, 2019 relate to the trademarks acquired in the acquisitions of DSS, Aquaterra, Eden, Mountain Valley and Crystal Rock Holdings, Inc. ("Crystal Rock"). These assets have an aggregate net book value of $287.1 million, and are more fully described in Note 1 to the Consolidated Financial Statements.

As of December 28, 2019, our intangible assets subject to amortization, net of accumulated amortization for continuing operations were $414.3 million, which consisted principally of $367.6 million of customer relationships that arose from acquisitions, $25.6 million of software, and $11.2 million of patents. Customer relationships are typically amortized on an accelerated basis for the period over which we expect to receive the economic benefits. The customer relationships acquired in connection with the acquisitions of DSS, Aquaterra, Eden, S&D, Mountain Valley and Crystal Rock are amortized over the expected remaining useful life of those relationships on a basis that reflects the pattern of realization of the estimated undiscounted after-tax cash flows. We review the estimated useful life of these intangible assets annually, taking into consideration the specific net cash flows related to the intangible asset, unless a review is required more frequently due to a triggering event such as the loss of a significant customer. The permanent loss of, or significant decline in sales to customers included in the intangible asset would result in either an impairment in the value of the intangible asset or an accelerated amortization of any remaining value and could lead to an impairment of the fixed assets that were used to service that customer. Principally, a decrease in expected reporting segment cash flows, changes in market conditions, loss of key customers and a change in our imputed cost of capital may indicate potential impairment of recorded goodwill, trademarks or tradenames. For additional information on accounting policies we have in place for goodwill impairment, see our discussion under "Critical Accounting Policies" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K and Note 1 to the Consolidated Financial Statements.

Our geographic diversity subjects us to the risk of currency fluctuations.

Although our sales predominately come from the United States, we conduct operations in many areas of the world, involving transactions denominated in a variety of currencies. We are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations. While we may enter into financial transactions to address these risks, there can be no assurance that currency exchange rate fluctuations will not negatively affect our financial condition, results of operations and cash flows. In addition, while the use of currency hedging instruments may provide us with protection from adverse fluctuations in currency exchange rates, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in currency exchange rates.

If we are unable to maintain relationships with our raw material suppliers, we may incur higher supply costs or be unable to deliver products to our customers.

In addition to water, the principal raw materials required to produce our products are PET resin, HDPE and polycarbonate bottles, caps and preforms, labels and cartons and trays. We rely upon our ongoing relationships with our key suppliers to support our operations.

We typically enter into annual or multi-year supply arrangements with our key suppliers, meaning that our suppliers are obligated to continue to supply us with materials for one-year or multi-year periods, at the end of which we must either renegotiate the contracts with those suppliers or find alternative sources for supply. There can be no assurance that we will be able to either renegotiate contracts (with similar or more favorable terms) with these suppliers when they expire or, alternatively, if we are unable to renegotiate contracts with our key suppliers, there can be no assurance that we could replace them. We could also incur higher ingredient and packaging supply costs in renegotiating contracts with existing suppliers or replacing those suppliers, or we could experience temporary disruptions in our ability to deliver products to our customers, either of which could negatively affect our results of operations.

With respect to some of our key ingredients, we have entered into long-term supply agreements, the remaining terms of which range up to 12 months. In addition, the supply of specific ingredient and packaging materials could be adversely affected by many factors, including industry consolidation, energy shortages, governmental controls, labor disputes, natural disasters, transportation interruption, political instability, acts of war or terrorism and other factors.

We have a significant amount of outstanding indebtedness, which could adversely affect our financial health, and future cash flows may not be sufficient to meet our obligations.

As of December 28, 2019, our total indebtedness was $1,360.0 million. Our present indebtedness and any future borrowings could have important adverse consequences to us and our investors, including:

- requiring a substantial portion of our cash flow from operations to make interest payments on this indebtedness;
- making it more difficult to satisfy debt service and other obligations;
- increasing the risk of a future credit ratings downgrade of our indebtedness, which would increase future debt costs;
- increasing our vulnerability to general adverse economic and industry conditions;
- reducing the cash flow available or limiting our ability to borrow additional funds for share repurchases, to pay dividends, to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and
- placing us at a competitive disadvantage to our competitors that may not be as highly leveraged as we are.

To the extent we become more leveraged, we face an increased likelihood that one or more of the risks described above would materialize. In addition, our actual cash requirements in the future may be greater than expected. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

If we fail to generate sufficient cash flow from future operations to meet our debt service obligations, we may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on attractive terms, commercially reasonable terms or at all. If we cannot service or refinance our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy, prevent us from entering into transactions that would otherwise benefit our business and/or have a material adverse effect on our financial condition and results of operations. Our future operating performance and our ability to service or refinance our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Our ABL facility and the indenture governing our outstanding notes each contain various covenants limiting the discretion of our management in operating our business, which could prevent us from capitalizing on business opportunities and taking some corporate actions.

Our ABL facility and the indenture governing our outstanding notes each impose significant operating and financial restrictions on us. These restrictions will limit or restrict, among other things, our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- make restricted payments (including paying dividends on, redeeming, repurchasing or retiring our capital stock);
- make investments;
- create liens;
- sell assets;
- enter into agreements restricting our subsidiaries’ ability to pay dividends, make loans or transfer assets to us;
- engage in transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

These covenants are subject to important exceptions and qualifications. In addition, our ABL facility also requires us, under certain circumstances, to maintain compliance with certain financial covenants as described in the "Covenant Compliance" section in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations". Our ability to comply with these covenants may be affected by events beyond our control, including those described in this "Risk Factors" section. A breach of any of the covenants contained in our ABL facility, or the indentures governing our outstanding notes could result in an event of default under one or more of the documents governing such obligations, which would allow the lenders under our ABL facility to declare all borrowings outstanding, or in the case of the noteholders of our outstanding notes, all principal amounts outstanding on such notes, to be due and payable. Any such acceleration would trigger cross-default provisions under the ABL facility, and the indentures governing our outstanding notes and, potentially, our other indebtedness. In the event of an acceleration of payment obligations, we would likely be unable to pay our outstanding indebtedness with our cash and cash equivalents then on hand. We would, therefore, be required to seek alternative sources of funding, which may not be available on commercially reasonable terms, terms as favorable as our current agreements or at all. If we are unable to refinance our indebtedness or find alternative means of financing our operations, we may be required to curtail our operations, face bankruptcy, or take other actions that are inconsistent with our current business practices or strategy. For additional information about our ABL facility, see our discussion under "Liquidity and Capital Resources" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K and Note 17 to the Consolidated Financial Statements.

A portion of our debt may be variable rate debt, and changes in interest rates could adversely affect us by causing us to incur higher interest costs with respect to such variable rate debt.

Our ABL facility subjects us to interest rate risk. The rate at which we pay interest on amounts borrowed under such facility fluctuates with changes in interest rates and our debt leverage. Accordingly, with respect to any amounts from time to time outstanding under our ABL facility, we are and will be exposed to changes in interest rates. If we are unable to adequately manage our debt structure in response to changes in the market, our interest expense could increase, which would negatively affect our financial condition and results of operations. The outstanding borrowings under the ABL facility as of December 28, 2019 were $92.0 million.

We have incurred, and may incur, substantial indebtedness in order to finance acquisitions, including the Primo Acquisition, which could adversely affect our business and limit our ability to plan for or respond to changes in our business.

Our strategy of growth by acquisitions has been financed by the incurrence of substantial indebtedness. There can be no assurance that we will be successful in obtaining any future debt financing on favorable terms or at all.

Further, we intend to use the proceeds from the S&D Disposition, along with cash on hand, to pay the cash consideration for the Primo Acquisition, repay Primo's existing credit facility and settle certain fees and expenses incurred in connection with the Primo Acquisition. If the S&D Disposition is not consummated prior to the Primo Acquisition, however, we have arranged for a committed financing of up to $400 million from Deutsche Bank AG, New York Branch to finance the Primo Acquisition.

Our ability to make payments on our debt obligations and to fund planned capital expenditures depends on our ability to generate cash from our future operations. This, to a certain extent, is subject to financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, if we cannot service our indebtedness, we may have to take actions such as selling assets, raising additional equity financing or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy, prevent us from entering into transactions that would otherwise benefit our business and/or negatively affect our financial condition and results of operations. We may not be able to refinance our indebtedness or take such other actions, if necessary, on commercially reasonable terms, or at all.

Uncertainty in the financial markets and other adverse changes in general economic conditions in the countries in which we do business could adversely affect our industry, business and results of operations.

Periods of uncertainty in the financial markets and adverse economic conditions in the countries in which we do business could have a number of different effects on our business, including:

- a reduction in consumer spending, which could result in a reduction in our sales volume;
- a negative impact on the ability of our customers to timely pay their obligations to us or our vendors to timely supply materials, thus reducing our cash flow;
- an increase in counterparty risk;
- an increased likelihood that one or more members of our banking syndicate may be unable to honor its commitments under our ABL facility; and
- restricted access to capital markets that may limit our ability to take advantage of business opportunities.

If economic conditions deteriorate, our industry, business and results of operations could be materially and adversely affected.

Substantial disruption to production at our production facilities could occur.

A disruption in production at our production facilities or those of our suppliers, distribution channels or service networks could have a material adverse effect on our business. The disruption could occur for many reasons, including fire, natural disasters, weather, manufacturing problems, diseases, strikes, transportation interruption, government regulation or terrorism. Alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production, each of which could negatively impact our business and results of operations.

Our business is dependent on our ability to maintain access to our water sources; water scarcity and poor quality could negatively affect our long-term financial performance.

A disruption in the water flow at any one of our water sources, a dispute over water rights, increased legal restrictions on water use or access at our water sources or the failure to maintain access to our water sources could cause an increase in the cost of our products or shortages that would likely not allow us to meet market demand. The potential delivery and price disruptions due to the loss of any one water source or a decline in the volume of water available could significantly disrupt our business, result in the loss of customer confidence and have an adverse effect on our business, financial condition and results of operations. Further, if any of our municipal water sources were curtailed or eliminated as a result of, for example, a natural disaster, work stoppage or other significant event that disrupted water flow from such municipal source, we may have to purchase water from other sources, which could increase water and transportation costs and could result in supply shortages and price increases. Any one of these events could have a negative impact on our business, financial condition, reputation and results of operations.

Water is a limited resource facing significant challenges from population growth, environmental contamination and poor management. As demand for water continues to increase and if water becomes more scarce and the quality of water available deteriorates, our business may incur increasing costs or face capacity constraints, which could adversely affect our profitability or net sales in the long run.

Our success depends, in part, on our intellectual property, which we may be unable to protect.

While we own certain of the trademarks used to identify our beverages, other trademarks are used through licenses from third-parties or by permission from our customers. Our success depends, in part, on our ability to protect our intellectual property.

To protect this intellectual property, we rely principally on registration of trademarks, contractual responsibilities and restrictions in agreements (such as indemnification, nondisclosure and confidentiality agreements) with employees, consultants and customers, and on common law and statutory protections afforded to trademarks, trade secrets and proprietary "know-how." In addition, we vigorously protect our intellectual property against infringements using any and all legal remedies available. Notwithstanding our efforts, we may not be successful in protecting our intellectual property for a number of reasons, including:

- our competitors may independently develop intellectual property that is similar to or better than ours;
- employees, consultants or customers may not abide by their contractual agreements and the cost of enforcing those agreements may be prohibitive, or those agreements may prove to be unenforceable or more limited than anticipated;
- foreign intellectual property laws may not adequately protect our intellectual property rights; and
- our intellectual property rights may be successfully challenged, invalidated or circumvented.

If we are unable to protect our intellectual property, our competitive position would weaken and we could face significant expense to protect or enforce our intellectual property rights.

Occasionally, third-parties may assert that we are, or may be, infringing on or misappropriating their intellectual property rights. In these cases, we intend to defend against claims or negotiate licenses when we consider these actions appropriate. Intellectual property cases are uncertain and involve complex legal and factual questions. If we become involved in this type of litigation, it could consume significant resources and divert our attention from business operations.

If we are found to infringe on the intellectual property rights of others, we could incur significant damages, be enjoined from continuing to manufacture, market or use the affected product, or be required to obtain a license to continue manufacturing or using the affected product. A license could be very expensive to obtain or may not be available at all. Similarly, changing products or processes to avoid infringing the rights of others may be costly or impracticable.

Our products may not meet health and safety standards or could become contaminated and we could be liable for injury, illness or death caused by consumption of our products.

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. This could result in expensive production interruptions, recalls and liability claims. We may be liable to our customers if the consumption of any of our products causes injury, illness or death. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business, results of operations or cash flows.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We are party to various litigation claims and legal proceedings. We evaluate these claims and proceedings to assess the likelihood of unfavorable outcomes, and, if possible, estimate the amount of potential losses. If our products are not safely and/or properly manufactured or designed, personal injuries or property damage could result, which could subject us to claims for damages. The costs associated with defending product liability and other claims, and the payment of damages, could be substantial. Our reputation could also be adversely affected by such claims, whether or not successful.

We may establish a reserve as appropriate based upon assessments and estimates in accordance with our accounting policies, and we have also asserted insurance claims where appropriate. We base our assessments, estimates and disclosures on the information available to us at the time and rely on legal and management judgment. Actual outcomes or losses or any recoveries we may receive from insurance may differ materially from assessments and estimates. Actual settlements, judgments or resolutions of these claims or proceedings may negatively affect our business and financial performance. A successful claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages and could negatively affect our business, financial condition and results of operations. For more information, see "Item 3. Legal Proceedings."

Changes in the legal and regulatory environment in the jurisdictions in which we operate could negatively affect our results of operations, adversely affect demand for our products and services or result in litigation.

As a producer and distributor of foods and beverages, we must comply with various federal, state, provincial, local and foreign laws relating to production, packaging, quality, labeling and distribution, including, in the United States, those of the federal Food, Drug and Cosmetic Act, the Fair Packaging and Labeling Act, the Federal Trade Commission Act, the Nutrition Labeling and Education Act and California Proposition 65. We are also subject to various federal, state, provincial, local and foreign environmental laws and workplace regulations. These laws and regulations include, in the United States, the Occupational Safety and Health Act, the Unfair Labor Standards Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, the Federal Motor Carrier Safety Act, laws governing equal employment opportunity, customs and foreign trade laws and regulations, laws relating to the maintenance of fuel storage tanks, laws relating to mineral and chemical concentration and water quality, consumption and treatment, and various other federal statutes, laws and regulations. The Food and Drug Administration ("FDA") regulates bottled water as a food. Our bottled water must meet FDA requirements of safety for human consumption, labeling, processing and distribution under sanitary conditions and production in accordance with FDA "Current Good Manufacturing Practices." We import certain of our equipment, and we must comply with import laws and regulations. Outside the United States, the production and distribution of our products are also subject to various laws and regulations. These laws and regulations may change as a result of political, economic, or social events. Such regulatory changes may include changes in food and drug laws, laws related to advertising, accounting standards, taxation requirements, competition laws and environmental laws, including laws relating to the regulation of water rights and treatment. Changes in laws, regulations or government policy and related interpretations may alter the environment in which we do business, which may negatively affect our results of operations or increase our costs or liabilities.

Food/Beverage Production

A number of states have passed laws setting forth warning or labeling requirements relating to products made for human consumption. For example, the California law known as Proposition 65 requires that a specific warning statement appear on any product sold in California containing a substance listed by that state as having been found to cause cancer or reproductive toxicity. This law, and others like it, exposes all food and beverage producers to the possibility of having to provide warnings on their products. The detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label, although products containing listed substances that occur naturally or that are contributed to such products solely by a municipal water supply are generally exempt from the warning requirement. From time to time over the past several years, certain of our customers have received notices alleging that the labeling requirements of the relevant state regulation would apply to products manufactured by us and sold by them. There can be no assurance that we will not be adversely affected by actions against our customers or us relating to Proposition 65 or similar "failure to warn" laws. Were any such claim to be pursued or succeed, we might in some cases be required to indemnify our customers for damages and provide warnings on our products in order for them to be sold in certain states. Any negative media attention, adverse publicity or action arising from allegations of violations could adversely affect consumer perceptions of our products and harm our business.

Energy/Conservation Initiatives

The EPA has oversight over the Energy Star certification program for appliances, including bottled water dispensers. Since February 1, 2014, the EPA has required appliances in the program to adhere to a lower energy consumption standard of 0.87 kilowatt hours per day. While we are working closely with our water cooler manufacturers to ensure we have continued access to Energy Star certified bottled water dispensers, there can be no assurances that we will continue to have such access. Our inability to utilize compliant dispensers could negatively affect our business, financial condition, reputation and results of operations.

Recent initiatives have taken place in several markets in which we operate regarding bottled water. Regulations have been proposed in some jurisdictions that would ban the use of public funds to purchase bottled water, enact local taxes on bottled water and water extraction and restrict the withdrawal of water from public and private sources. We believe that the adverse publicity associated with these initiatives is generally aimed at the retail, small bottle segment of the industry that is a minimal part of our business, and that our customers can readily distinguish our products from the retail bottles that are currently the basis for concern in some areas. Our customers typically buy their water in reusable 3G and 5G water bottles that are placed on coolers and reused many times. While we believe that to date we have not directly experienced any adverse effects from these concerns, and that our products are sufficiently different from those under scrutiny, there is no assurance that adverse publicity about any element of the bottled water industry will not affect public behavior by discouraging consumers from buying bottled water products generally. In that case, our sales and other financial results could be adversely affected.

The increasing concern over climate change also may result in more regional, federal and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the cost of energy, including fuel, required to operate our facilities or transport and distribute our products, particularly in our DSS business, thereby substantially increasing the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and results of operations.

Packaging Ingredients

The manufacture and use of resins and Bisphenol A (“BPA”) used to make our 3G and 5G water bottles are subject to regulation by the FDA. These regulations relate to substances used in food packaging materials. BPA is contained in substantially all of our 3G and 5G returnable polycarbonate plastic bottles. Negative media attention regarding BPA has generated concern in the bottled water market, although a January 2010 report by the FDA notes studies that suggest the low levels of BPA used in polycarbonate bottles are safe for human exposure and the FDA sustained this opinion in its March 2013 BPA consumer update. On December 5, 2014, the FDA updated its safety declaration on BPA, indicating that available information continues to support BPA's safety for currently approved uses in food containers and packaging. The FDA indicated that it will continue to evaluate these studies before issuing a final assessment on the safety of BPA and the FDA’s current public health recommendations include taking reasonable steps to reduce exposure of infants and young children to BPA. The FDA and certain states, however, may in the future decide to regulate more aggressively the potential harmful effects of BPA. Although the FDA rejected a 2012 citizen petition from the Natural Resources Defense Council seeking the ban of BPA from all food and drink packaging, including plastic bottles and canned foods, our customers and potential new customers may share the concerns raised by the citizens petition and may reduce their exposure to BPA as a result. The FDA has also asserted the need for additional studies on the safety of BPA in food packaging materials and acknowledged recent studies regarding potential developmental and behavioral effects of BPA exposure on infants and young children. The EPA and certain states also may in the future study or regulate BPA. Additionally, a number of states have passed legislation banning the use of BPA in packaging intended for children three years of age and younger, such as in baby bottles and sippy cups. Extensive negative public perception regarding food packaging that uses BPA could cause consumers to stop purchasing our products manufactured in polycarbonate bottles. Further, the emergence of new scientific evidence or reports that suggests our polycarbonate water bottles are unsafe, or interpretations of existing evidence by regulatory agencies that lead to prohibitions on the use of polycarbonate plastic as packaging for food contact materials, could cause a serious disruption in our ability to package our bottled water products. If polycarbonate plastic becomes a banned substance, we may not be able to adopt alternative packaging, and conduct extensive and costly safety testing, in time to prevent adverse effects to our business, financial condition and results of operations. Further, if our competitors successfully integrate BPA-free packaging into their business and BPA is subsequently deemed undesirable or unsafe, our competitors may have a significant competitive advantage over us.

Hazardous Materials

We engage in or have in the past engaged in the handling, storage or use of hazardous substances, including for the maintenance and fueling of our vehicle fleet for our DSS business. We are also required to obtain environmental permits from governmental authorities for certain operations. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. We could also be held liable for any consequences arising out of human exposure to hazardous substances or other environmental damage.

Certain environmental laws impose liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances and also impose liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities. In addition to actions brought by governmental agencies, private plaintiffs may also bring personal injury claims arising from the presence of hazardous substances on a property. From time to time, we have also been named a potentially responsible party at third-party waste disposal sites. There can be no assurances that we will not be required to make material expenditures in the future for these or other contamination-related concerns or that other responsible parties will conduct any required cleanup. Environmental laws and regulations are complex, change frequently and tend to become more stringent over time. We cannot assure you that our costs of complying with current and future environmental laws and regulations and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not negatively affect our business, financial condition or results of operations.

International Trade Regulations

Currently, a large portion of our dispensers are assembled by independent manufacturers in, and imported from, China. These import operations are subject to international trade regulations, including import charges and other agreements among the United States and its trading partners, including China.

The current U.S. presidential administration has made significant changes to U.S. trade policy, including new or increased tariffs on a broad range of goods imported into the United States, particularly from China, with additional tariffs and other actions still under consideration. Further, these changes in U.S. trade policy have triggered retaliatory protectionist actions by affected countries. Given the uncertainty regarding the scope and duration of these trade actions by the United States and other countries, as well as the potential for additional trade actions, the impact on our operations and results remains uncertain and could be significant. To the extent that our supply chain, costs, sales or profitability are negatively affected by the existing tariffs or any other trade actions (including duties, import charges or other similar restrictions or other reductions in trade), our business, financial condition and results of operations may be materially adversely affected.

Our business is seasonal and adverse weather conditions could negatively affect our business, financial condition and results of operations.

The sales of our products are influenced to some extent by weather conditions in the markets in which we operate. Unusually cold or rainy weather during the summer months may reduce the demand for our bottled water and other products and contribute to lower revenues, which could negatively affect our profitability.

Global or regional catastrophic events could affect our operations and results of operations.

Our business can be affected by large-scale terrorist acts, especially those directed against the United States or other major industrialized countries in which we do business, major natural disasters, or widespread outbreaks of infectious diseases. Such events could impair our ability to manage our business, could disrupt our supply of raw materials, and could affect production, transportation and delivery of products. In addition, such events could cause disruption of regional or global economic activity, which can affect consumers' purchasing power in the affected areas and, therefore, reduce demand for our products.

Our success depends in part upon our ability to recruit, retain and prepare succession plans for our CEO, CFO, senior management and key employees.

The performance of our Chief Executive Officer ("CEO"), Chief Financial and Administrative Officer ("CFO"), senior management and other key employees is critical to our success. We plan to continue to invest time and resources in developing our senior management and key employee teams. Our long-term success will depend on our ability to recruit and retain capable senior management and other key employees, and any failure to do so could have a material adverse effect on our future operating results and financial condition. Further, if we fail to adequately plan for the succession of our CEO, CFO, senior management and other key employees, our results of operations could be negatively affected.

We may not be able to renew collective bargaining agreements on satisfactory terms, or we could experience strikes.

Some of our employees are covered by collective bargaining agreements expiring on various dates. We may not be able to renew our collective bargaining agreements on satisfactory terms or at all. This could result in strikes or work stoppages, which could impair our ability to manufacture and distribute our products and result in a substantial loss of sales. The terms of existing or renewed agreements could also significantly increase our costs or negatively affect our ability to increase operational efficiency.

We depend on key information systems and third-party service providers.

We depend on key information systems to accurately and efficiently transact our business, provide information to management and prepare financial reports. We rely on third-party providers for various networking, application hosting and related business process services which support our key information systems. Issues with performance by these third-parties may disrupt our operations and as a result, our operating expenses could increase, which could negatively affect our results of operations.

In addition, these systems and services are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or telecommunications failures, processing errors, computer viruses, hackers, other security issues or supplier defaults. Security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Any disruption or failure of these systems or services could cause substantial errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions, all of which could negatively affect our business and results of operations.

If we are unable to securely maintain our customers' confidential or credit card information, or other private data relating to our employees or our Company, we could be subject to negative publicity, costly government enforcement actions or private litigation, which could damage our business reputation and negatively affect our results of operations.

The protection of our customer, employee and Company data is critical to us. We have procedures and technology in place to safeguard our customers' debit card, credit card and other personal information, our employees' private data and Company records and intellectual property. However, if we experience a data security breach of any kind, we could be exposed to negative publicity, government enforcement actions, private litigation or costly response measures. In addition, our reputation within the business community and with our customers may be affected, which could result in our customers discontinuing their purchases of our products and services or their use of the debit or credit card payment option. Any loss of our ability to securely offer our customers a credit card payment option would make our products less attractive to many small organizations by negatively affecting our customer experience and significantly increasing our administrative costs related to customer payment processing. This could cause us to lose market share to our competitors and could have a negative effect on our results of operations.

In addition, the regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. For example, the European Union's General Data Protection Regulation, which became effective in May 2018, and the California Consumer Privacy Act, which became effective on January 1, 2020, impose significant new requirements on how we collect, process and transfer personal data, as well as significant fines for non-compliance. Compliance with changes in privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes.

We may not continue our quarterly dividend and shareowners may never obtain a return on their investment.

We have paid quarterly cash dividends since 2012. Most recently, our Board of Directors declared a dividend of $0.06 per common share to be paid in cash on March 25, 2020 to shareowners of record at the close of business on March 10, 2020. However, there can be no assurance that we will continue to declare quarterly dividends in the future. The declaration and payment of future dividends on our common shares is subject to, among other things, the best interests of our shareowners, our results of operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants and other restrictions on payment set forth in the instruments governing our indebtedness in effect from time to time. Accordingly, shareowners must rely on sales of their common shares after price appreciation, which may never occur, as the only way to realize any return on their investment.

We are subject to risks associated with our international operations, including compliance with applicable U.S. and foreign anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and other applicable anti-corruption laws, which may increase the cost of doing business in international jurisdictions.

We currently operate internationally and we intend to continue expansion of our international operations. We now operate in 18 European countries and Israel. As a result, our business is exposed to risks inherent in foreign operations. If we fail to adequately address the challenges and risks associated with our international operations and acquisition strategy, we may encounter difficulties in our international operations and implementing our strategy, which could impede our growth or harm our operating results. These risks, which can vary substantially by jurisdiction, include the difficulties associated with managing an organization with operations in multiple countries, compliance with differing laws and regulations (including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and local laws prohibiting payments to government officials and other corrupt practices, tax laws, regulations and rates), enforcing agreements and collecting receivables through foreign legal systems. Although we have implemented policies and procedures designed to ensure compliance with these laws, there can be no assurance that our employees, contractors and agents will not take actions in violation of our policies, particularly as we expand our operations through organic growth and acquisitions. Any such violations could subject us to civil or criminal penalties, including material fines or prohibitions on our ability to offer our products in one or more countries, and could also materially damage our reputation, brand, international expansion efforts, business and operating results. Additional risks include the potential for restrictive actions by foreign governments, changes in economic conditions in each market, foreign customers who may have longer payment cycles than customers in the United States, the impact of economic, political and social instability of those countries in which we operate and acts of nature, such as typhoons, tsunamis, or earthquakes. The overall volatility of the economic environment has increased the risk of disruption and losses resulting from hyper–inflation, currency devaluation and tax or regulatory changes in certain countries in which we have operations.

We are subject to the risk of increased taxes.

We base our tax positions upon our understanding of the tax laws of the various countries in which we have assets or conduct business activities. However, our tax positions are subject to review and possible challenge by taxing authorities. This includes adverse changes to the manner in which Canada and other countries tax multinational companies and interpret or change their tax laws. We cannot determine in advance the extent to which some jurisdictions may assess additional tax or interest and penalties on such taxes. In addition, our effective tax rate may be increased by changes in the valuation of deferred tax assets and liabilities, changes in our cash management strategies, changes in local tax rates or countries adopting more aggressive interpretations of tax laws.

Our income tax expense includes tax benefits resulting from several reorganizations of our legal entity structure and refinancing of intercompany debt during the last three years. However, since the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations, our effective tax rate may ultimately be different than the amount we are currently reporting. In addition, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules which require that all transactions with nonresident related parties be priced using arm's length pricing principles, and that contemporaneous documentation must exist to support such pricing. There is a risk that the taxing authorities may not deem our transfer pricing documentation acceptable. The Organization for Economic Cooperation and Development released guidance related to Base Erosion and Profit Shifting which may also result in legislative changes that could impact our effective tax rate.

The 2017 Tax Cuts and Jobs Act was enacted on December 22, 2017, and significantly affected U.S. tax law. The U.S. rule-making bodies have the authority to issue regulations and interpretative guidance that may significantly impact how we apply the law and impact our results of operations in the period issued.

We also face other risks that could adversely affect our business, results of operations or financial condition, which include:

- any requirement to restate financial results in the event of inappropriate application of accounting principles or otherwise;
- any event that could damage our reputation;
- failure to properly manage credit risk from customers;
- failure of our processes to prevent and detect unethical conduct of employees;
- any significant failure of internal controls over financial reporting;
- failure of our prevention and control systems related to employee compliance with internal policies and regulatory requirements;
- failure of corporate governance policies and procedures; and
- credit ratings changes.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our business is supported by our extensive manufacturing and distribution network. Our manufacturing footprint encompasses 62 strategically located beverage manufacturing and production facilities, including 57 facilities in our Route Based Services reporting segment, which includes 33 facilities in the United States, 10 facilities in Canada and 14 facilities in Europe; five facilities in our Coffee, Tea and Extract Solutions reporting segment, all in the United States. We also have 399 branch distribution and warehouse facilities across all of our reporting segments, which include 257 facilities in the United States, 127 facilities in Europe and 15 facilities in Canada, and one customer service call center for the DSS business in the United States.

The total square footage of our manufacturing and production facilities is approximately 2.5 million square feet in the United States; 0.4 million square feet in Canada; and 0.6 million square feet in Europe, inclusive of 0.2 million square feet in the United Kingdom. The total square footage of our branch distribution and warehouse facilities is approximately 2.7 million square feet in the United States; 0.2 million square feet in Canada; and 1.0 million square feet in Europe. This square footage does not include 31 leased office spaces that comprise 0.5 million square feet. Lease terms for non-owned beverage production facilities and offices expire between 2020 and 2035.

The production facilities and square footage amounts noted above do not include vacant or underutilized properties.

ITEM 3. LEGAL PROCEEDINGS

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

The Israeli Ministry of Environmental Protection (the "Ministry") has alleged that a non-profit recycling corporation, which collects and recycles bottles sold by manufacturers, including Eden, failed to meet recycling quotas in 2016, in violation of Israeli law. The law imposes liability directly on manufacturers, and the Ministry has asserted that the manufacturers involved with the corporation owe a fine. Eden received a notice from the Ministry on June 21, 2018. Although we cannot predict the outcome of any potential proceedings at this stage, Eden may be subject to a fine in excess of $0.1 million. Management believes, however, that the resolution of this matter will not be material to our financial position, results of operations, or cash flow.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

SUPPLEMENTAL ITEM PART I. INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following is a list of names, ages, offices and backgrounds of all of our executive officers as of February 26, 2020. Our officers do not serve for a set term.

	Office	Age
Thomas Harrington	Chief Executive Officer	62
Jerry Fowden	Executive Chairman of the Board	63
Jay Wells	Chief Financial and Administrative Officer	57
Ron Hinson	Chief Executive Officer - S&D Business Unit	64
Marni Morgan Poe	Chief Legal Officer and Secretary	50
William "Jamie" Jamieson	Global Chief Information Officer	47
Jason Ausher	Chief Accounting Officer	46
Steven Kitching	Executive Chair - Route Based Services	57

- Thomas Harrington was appointed as Cott's Chief Executive Officer effective as of the beginning of fiscal 2019. Prior to his appointment, Mr. Harrington served as the Chief Executive Officer of Cott's DS Services business unit since Cott's acquisition of DS Services in December 2014 and was appointed President Route Based Services in July 2016. Prior to the acquisition, Mr. Harrington served in various roles with DS Services from 2004 to 2014, including Chief Executive Officer, President, Chief Operating Officer, West Division President, and Senior Vice President, Central Division. Prior to joining DS Services, Mr. Harrington served in various roles with Coca-Cola Enterprises, Inc. including Vice President and General Manager of Coca-Cola Enterprises New York and Chicago divisions. He also served in various sales and marketing roles with Pepperidge Farm from 1979 to 1985. Mr. Harrington previously served as a member of the board of directors of the National Automatic Merchandising Association, the International Bottled Water Association and the Water Quality Association. He has served on Cott's Board since the beginning of fiscal 2019.
- Jerry Fowden was Cott's Chief Executive Officer from 2009 until the end of 2018, at which point he became Cott's Executive Chairman. Prior to his service as Cott's Chief Executive Officer, he served as President of Cott's international operating segment, Interim President North America and Interim President of Cott's UK and European business from 2007 to 2009. Prior to joining Cott, Mr. Fowden served as Chief Executive Officer of Trader Media Group (now known as Autotrader plc) and was a member of the Guardian Media Group plc's board of directors from 2005 to 2007. Prior to this time, Mr. Fowden served in a variety of roles at multiple companies, including global Chief Operating Officer of AB InBev S.A. Belgium, an alcoholic beverage company, Chief Executive Officer of Bass Brewers Ltd., a subsidiary of AB InBev S.A. Belgium, Managing Director of the Rank Group plc's Hospitality and Holiday Division and member of the Rank Group plc's board of directors, Chief Executive Officer of Hero AG's European beverage operations and various roles within PepsiCo Inc.'s beverage operations and Mars, Incorporated's pet food operations. Mr. Fowden currently serves on the board of directors of Constellation Brands Inc., a premium alcoholic beverage company, and is a member of its Corporate Governance Committee and Chair of its Human Resources Committee. Mr. Fowden also serves on the board of directors of British American Tobacco p.l.c., a leading consumer goods company, and is a member of its Audit Committee and its Nomination Committee. Mr. Fowden previously served as a member of the board of directors of the American Beverage Association and the British Soft Drinks Association. He has served on Cott's Board since 2009.
- Jay Wells was appointed Chief Financial Officer in 2012 and was appointed Chief Financial and Administrative Officer on October 1, 2018. Prior to joining Cott, Mr. Wells held various senior finance positions with Molson Coors from 2005 to 2012, including Chief Financial Officer of Molson Coors Canada, a subsidiary of Molson Coors Brewing Company, and Global Vice President, Treasury, Tax, and Strategic Finance of Molson Coors Brewing Company. From 1990 to 2005, Mr. Wells held several positions within Deloitte and Touche LLP, including partner.

- Ron Hinson has been Chief Executive Officer of S&D Coffee and Tea since 2000, and he continued in that role after the closing of the acquisition of S&D. Prior to the acquisition, Mr. Hinson served in various roles with S&D over a 40 year period, beginning his career in the sales organization and working his way up to Chief Executive Officer in 2000 and Chairman of the Board of Directors of S&D in 2010. Mr. Hinson currently serves on the board of directors of the National Coffee Association and the Tea Association.

- Marni Morgan Poe has served as Cott's Chief Legal Officer and Secretary since 2010. Prior to her appointment, Ms. Poe served as Cott's Corporate Counsel from 2008 to 2010. Prior to joining Cott, Ms. Poe was a partner at the law firm of Holland & Knight LLP from 2000 to 2006 and an associate of the law firm from 1995 to 2000.

- William "Jamie" Jamieson was appointed Global Chief Information Officer in April 2019. Prior to joining Cott, Mr. Jamieson served as senior vice president and chief information officer for GNC from 2015 to 2019, overseeing enterprise technology teams and platforms. From 2000 to 2015, he held various senior roles leading information technology service delivery for Charming Charlie and Chico's FAS, Inc., both fashion retailers.

- Jason Ausher was appointed Chief Accounting Officer in May 2015. Prior to his appointment, from 2011 to 2015, Mr. Ausher served as Cott's VP Treasurer, Corporate Development. From 2010 to 2011, Mr. Ausher served as Cott's Corporate Controller, and from 2008 to 2010, he held the position of Controller for Cott's U.S. Business Unit. From 2003 to 2008, Mr. Ausher held numerous positions with Walter Industries, Inc. and Mueller Water Products Inc. (a water infrastructure business and spin-off of Walter Industries, Inc.), including the position of Vice President of Finance. Prior to this, from 1996 to 2002, Mr. Ausher was with PricewaterhouseCoopers LLP.

- Steven Kitching was appointed Executive Chair for Route Based Services effective December 30, 2018. From 2008 to 2018, Mr. Kitching has served in various roles with Cott, including Executive Chairman of Aimia Foods/Decantae Mineral Water, President of Cott's North America Business Unit and President of Cott's United Kingdom/Europe Business Unit. From 2005 to 2008, Mr. Kitching held several positions with InBev UK, including Managing Director-On Trade Sales and Managing Director-Commercial and Field Operations. Prior to that, Mr. Kitching held several positions with Interbrew and Whitbread Beer Company from 1986 to 2005, including General Manager Netherlands of Interbrew from 2004 to 2005.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREOWNER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common shares are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "BCB," and on the New York Stock Exchange ("NYSE") under the ticker symbol "COT."

As of February 20, 2020, we had 893 shareowners of record. This number was determined from records maintained by our transfer agent and does not include beneficial owners of securities whose securities are held in the names of various dealers or clearing agencies. The closing sale price of our common shares on February 20, 2020 was C$20.95 on the TSX and $15.78 on the NYSE.

Our Board of Directors has declared a quarterly cash dividend of $0.06 per common share in each quarter during 2018 and 2019 for an aggregate yearly dividend payment of approximately $33.7 million and $32.6 million, respectively. We intend to pay a regular quarterly dividend on our common shares subject to, among other things, the best interests of our shareowners, our results of operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the ABL facility and indentures governing our outstanding notes as well as other factors that our Board of Directors may deem relevant from time to time.

Dividends to shareowners who are non-residents of Canada will generally be subject to Canadian withholding tax. Under current Canadian tax law, dividends paid by a Canadian corporation to a non-resident shareowner are generally subject to Canadian withholding tax at a 25% rate. Under the current tax treaty between Canada and the United States, U.S. residents who are entitled to treaty benefits are generally eligible for a reduction in this withholding tax rate to 15% (and to 5% for a shareowner that is a corporation and is the beneficial owner of at least 10% of our voting stock). Accordingly, under current tax law, our U.S. resident shareowners who are entitled to treaty benefits will generally be subject to a Canadian withholding tax at a 15% rate on dividends paid by us, provided that they have complied with applicable procedural requirements to claim the benefit of the reduced rate under the tax treaty. The fifth protocol to the tax treaty between Canada and the United States places additional restrictions on the ability of U.S. residents to claim these reduced rate benefits. U.S. residents generally will be entitled on their U.S. federal income tax returns to claim a foreign tax credit, or a deduction, for Canadian withholding tax that applies to them, subject to certain applicable limitations. U.S. investors should consult their tax advisors with respect to the tax consequences and requirements applicable to them, based on their individual circumstances.

There are certain restrictions on the payment of dividends under our ABL facility and the indentures governing our outstanding notes. The ABL facility and the indentures governing our outstanding notes are discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

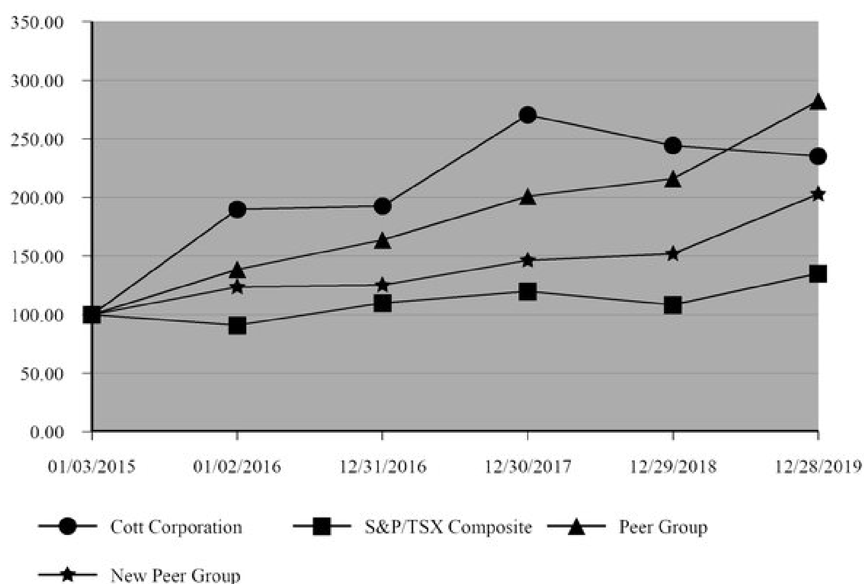
For information on securities authorized for issuance under our equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters" in this Annual Report on Form 10-K.

Calculation of aggregate market value of non-affiliate shares

For purposes of calculating the aggregate market value of common shares held by non-affiliates as shown on the cover page of this Annual Report on Form 10-K, it was assumed that all of the outstanding shares were held by non-affiliates except for outstanding shares held or controlled by our directors and executive officers. For further information concerning shareholdings of officers, directors and principal shareowners, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters" in this Annual Report on Form 10-K.

Shareowner return performance graph

The following graph shows changes over our past five fiscal years in the value of C$100, assuming reinvestment of dividends, invested in: (i) our common shares; (ii) the Toronto Stock Exchange's S&P/TSX Composite Index; (iii) the peer group utilized in prior annual reports, which consists of publicly-traded companies in the route based service industry comprised of UniFirst Corp., ABM Industries Inc., Chemed Corp., ServiceMaster Global Holdings, Inc., Cintas Corp., Aramark Corporation, Primo Water Corporation, AquaVenture Holdings Limited, Farmer Bros. Co., Rollins, Inc., and The Brink's Company; and (iv) a new peer group utilized in this Annual Report on Form 10-K, which better reflects our business following our recent and anticipated divestitures and acquisitions, consisting of publicly-traded companies in the water and route based service industries comprised of UniFirst Corp., ABM Industries Inc., Chemed Corp., ServiceMaster Global Holdings, Inc., Cintas Corp., Aramark Corporation, Primo Water Corporation, AquaVenture Holdings Limited, The Brink's Company, Evoqua Water Technologies Corp., Pentair plc, Xylem Inc., and Nestle S.A. The closing price of Cott's common shares as of December 27, 2019, the last trading day of 2019, was C$17.63 on the TSX and $13.45 on the NYSE. The following table is in Canadian dollars.



ASSUMES $100 (CANADIAN) INVESTED ON JANUARY 3, 2015
ASSUMES DIVIDENDS REINVESTED
FISCAL YEAR ENDING DECEMBER 28, 2019

Company / Market / Peer Group	**1/3/2015**	**1/2/2016**	**12/31/2016**	**12/30/2017**	**12/29/2018**	**12/28/2019**
Cott Corporation	$ 100.00	$ 189.87	$ 192.72	$ 270.51	$ 244.40	$ 235.33
S&P / TSX Composite	$ 100.00	$ 90.84	$ 109.99	$ 119.98	$ 108.49	$ 135.03
Peer Group	$ 100.00	$ 138.63	$ 163.80	$ 201.11	$ 216.03	$ 282.07
New Peer Group	$ 100.00	$ 123.50	$ 125.02	$ 146.28	$ 151.78	$ 202.79

Issuer Purchases of Equity Securities

Common Share Repurchase Programs

On December 11, 2018, our Board of Directors approved a share repurchase program for up to $50.0 million of our outstanding common shares over a 12-month period commencing on December 14, 2018 (the “Repurchase Plan”). As of December 29, 2018, the maximum approximate dollar value of common shares available to be purchased under the Repurchase Plan was $27.8 million. For the year ended December 28, 2019, we repurchased 2,006,789 common shares for $27.8 million through open market transactions under the Repurchase Plan. Shares purchased under the Repurchase Plan were subsequently canceled.

During the second quarter of 2019, we utilized all funds under the Repurchase Plan.

On December 11, 2019, our Board of Directors approved a new share repurchase program for up to $50.0 million of Cott’s outstanding common shares over a 12-month period (the “New Repurchase Plan”). We made no repurchases of our common shares under the New Repurchase Plan for the year ended December 28, 2019.

Tax Withholdings

The following table contains information about shares that we withheld from delivering to employees during 2019 to satisfy their tax obligations related to share-based awards:

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Common Shares that May Yet Be Purchased Under the Plans or Programs
December 30, 2018 - January 31, 2019	**5,307**	**$ 14.74**	**N/A**	**N/A**
February 1 - February 28, 2019	**195,002**	**$ 15.50**	**N/A**	**N/A**
April 1 - April 30, 2019	**3,252**	**$ 14.78**	**N/A**	**N/A**
May 1 - May 31, 2019	**580**	**$ 13.63**	**N/A**	**N/A**
June 30 - July 31, 2019	**352**	**$ 13.35**	**N/A**	**N/A**
August 1 - August 31, 2019	**3,603**	**$ 12.67**	**N/A**	**N/A**
September 1 - September 30, 2019	**228**	**$ 13.13**	**N/A**	**N/A**
December 1 - December 28, 2019	**55,160**	**$ 13.74**	**N/A**	**N/A**
Total	**263,484**			

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data reflects our results of operations. This information should be read in conjunction with, and is qualified by reference to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report on Form 10-K. The financial information presented may not be indicative of future performance.

The Company has accounted for the disposition of our Traditional Business as discontinued operations beginning in 2017. All data for prior periods have been recast.

(in millions of U.S. dollars, except per share amounts)	December 28, 2019 (52 weeks)	December 29, 2018 (52 weeks)	December 30, 2017 (52 weeks)	December 31, 2016 [1] (52 weeks)	January 2, 2016 (52 weeks)
Revenue, net	**$ 2,394.5**	$ 2,372.9	$ 2,269.7	$ 1,623.2	$ 1,187.3
Net (loss) income from continuing operations	**(0.1)**	28.9	(3.6)	$ (60.3)	$ 15.7
Net income (loss) from discontinued operations, net of income taxes	**3.0**	354.6	10.7	$ (11.2)	$ 4.9
Net income (loss)	**2.9**	383.5	7.1	$ (71.5)	$ 20.6
Net income (loss) attributable to Cott Corporation	**2.9**	382.9	(1.4)	$ (77.8)	$ (3.4)
Net income (loss) per common share attributable to Cott Corporation					
Basic:					
Continuing operations	**$ —**	$ 0.21	$ (0.03)	$ (0.47)	$ (0.02)
Discontinued operations	**0.02**	2.54	0.02	(0.14)	(0.01)
Net income (loss)	**0.02**	2.75	(0.01)	(0.61)	(0.03)
Diluted:					
Continuing operations	**$ —**	$ 0.21	$ (0.03)	$ (0.47)	$ (0.02)
Discontinued operations	**0.02**	2.50	0.02	(0.14)	(0.01)
Net income (loss)	**0.02**	2.71	(0.01)	(0.61)	(0.03)
Financial Condition					
Total assets	**$ 3,390.9**	$ 3,175.5	$ 4,093.1	$ 3,939.7	$ 2,887.3
Short-term borrowings required to be repaid or extinguished from divestiture [2]	**—**	—	220.3	207.0	122.0
Debt required to be repaid or extinguished from divestiture [3]	**—**	—	519.0	1,135.4	1,133.6
Long-term debt, net of current maturities	**1,260.2**	1,250.2	1,542.6	851.4	390.1
Dividends declared per common share	**$ 0.24**	$ 0.24	$ 0.24	$ 0.24	$ 0.24

[1] In 2016, we completed the acquisitions of S&D, Eden, and Aquaterra for a combined $973.9 million, financed by a combination of cash on hand, incremental borrowings under our ABL facility of $270.0 million, proceeds from the issuance of €450.0 million (U.S. $499.3 million at the exchange rate in effect on December 28, 2019) of 5.500% senior notes due July 1, 2024 (the "2024 Notes"), and net proceeds from the issuance of common shares in June 2016 having an aggregate value of $219.8 million.

[2] The obligations under the ABL facility were required to be repaid in full at the closing of the sale of the Traditional Business. Accordingly, the ABL facility is presented as "Short-term borrowings required to be repaid or extinguished as part of divestiture."

[3] All senior notes issued by Cott Beverages Inc., which was sold as part of the Traditional Business, were classified as "Debt required to be repaid or extinguished as part of divestiture" in prior periods.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Cott is a water and filtration service company with a leading volume-based national presence in the North American and European home and office delivery industry for bottled water. Our platform reaches over 2.5 million customers or delivery points across North America and Europe and is supported by strategically located sales and distribution facilities and fleets, as well as wholesalers and distributors. This enables us to efficiently service residences, businesses, and small and large retailers.

The market in which we operate is subject to some seasonal variations. Our water delivery sales are generally higher during the warmer months, while sales of our coffee products are generally higher during cooler months, and may also be influenced by the timing of holidays and weather fluctuations. Our purchases of raw materials and related accounts payable fluctuate based upon the demand for our products. The seasonality of our sales volume causes our working capital needs to fluctuate throughout the year.

Ingredient and packaging costs represent a significant portion of our cost of sales. These costs are subject to global and regional commodity price trends. Our most significant commodities are polyethylene terephthalate ("PET") resin, high-density polyethylene ("HDPE") and polycarbonate bottles, caps and preforms, labels and cartons and trays. We attempt to manage our exposure to fluctuations in ingredient and packaging costs by entering into fixed price commitments for a portion of our ingredient and packaging requirements and implementing price increases as needed.

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

In 2019, our capital expenditures were devoted primarily to supporting growth in our business, maintaining existing facilities and making equipment upgrades.

During the first quarter of 2019, we reviewed and realigned our reporting segments to reflect how the business will be managed and the results will be reviewed by the Chief Executive Officer, who is our chief operating decision maker. Following such review, we realigned our three reporting segments as follows: Route Based Services (which includes our DS Services of America, Inc. ("DSS"), Aquaterra Corporation ("Aquaterra"), Mountain Valley Spring Company ("Mountain Valley"), Eden Springs Europe B.V. ("Eden") and Aimia Foods ("Aimia") businesses); Coffee, Tea and Extract Solutions (which includes our S. & D. Coffee, Inc. ("S&D") business); and All Other (which includes miscellaneous expenses and our Cott Beverages LLC business, which was sold in the first quarter of 2019). Our segment reporting results have been recast to reflect these changes for all periods presented. See Note 11 to the Consolidated Financial Statements for segment reporting.

Our fiscal year is based on either a 52- or 53- week period ending on the Saturday closest to December 31. For the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, we had 52- weeks of activity. One of our subsidiaries uses a Gregorian calendar year-end which differs from the Company's 52- or 53- week fiscal year-end. Differences arising from the use of the different fiscal year-ends were not deemed material for the fiscal years ended December 28, 2019, December 29, 2018 or December 30, 2017.

Divestiture, Acquisition and Financing Transactions

Divestitures

On January 30, 2020, Cott entered into a Stock Purchase Agreement with Cott Holdings Inc., a wholly-owned subsidiary of Cott ("Holdings"), S&D, a wholly-owned subsidiary of Cott, and Westrock Coffee Company, LLC, a Delaware limited liability company ("Purchaser"), pursuant to which Purchaser will acquire all of the issued and outstanding equity of S&D from Holdings (the "S&D Disposition"). The aggregate deal consideration is $405 million, payable at closing in cash, subject to adjustments for indebtedness, working capital, and cash. The S&D Disposition is expected to close in the first quarter of 2020 and is subject to satisfaction of certain conditions, including receipt of U.S. regulatory clearance. We intend to use the proceeds of the S&D Disposition to finance a portion of our acquisition of Primo Water Corporation ("Primo") described below, depending on the timing of closing, or otherwise to pay down indebtedness.

On February 8, 2019, we sold all of the outstanding equity of Cott Beverages LLC to Refresco Group B.V., a Dutch company ("Refresco"). The aggregate deal consideration paid at closing was $50.0 million, subject to post-closing adjustments for working capital, indebtedness and other customary items. We used the proceeds of this transaction to repay a portion of the outstanding borrowings under our asset-based lending credit facility (the "ABL facility").

In July 2017, we entered into a Share Repurchase Agreement with Refresco, pursuant to which we sold to Refresco, in January 2018, our carbonated soft drinks and juice businesses via the sale of our North America, United Kingdom and Mexico business units (including the Canadian business) and our RCI finished goods export business (collectively, the "Traditional Business" and such transaction, the "Traditional Business Disposition"). The Traditional Business Disposition was structured as a sale of the assets of our Canadian business and a sale of the stock of the operating subsidiaries engaged in the Traditional Business in the other jurisdictions after we completed an internal reorganization. The aggregate deal consideration was $1.25 billion, paid at closing in cash, with customary post-closing adjustments resolved in December 2018 by the payment of $7.9 million from us to Refresco. The sale of the Traditional Business represented a strategic shift and had a major effect on our operations and, therefore, the Traditional Business is presented herein as discontinued operations. See Note 3 to the Consolidated Financial Statements for additional information on discontinued operations. The Traditional Business Disposition did not include our Route Based Services and Coffee, Tea and Extract Solutions reporting segments, or our Cott Beverages LLC business.

The operating results associated with the Traditional Business have been reclassified into net income from discontinued operations, net of income taxes in the Consolidated Statements of Operations for all years presented. Cash flows from the Company's discontinued operations are presented in the Consolidated Statements of Cash Flows for all years presented. The Notes to Consolidated Financial Statements are presented on a continuing operations basis unless otherwise noted.

Acquisitions

On January 13, 2020, Cott entered into an Agreement and Plan of Merger with Holdings, Fore Merger LLC, a wholly-owned subsidiary of Holdings ("Merger Sub"), Fore Acquisition Corporation, a wholly-owned subsidiary of Merger Sub (the "Primo Purchaser"), and Primo, pursuant to which, on January 28, 2020, the Primo Purchaser commenced an exchange offer to purchase all of the outstanding shares of common stock of Primo, par value $0.001 per share, in exchange for, at the election of the Primo's stockholders, (i) $14.00 in cash, (ii) 1.0229 Cott common shares, no par value per share, plus cash in lieu of any fractional Cott common shares, or (iii) $5.04 in cash and 0.6549 Cott common shares (the "Offer"). As soon as practicable following the consummation of the Offer, the Primo Purchaser intends to acquire any remaining Primo shares by a merger of the Primo Purchaser with and into Primo (the "First Merger"), with Primo surviving the First Merger as a wholly-owned subsidiary of Merger Sub. Immediately following the First Merger, Primo intends to merge with and into Merger Sub, with Merger Sub being the surviving entity (the "Second Merger" and, together with the First Merger, the "Mergers"). Cott expects to issue an aggregate of up to 26,825,842 shares of our common stock in the Offer and the Mergers (collectively, the "Primo Acquisition"). The estimated aggregate consideration to be paid in the Primo Acquisition is approximately $775 million and includes approximately $216 million to be paid in cash, $367 million of Cott common shares and $192 million of cash paid to retire outstanding indebtedness on behalf of Primo. The actual aggregate consideration will be calculated upon closing of the Primo Acquisition based on the closing price of Cott common shares as of that date and actual outstanding indebtedness. The Primo Acquisition is expected to close in the first quarter of 2020, subject to satisfaction of certain conditions to the Offer and the First Merger.

In October 2018, DSS, a wholly-owned subsidiary of Cott, acquired Mountain Valley, a growing American brand of spring and sparkling bottled water delivered to homes and offices throughout the United States (the "Mountain Valley Acquisition"). The initial purchase price paid by DSS in the Mountain Valley Acquisition was $80.4 million on a debt and cash free basis. The post-closing working capital adjustment was resolved in February 2019 by the payment of $0.4 million by the former owners of Mountain Valley to DSS. The Mountain Valley Acquisition was funded through a combination of incremental borrowings under our ABL facility and cash on hand.

In March 2018, we completed the acquisition of Crystal Rock Holdings, Inc., a direct-to-consumer home and office water, coffee and filtration business serving customers throughout New York and New England ("Crystal Rock"). The transaction was structured as a merger following a cash tender offer for all outstanding shares of Crystal Rock, with Crystal Rock becoming our wholly-owned indirect subsidiary. The aggregate consideration paid was $37.7 million and includes the purchase price paid to the Crystal Rock shareholders of $20.7 million, $0.8 million in costs paid on behalf of the sellers for the seller's transaction costs and $16.2 million of assumed debt and accrued interest obligations of the acquired company that was paid by us.

Financing Activity

In January 2018, in connection with the closing of the Traditional Business Disposition, we used a portion of the proceeds to retire $525.0 million aggregate principal amount of 5.375% senior notes due 2022 (the "2022 Notes") and retire the remaining $250.0 million aggregate principal amount of 10.000% senior secured notes due 2021 (the "DSS Notes"). The redemption of our 2022 Notes included $21.2 million in premium payments and accrued interest of $2.2 million. The redemption of our DSS Notes included $12.5 million in premium payments and accrued interest of $10.3 million.

We also used a portion of the proceeds from the Traditional Business Disposition to repay in full our $262.5 million outstanding balance on our ABL facility and repay $1.9 million in aggregate principal outstanding on our capital lease finance arrangement with General Electric Capital Corporation. Additionally, we amended and restated our ABL facility in connection with the closing of the Traditional Business Disposition, as further discussed below.

In May 2017, we used a portion of the proceeds from the issuance of the 2025 Notes (as defined below) to redeem $100.0 million in aggregate principal amount of the DSS Notes. The partial redemption of the DSS Notes included $7.7 million in premium payments, accrued interest of $1.8 million and the write-off of $9.2 million of unamortized premium.

In March and April 2017, we used a portion of the proceeds from the issuance of the 2025 Notes (as defined below) to redeem all $625.0 million of our 6.75% senior notes due January 1, 2020 (the "2020 Notes"). The redemption of our 2020 Notes included $14.3 million and $7.1 million in premium payments, accrued interest of $7.4 million and $3.1 million, the write-off of $5.8 million and $2.9 million in deferred financing fees, and other costs of $0.1 million.

In March 2017, we issued $750.0 million of 5.500% senior notes due April 1, 2025 (the "2025 Notes") to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2025 Notes were issued by Holdings, and most of our U.S., Canadian, U.K. and Dutch subsidiaries guarantee the 2025 Notes. The 2025 Notes will mature on April 1, 2025 and interest is payable semi-annually on April 1st and October 1st of each year commencing on October 1, 2017. We incurred $11.7 million of financing fees in connection with the issuance of the 2025 Notes.

Summary Financial Results

Net loss from continuing operations in 2019 was $0.1 million or $0.00 per diluted common share, compared with net income from continuing operations of $28.9 million or $0.21 per diluted common share in 2018.

The following items of significance affected our 2019 financial results:

- Net revenue increased $21.6 million, or 0.9%, in 2019 compared to the prior year due primarily to the addition of revenues from the Mountain Valley and Crystal Rock businesses, pricing initiatives and growth within our home and office water delivery operations, as well as growth in other product sales in our Route Based Services reporting segment, growth in coffee volumes, change in customer mix and growth in liquid coffee and extracts in our Coffee, Tea and Extract Solutions reporting segment, partially offset by the unfavorable impact of foreign exchange rates in our Route Based Services reporting segment, lower green coffee commodity prices and a decrease in other product sales in our Coffee, Tea and Extract Solutions reporting segment, as well as a decrease in revenues contributed by our Cott Beverages LLC business that was sold during the first quarter of 2019;
- Gross profit increased to $1,227.8 million from $1,175.6 million in the prior year due primarily to the addition of the Mountain Valley and Crystal Rock businesses, pricing initiatives and growth within our home and office water delivery operations, as well as growth in other product sales in our Route Based Services reporting segment, growth in coffee volumes, change in customer mix and growth in liquid coffee and extracts in our Coffee, Tea and Extract Solutions reporting segment, partially offset by the unfavorable impact of foreign exchange rates in our Route Based Services reporting segment, as well as a decrease in gross profit contributed by our Cott Beverages LLC business that was sold during the first quarter of 2019. Gross profit as a percentage of net revenue increased to 51.3% in 2019 compared to 49.5% in the prior year;

- Selling, general and administrative ("SG&A") expenses increased to $1,113.0 million in 2019 compared to $1,092.1 million in the prior year due primarily to the addition of the Mountain Valley and Crystal Rock businesses and an increase of incentive costs in our Route Based Services reporting segment, as well as an increase in selling and operating costs in our Coffee, Tea and Extract Solutions reporting segment, partially offset by lower SG&A expenses incurred by our Cott Beverages LLC business that was sold during the first quarter of 2019, and a decrease in professional fees and share-based compensation costs in the All Other category, as well as the favorable impact of foreign exchange rates and a decrease in amortization expense within our Route Based Services reporting segment. As a percentage of net revenue, SG&A expenses were 46.5% in 2019 compared to 46.0% in the prior year;
- Loss on disposal of property, plant and equipment, net was primarily related to the disposal of $7.5 million of equipment that was either replaced or no longer being used in our reporting segments;
- Acquisition and integration expenses increased to $16.9 million in 2019 compared to $15.3 million in the prior year due primarily to the increase in integration costs within our existing businesses;
- Other expense, net was $2.8 million in 2019 compared to other income, net of $42.9 million in the prior year due primarily to the loss recognized on the sale of our Cott Beverages LLC business and an increase of net losses on foreign currency transactions, partially offset by gains recognized on the redemption of the DSS Notes and the sale of our PolyCycle Solutions ("PCS") business, mark to market gains on warrant securities, and income recognized from favorable legal settlements in the prior year;
- Income tax expense was $9.5 million on pre-tax income from continuing operations of $9.4 million in 2019 compared to income tax benefit of $4.8 million on pre-tax income from continuing operations of $24.1 million in the prior year due primarily to increased income incurred in taxable jurisdictions in 2019 and a Canadian valuation allowance release and releases of various uncertain tax positions in 2018;
- Adjusted EBITDA increased to $328.7 million in 2019 compared to $306.8 million in the prior year due to the items listed above; and
- Cash flows provided by operating activities from continuing operations was $250.0 million in 2019 compared to $244.3 million in the prior year. The $5.7 million increase was due primarily to the change in working capital balances relative to the prior year period, partially offset by the decrease in net income from continuing operations.

Critical Accounting Policies

Our significant accounting policies and recently issued accounting pronouncements are described in Note 1 to the Consolidated Financial Statements included in this Annual Report on Form 10-K. We believe the following represent our critical accounting policies:

Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Consolidated Financial Statements include estimates and assumptions that, in the opinion of management, were significant to the underlying amounts representing the future valuation of intangible assets, long-lived assets and goodwill, realization of deferred income tax assets, the resolution of tax contingencies, and projected benefit plan obligations.

Impairment testing of goodwill

Cott operates through two operating segments: Route Based Services and Coffee, Tea and Extract Solutions. These two operating segments are also reportable segments. We test goodwill for impairment at least annually on the first day of the fourth quarter, based on our reporting unit carrying values, calculated as total assets less non-interest bearing liabilities, as of the end of the third quarter, or more frequently if we determine a triggering event has occurred during the year. Any impairment loss is recognized in our results of operations. We evaluate goodwill for impairment on a reporting unit basis, which is an operating segment or a level below an operating segment, referred to as a component. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. However, two or more components of an operating segment can be aggregated and deemed a single reporting unit if the components have similar economic characteristics. Our Route Based Services operating segment was determined to have five components: DSS, Mountain Valley, Aquaterra, Eden and Aimia. We have determined that DSS and Aquaterra have similar economic characteristics and have aggregated them as a single reporting unit for the purpose of testing goodwill for impairment ("DSSAqua"). For the purpose of testing goodwill for impairment in 2019, we have determined our reporting units are DSSAqua, Mountain Valley, Eden, Aimia and S&D. DSSAqua, Mountain Valley, Eden and Aimia are components of the Route Based Services operating segment. S&D is a component of the Coffee, Tea and Extract Solutions operating segment.

We had goodwill of $1,175.7 million on the Consolidated Balance Sheet at December 28, 2019, which represents amounts for the DSSAqua, Mountain Valley, Eden, Aimia and S&D reporting units.

For purposes of the 2019 annual test, we elected to perform a qualitative assessment for our DSSAqua, Mountain Valley, Aimia and S&D reporting units to assess whether it was more likely than not the fair value of these reporting units exceeded their respective carrying values. In performing these assessments, management relied on a number of factors including, but not limited to, macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant reporting unit events, the impact of which are all significant judgments and estimates. Based on these factors, management concluded that it was more likely than not that the fair values of the DSSAqua, Mountain Valley, Aimia and S&D reporting units were greater than their respective carrying amounts, including goodwill, indicating no impairment. Goodwill allocated to the DSSAqua, Mountain Valley, Aimia and S&D reporting units as of December 28, 2019 are $657.0 million, $16.0 million, $53.4 million and $128.2 million, respectively.

For the Eden reporting unit, we elected to bypass the qualitative assessment and performed a quantitative analysis due to a decline in 2019 actual versus projected operating results. We determined the fair value of the reporting unit being evaluated using a mix of the income approach (which is based on the discounted cash flows of the reporting unit) and the guideline public company approach. We weighted the income approach and the guideline public company approach at 50% each to determine the fair value of the reporting unit. We believe using a combination of these approaches provides a more accurate valuation because it incorporates the expected cash generation of the Company in addition to how a third-party market participant would value the reporting unit. As the business is assumed to continue in perpetuity, the discounted future cash flows includes a terminal value. Critical assumptions used in our 2019 valuation of the Eden reporting unit included the anticipated future cash flows, the weighted-average terminal growth rate of 1.5% and a discount rate of 8.5%. The anticipated future cash flows assumption reflects projected revenue growth rates, operating profit margins and capital expenditures. The terminal growth rate assumption incorporated into the discounted cash flow calculation reflects our long-term view of the market and industry, projected changes in the sale of our products, pricing of such products and operating profit margins. The discount rate was determined using various factors and sensitive assumptions, including bond yields, size premiums and tax rates. This rate was based on the weighted average cost of capital a market participant would use if evaluating the reporting unit as an investment. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine the fair value of the respective reporting units. The key inputs into the discounted cash flow analysis were consistent with market data, where available, indicating that the assumptions used were in a reasonable range of observable market data.

Based on the quantitative assessment including consideration of the sensitivity of the assumptions made and methods used to determine fair value, industry trends and other relevant factors, we noted that the estimated fair value of the Eden reporting unit exceeded its carrying value by approximately 4.2%. Therefore no goodwill impairment charge was recorded in the fourth quarter ended December 28, 2019. The Company performed a sensitivity analysis that noted that an increase in the
discount rate of 50 basis points would have an adverse impact on the impairment testing result. Goodwill allocated to the Eden reporting unit as of December 28, 2019 is $321.1 million.

Each year during the fourth quarter, we re-evaluate the assumptions used in our assessments, such as revenue growth rates, operating profit margins and discount rates, to reflect any significant changes in the business environment that could materially affect the fair value of our reporting units. Based on the evaluations performed in 2019, we determined that the fair value of each of our reporting units exceeded their carrying amounts.

Impairment testing of intangible assets with an indefinite life

Our intangible assets with indefinite lives relate to trademarks acquired in the acquisition of DSS (the "DSS Trademarks"); trademarks acquired in the acquisition of Eden (the "Eden Trademarks"), trademarks acquired in the acquisition of Aquaterra (the "Aquaterra Trademarks"), trademarks acquired in the acquisition of Mountain Valley (the "Mountain Valley Trademarks") and trademarks acquired in the acquisition of Crystal Rock (the "Crystal Rock Trademarks"). These assets have an aggregate net book value of $287.1 million as of December 28, 2019. There are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of these intangible assets.

The life of the DSS Trademarks, Eden Trademarks, Aquaterra Trademarks, Mountain Valley Trademarks and Crystal Rock Trademarks are considered to be indefinite and therefore these intangible assets are not amortized. Rather, they are tested for impairment at least annually or more frequently if we determine a triggering event has occurred during the year. We compare the carrying amount of the intangible asset to its fair value and when the carrying amount is greater than the fair value, we recognize in income an impairment loss. During the fourth quarter of 2019, management concluded that it was more likely than not that the fair value of the DSS Trademarks, Eden Trademarks, Aquaterra Trademarks, Mountain Valley Trademarks and Crystal Rock Trademarks were greater than their respective carrying value, indicating no impairment.

We assessed qualitative factors to determine whether the existence of events or circumstances indicated that it was more likely than not that the fair value of the DSS Trademarks, Aquaterra Trademarks, Mountain Valley Trademarks and Crystal Rock Trademarks were less than their respective carrying value. The qualitative factors we assessed included macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant events, the impact of which are all significant judgments and estimates. We concluded that it was more likely than not that the fair value of the DSS Trademarks, Aquaterra Trademarks, Mountain Valley Trademarks and Crystal Rock Trademarks were more than its carrying value and therefore we were not required to perform any additional testing.

To determine the fair value of the Eden Trademarks, we use a relief from royalty method of the income approach, which calculates a fair value royalty rate that is applied to revenue forecasts associated with those trademarks. The resulting cash flows are discounted using a rate to reflect the risk of achieving the projected royalty savings attributable to the trademarks. The assumptions used to estimate the fair value of these trademarks are subjective and require significant management judgment, including estimated future revenues, the fair value royalty rate (which is estimated to be a reasonable market royalty charge that would be charged by a licensor of the trademarks) and the risk adjusted discount rate. Based on our impairment test, the estimated fair value of the Eden Trademarks exceeded the carrying value by approximately 42.0%. If actual revenues in future periods, are less than currently projected for the Eden Trademarks, these trademarks could be impaired.

Other intangible assets

As of December 28, 2019, our intangible assets subject to amortization, net of accumulated amortization for continuing operations were $414.3 million, consisting principally of $367.6 million of customer relationships that arose from acquisitions, $25.6 million of software, and $11.2 million of patents. Customer relationships are typically amortized on an accelerated basis for the period over which we expect to receive the economic benefits. The customer relationship intangible assets acquired in our acquisitions are amortized over the expected remaining useful life of those relationships on a basis that reflects the pattern of realization of the estimated undiscounted after-tax cash flows. We review the estimated useful life of these intangible assets annually, unless a review is required more frequently due to a triggering event, such as the loss of a significant customer. Our review of the estimated useful life takes into consideration the specific net cash flows related to the intangible asset. The permanent loss of, or significant decline in sales to customers included in the intangible asset would result in either an impairment in the value of the intangible asset or an accelerated amortization of any remaining value and could lead to an impairment of the fixed assets that were used to service that customer. We did not record impairment charges for intangible assets in 2019, 2018 or 2017.

Impairment and disposal of long-lived assets

When adverse events occur, we compare the carrying amount of long-lived assets to the estimated undiscounted future cash flows at the lowest level of independent cash flows for the group of long-lived assets and recognize any impairment loss based on discounted cash flows in the Consolidated Statements of Operations, taking into consideration the timing of testing and the asset's remaining useful life. The expected life and value of these long-lived assets is based on an evaluation of the competitive environment, history and future prospects as appropriate.

Income taxes

We are subject to income taxes in Canada as well as in numerous foreign jurisdictions. Significant judgments and estimates are required in determining the income tax expense in these jurisdictions. Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid in the jurisdictions in which we operate.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future Canadian and foreign pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations.

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes” (“ASC 740”) provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We recognize tax liabilities in accordance with ASC 740 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Pension costs

We account for our defined benefit pension plans in accordance with ASC No. 715-20, “Compensation—Defined Benefit Plans—General” (“ASC 715-20”). The funded status is the difference between the fair value of plan assets and the benefit obligation. The adjustment to accumulated other comprehensive income represents the net unrecognized actuarial gains or losses and unrecognized prior service costs. Future actuarial gains or losses that are not recognized as net periodic benefits cost in the same periods will be recognized as a component of other comprehensive income.

We maintain several defined benefit plans that cover certain of our employees. We record the expenses associated with these plans based on calculations which include various actuarial assumptions such as discount rates and expected long-term rates of return on plan assets. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

We utilize a yield curve analysis to determine the discount rates for our defined benefit plans’ obligations. The yield curve considers pricing and yield information for high quality corporate bonds with maturities matched to estimated payouts of future pension benefits. The expected return on plan assets is based on our expectation of the long-term rates of return on each asset class based on the current asset mix of the funds, considering the historical returns earned on the type of assets in the funds. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. The effects of the modifications to the actuarial assumptions which impact the projected benefit obligation are amortized over future periods.

In connection with certain other collective bargaining agreements to which we are a party, we are required to make contributions on behalf of certain union employees to multiemployer pension plans. The ongoing contributions and liabilities associated with these plans are not material.

Non-GAAP Measures

In this Annual Report on Form 10-K, we supplement our reporting of financial measures determined in accordance with GAAP by utilizing certain non-GAAP financial measures that exclude certain items to make period-over-period comparisons for our underlying operations before material charges. We exclude these items to better understand trends in the business. We exclude the impact of foreign exchange to separate the impact of currency exchange rate changes from our results of operations.

We also utilize (loss) earnings before interest expense, taxes, depreciation and amortization ("EBITDA"), which is GAAP net (loss) income from continuing operations before interest expense, net, expense (benefit) for income taxes and depreciation and amortization. We consider EBITDA to be an indicator of operating performance. We also use EBITDA, as do analysts, lenders, investors and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. We also utilize adjusted EBITDA, which is EBITDA excluding acquisition and integration costs, share-based compensation costs, loss (gain) on commodity hedging instruments, net, foreign exchange and other losses (gains), net, loss on disposal of property, plant and equipment, net, gain on extinguishment of long-term debt, loss (gain) on sale of business, operations of Cott Beverages LLC, and other adjustments, net, as the case may be ("Adjusted EBITDA"). We consider Adjusted EBITDA to be an indicator of our operating performance. Adjusted EBITDA excludes certain items to make more meaningful period-over-period comparisons of our underlying operations before material changes.

Because we use these adjusted financial results in the management of our business and to understand underlying business performance, we believe this supplemental information is useful to investors for their independent evaluation and understanding of our business performance and the performance of our management. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, our financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this Annual Report on Form 10-K reflect our judgment of particular items, and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies.

The following table summarizes our Consolidated Statements of Operations as a percentage of net revenue for 2019, 2018 and 2017:

	2019		2018		2017	
(in millions of U.S. dollars)		Percentage of Revenue		Percentage of Revenue		Percentage of Revenue
Revenue, net	**$ 2,394.5**	**100.0%**	$ 2,372.9	100.0 %	$ 2,269.7	100.0 %
Cost of sales	**1,166.7**	**48.7%**	1,197.3	50.5 %	1,142.0	50.3 %
Gross profit	**1,227.8**	**51.3%**	1,175.6	49.5 %	1,127.7	49.7 %
Selling, general and administrative expenses	**1,113.0**	**46.5%**	1,092.1	46.0 %	1,043.2	46.0 %
Loss on disposal of property, plant and equipment, net	**7.5**	**0.3%**	9.4	0.4 %	10.2	0.4 %
Acquisition and integration expenses	**16.9**	**0.7%**	15.3	0.6 %	30.4	1.3 %
Operating income	**90.4**	**3.8%**	58.8	2.5 %	43.9	1.9 %
Other expense (income), net	**2.8**	**0.1%**	(42.9)	(1.8)%	(8.0)	(0.4)%
Interest expense, net	**78.2**	**3.3%**	77.6	3.3 %	85.5	3.8 %
Income (loss) from continuing operations before income taxes	**9.4**	**0.4%**	24.1	1.0 %	(33.6)	(1.5)%
Income tax expense (benefit)	**9.5**	**0.4%**	(4.8)	(0.2)%	(30.0)	(1.3)%
Net (loss) income from continuing operations	**(0.1)**	**—%**	28.9	1.2 %	(3.6)	(0.2)%
Net income from discontinued operations, net of income taxes (Note 3)	**3.0**	**0.1%**	354.6	14.9 %	10.7	0.5 %
Net income	**2.9**	**0.1%**	383.5	16.2 %	7.1	0.3 %
Less: Net income attributable to non-controlling interests - discontinued operations	**$ —**	**—%**	$ 0.6	— %	$ 8.5	0.4 %
Net income (loss) attributable to Cott Corporation	**$ 2.9**	**0.1%**	$ 382.9	16.1 %	$ (1.4)	(0.1)%
Depreciation & amortization	**$ 192.8**	**8.1%**	$ 194.6	8.2 %	$ 188.6	8.3 %

During the first quarter of 2019, we reviewed and realigned our reporting segments to reflect how the business will be managed and the results will be reviewed by the Chief Executive Officer, who is our chief operating decision maker. Following such review, we realigned our three reporting segments as follows: Route Based Services (which includes our DSS, Aquaterra, Mountain Valley, Eden and Aimia businesses); Coffee, Tea and Extract Solutions (which includes our S&D business); and All Other (which includes miscellaneous expenses and our Cott Beverages LLC business, which was sold in the first quarter of 2019). Our segment reporting results have been recast to reflect these changes for all periods presented.

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for 2019, 2018 and 2017:

(in millions of U.S. dollars)	2019	2018	2017
Revenue, net			
Route Based Services	**$ 1,788.2**	$ 1,710.3	$ 1,599.6
Coffee, Tea and Extract Solutions	**605.0**	587.6	602.2
All Other	**7.2**	80.7	67.9
Eliminations	**(5.9)**	(5.7)	—
Total	**$ 2,394.5**	$ 2,372.9	$ 2,269.7
Gross profit			
Route Based Services	**$ 1,060.9**	$ 1,011.6	$ 956.5
Coffee, Tea and Extract Solutions	**166.6**	152.0	161.4
All Other	**0.3**	12.0	9.8
Total	**$ 1,227.8**	$ 1,175.6	$ 1,127.7
Selling, general and administrative expenses			
Route Based Services	**$ 926.2**	$ 902.3	$ 848.6
Coffee, Tea and Extract Solutions	**150.8**	137.1	141.9
All Other	**36.0**	52.7	52.7
Total	**$ 1,113.0**	$ 1,092.1	$ 1,043.2
Operating income (loss)			
Route Based Services	**$ 115.8**	$ 89.9	$ 79.7
Coffee, Tea and Extract Solutions	**15.4**	16.1	15.9
All Other	**(40.8)**	(47.2)	(51.7)
Total	**$ 90.4**	$ 58.8	$ 43.9

The following tables summarize revenue by channel for 2019, 2018 and 2017:

	For the Year Ended December 28, 2019				
(in millions of U.S. dollars)	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net					
Home and office bottled water delivery	**$ 1,136.0**	**$ —**	**$ —**	**$ —**	**$ 1,136.0**
Coffee and tea services	**184.0**	**483.6**	**—**	**(5.9)**	**661.7**
Retail	**297.6**	**—**	**—**	**—**	**297.6**
Other	**170.6**	**121.4**	**7.2**	**—**	**299.2**
Total	**$ 1,788.2**	**$ 605.0**	**$ 7.2**	**$ (5.9)**	**$ 2,394.5**

(in millions of U.S. dollars)	For the Year Ended December 29, 2018				
	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net					
Home and office bottled water delivery	$ 1,078.5	$ —	$ —	$ —	$ 1,078.5
Coffee and tea services	192.8	461.9	—	(5.7)	649.0
Retail	286.0	—	—	—	286.0
Other	153.0	125.7	80.7	—	359.4
Total	$ 1,710.3	$ 587.6	$ 80.7	$ (5.7)	$ 2,372.9

(in millions of U.S. dollars)	For the Year Ended December 30, 2017				
	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net					
Home and office bottled water delivery	$ 990.6	$ —	$ —	$ —	$ 990.6
Coffee and tea services	186.8	501.7	—	—	688.5
Retail	282.2	—	—	—	282.2
Other	140.0	100.5	67.9	—	308.4
Total	$ 1,599.6	$ 602.2	$ 67.9	$ —	$ 2,269.7

Results of Operations

The following table summarizes the change in revenue by reporting segment for 2019:

(in millions of U.S. dollars, except percentage amounts)	For the Year Ended December 28, 2019				
	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Change in revenue	$ 77.9	$ 17.4	$ (73.5)	$ (0.2)	$ 21.6
Impact of foreign exchange [1]	22.1	—	—	—	22.1
Change excluding foreign exchange	$ 100.0	$ 17.4	$ (73.5)	$ (0.2)	$ 43.7
Percentage change in revenue	4.6%	3.0%	(91.1)%	3.5%	0.9%
Percentage change in revenue excluding foreign exchange	5.8%	3.0%	(91.1)%	3.5%	1.8%

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

The following table summarizes the change in revenue by reporting segment for 2018:

(in millions of U.S. dollars, except percentage amounts)	For the Year Ended December 29, 2018				
	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Change in revenue	$ 110.7	$ (14.6)	$ 12.8	$ (5.7)	$ 103.2
Impact of foreign exchange [1]	(11.8)	—	—	—	(11.8)
Change excluding foreign exchange	$ 98.9	$ (14.6)	$ 12.8	$ (5.7)	$ 91.4
Percentage change in revenue	6.9%	(2.4)%	18.9%	100.0%	4.5%
Percentage change in revenue excluding foreign exchange	6.2%	(2.4)%	18.9%	100.0%	4.0%
Impact of fewer trading days [2]	$ 1.5	$ 4.9	$ —	$ —	$ 6.4
Change excluding foreign exchange and impact of fewer trading days	$ 100.4	$ (9.7)	$ 12.8	$ (5.7)	$ 97.8
Percentage change in revenue excluding foreign exchange and impact of fewer trading days	6.3%	(1.6)%	18.9%	100.0%	4.3%

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

2 Our Eden business had two fewer trading days, our S&D business had three fewer trading days, and our Aimia business had one fewer trading day for the year ended December 29, 2018 as compared to the prior year.

The following table summarizes our EBITDA and Adjusted EBITDA for the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, respectively.

	For the Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
(in millions of U.S. dollars)			
Net (loss) income from continuing operations	**$ (0.1)**	$ 28.9	$ (3.6)
Interest expense, net	**78.2**	77.6	85.5
Income tax expense (benefit)	**9.5**	(4.8)	(30.0)
Depreciation and amortization	**192.8**	194.6	188.6
EBITDA	**$ 280.4**	$ 296.3	$ 240.5
Acquisition and integration costs [1]	**16.9**	15.3	30.4
Share-based compensation costs	**10.6**	18.4	14.0
Commodity hedging loss (gain), net	—	0.3	(0.3)
Foreign exchange and other losses (gains), net	**0.9**	(10.7)	(2.0)
Loss on disposal of property, plant and equipment, net	**7.5**	9.4	11.1
Gain on extinguishment of long-term debt	—	(7.1)	(1.5)
Loss (gain) on sale of business	**6.0**	(6.0)	—
Cott Beverages LLC [2]	**0.4**	(5.2)	2.8
Other adjustments, net	**6.0**	(3.9)	3.4
Adjusted EBITDA	**$ 328.7**	$ 306.8	$ 298.4

1 Includes an increase of $1.8 million, a reduction of $1.1 million, and an increase of $3.5 million of share-based compensation costs for the years ended December 28, 2019, December 29, 2018 and December 30, 2017, respectively, related to awards granted in connection with the acquisitions of our S&D and Eden businesses.

2 Impact of our operations related to the Cott Beverages LLC business, which was sold on February 8, 2019.

Year Ended December 28, 2019 Compared to Year Ended December 29, 2018

Revenue, Net

Net revenue increased $21.6 million, or 0.9%, in 2019 from 2018.

Route Based Services net revenue increased $77.9 million, or 4.6%, in 2019 from 2018, due primarily to the addition of revenues from the Mountain Valley and Crystal Rock businesses, pricing initiatives and growth within our home and office water delivery operations of $71.3 million, growth in retail of $28.7 million, partially offset by the unfavorable impact of foreign exchange rates of $22.1 million.

Coffee, Tea and Extract Solutions net revenue increased $17.4 million, or 3.0%, in 2019 from 2018, due primarily to the growth in coffee volumes, change in customer mix and growth in liquid coffee and extracts of $36.9 million, partially offset by lower green coffee commodity prices of $15.6 million and a decrease in other product sales of $3.9 million.

All Other net revenue decreased $73.5 million, or 91.1%, in 2019 from 2018, due primarily to less revenue being contributed by our Cott Beverages LLC business, which was sold in the first quarter of 2019.

Gross Profit

Gross profit increased to $1,227.8 million in 2019 compared to $1,175.6 million in 2018. Gross profit as a percentage of net revenue was 51.3% in 2019 compared to 49.5% in 2018.

Route Based Services gross profit increased to $1,060.9 million in 2019 compared to $1,011.6 million in 2018, due primarily to the addition of the Mountain Valley and Crystal Rock businesses, pricing initiatives and growth within our home and office water delivery operations, as well as growth in other product sales, partially offset by the unfavorable impact of foreign exchange rates.

Coffee, Tea and Extract Solutions gross profit increased to $166.6 million in 2019 compared to $152.0 million in 2018, due primarily to the growth in coffee volumes, change in customer mix and growth in liquid coffee and extracts.

All Other gross profit decreased to $0.3 million in 2019 compared to $12.0 million in 2018, due primarily to less gross profit contributed by our Cott Beverages LLC business, which was sold in the first quarter of 2019.

Selling, General and Administrative Expenses

SG&A expenses increased to $1,113.0 million in 2019 compared to $1,092.1 million in 2018. SG&A expenses as a percentage of net revenue was 46.5% in 2019 compared to 46.0% in 2018.

Route Based Services SG&A expenses increased to $926.2 million in 2019 compared to $902.3 million in 2018, due primarily to the addition of the Mountain Valley and Crystal Rock businesses, partially offset by the favorable impact of foreign exchange rates and a decrease in amortization expense.

Coffee, Tea and Extract Solutions SG&A expenses increased to $150.8 million in 2019 compared to $137.1 million in 2018, due primarily to increased selling and operating costs.

All Other SG&A expenses decreased to $36.0 million in 2019 compared to $52.7 million in 2018, due primarily to lower SG&A expenses contributed by our Cott Beverages LLC business, which was sold in the first quarter of 2019, and a decrease in professional fees.

Acquisition and Integration Expenses

Acquisition and integration expenses increased to $16.9 million in 2019 compared to $15.3 million in 2018. Acquisition and integration expenses as a percentage of net revenue was 0.7% in 2019 compared to 0.6% in 2018.

Route Based Services acquisition and integration expenses increased to $11.3 million in 2019 compared to $10.6 million in 2018, due primarily to the increase in costs with the integration of the Mountain Valley and Crystal Rock businesses.

Coffee, Tea and Extract Solutions acquisition and integration expense was $0.5 million in 2019 compared to a benefit of $1.9 million in 2018, due primarily to the increase in costs with the integration of our S&D business.

All Other acquisition and integration expenses decreased to $5.1 million in 2019 compared to $6.6 million in 2018, due primarily to the reduction in costs with the integration of the Mountain Valley and Crystal Rock businesses.

Operating Income

Operating income increased to $90.4 million in 2019 compared to $58.8 million in 2018.

Route Based Services operating income increased to $115.8 million in 2019 compared to $89.9 million in 2018, due to the items discussed above.

Coffee, Tea and Extract Solutions operating income decreased to $15.4 million in 2019 compared to $16.1 million in 2018, due to the items discussed above.

All Other operating loss decreased to $40.8 million in 2019 compared to $47.2 million in 2018, due to the items discussed above.

Other Expense (Income), Net

Other expense, net was $2.8 million in 2019 compared to other income, net of $42.9 million in 2018, due primarily to the loss recognized on the sale of our Cott Beverages LLC business and an increase of net losses on foreign currency transactions in the current year versus gains recognized on the redemption of the DSS Notes and the sale of our PCS business, mark to market gains on warrant securities, and income recognized from favorable legal settlements in the prior year.

Income Taxes

Income tax expense was $9.5 million in 2019 compared to income tax benefit of $4.8 million in 2018. The effective tax rate was 101.1% in 2019 compared to (20.0%) in 2018. The income tax expense in 2019 was due primarily to increased income incurred in taxable jurisdictions. The income tax benefit in 2018 was due primarily to a $5.6 million release of a Canadian valuation allowance and releases of various uncertain tax positions. The 2019 effective tax rate differs from the Canadian statutory rate primarily due to: (a) significant permanent differences for which we have recognized a tax benefit; (b) income in tax jurisdictions with lower statutory tax rates than Canada; and (c) losses in tax jurisdictions with existing valuation allowances.

Year Ended December 29, 2018 Compared to Year Ended December 30, 2017

Revenue, Net

Net revenue increased $103.2 million, or 4.5%, in 2018 from 2017.

Route Based Services net revenue increased $110.7 million, or 6.9%, in 2018 from 2017, due primarily to the addition of revenues from the Mountain Valley and Crystal Rock businesses of $52.4 million, pricing initiatives, growth within our home and office water delivery operations, retail and other of $39.9 million, and the favorable impact of foreign exchange rates of $11.8 million.

Coffee, Tea and Extract Solutions net revenue decreased $14.6 million, or 2.4%, in 2018 from 2017, due primarily to the reduction in volumes combined with lower green coffee commodity prices and a change in customer mix of $25.3 million, as well as the impact of three fewer trading days compared to the prior year of $4.9 million, partially offset by growth in liquid coffee, extracts, tea and other of $15.6 million.

All Other net revenue increased $12.8 million, or 18.9%, in 2018 from 2017, due primarily to increased volumes.

Gross Profit

Gross profit increased to $1,175.6 million in 2018 compared to $1,127.7 million in 2017. Gross profit as a percentage of net revenue was 49.5% in 2018 compared to 49.7% in 2017.

Route Based Services gross profit increased to $1,011.6 million in 2018 compared to $956.5 million in 2017, due primarily to the addition of the Mountain Valley and Crystal Rock businesses, pricing initiatives and growth within our home and office water delivery operations, and the favorable impact of foreign exchange rates, partially offset by increases in freight and transportation costs.

Coffee, Tea and Extract Solutions gross profit decreased to $152.0 million in 2018 compared to $161.4 million in 2017, due primarily to the reduction in coffee volumes and a change in customer mix, a reduction in juice and allieds, as well as an increase in manufacturing expenses, partially offset by growth in liquid coffee, extracts, tea and other.

All Other gross profit increased to $12.0 million in 2018 compared to $9.8 million in 2017, due primarily to increased volumes.

Selling, General and Administrative Expenses

SG&A expenses increased to $1,092.1 million in 2018 compared to $1,043.2 million in 2017. SG&A expenses as a percentage of net revenue was 46.0% in each of 2018 and 2017.

Route Based Services SG&A expenses increased to $902.3 million in 2018 compared to $848.6 million in 2017, due primarily to the addition of the Mountain Valley and Crystal Rock businesses and the unfavorable impact of foreign exchange rates.

Coffee, Tea and Extract Solutions SG&A expenses decreased to $137.1 million in 2018 compared to $141.9 million in 2017, due primarily to the reductions in depreciation and amortization expense and operating expenses.

All Other SG&A expenses was $52.7 million in 2018 and 2017.

Acquisition and Integration Expenses

Acquisition and integration expenses decreased to $15.3 million in 2018 compared to $30.4 million in 2017. Acquisition and integration expenses as a percentage of net revenue was 0.6% in 2018 compared to 1.3% in 2017.

Route Based Services acquisition and integration expenses decreased to $10.6 million in 2018 compared to $18.5 million in 2017, due primarily to the reduction in costs with the integration of the Eden business, partially offset by costs incurred with the integration of the Mountain Valley and Crystal Rock businesses.

Coffee, Tea and Extract Solutions acquisition and integration benefit was $1.9 million in 2018 compared to an expense of $3.1 million in 2017, due primarily to the reduction in costs with the integration of the S&D business.

All Other acquisition and integration expenses decreased to $6.6 million in 2018 compared to $8.8 million in 2017, due primarily to the reduction in costs with the integration of the S&D and Eden businesses, partially offset by costs incurred with the integration of the Mountain Valley and Crystal Rock businesses.

Operating Income

Operating income increased to $58.8 million in 2018 compared to $43.9 million in 2017.

Route Based Services operating income increased to $89.9 million in 2018 compared to $79.7 million in 2017, due to the items discussed above.

Coffee, Tea and Extract Solutions operating income increased to $16.1 million in 2018 compared to $15.9 million in 2017, due to the items discussed above.

All Other operating loss decreased to $47.2 million in 2018 compared to $51.7 million in 2017, due to the items discussed above.

Other Income, Net

Other income, net increased to $42.9 million in 2018 compared to $8.0 million in 2017, due primarily to income recognized from favorable legal settlements, gains recognized on the redemption of the DSS Notes and the sale of our PCS business, mark to market gains on warrant securities, and the increase of net gains on foreign currency transactions.

Interest Expense, Net

Interest expense, net was $77.6 million in 2018 compared to $85.5 million in 2017, due primarily to the redemption of our DSS Notes in January 2018.

Income Taxes

Income tax benefit was $4.8 million in 2018 compared to $30.0 million in 2017. The effective tax rate was (20.0%) in 2018 compared to 89.3% in 2017. The income tax benefit in 2018 was due primarily to a $5.6 million release of Canadian valuation allowance and releases of various uncertain tax positions. The income tax benefit in 2017 was due primarily to a tax benefit of $32.2 million associated with the change in the U.S. federal enacted tax rate. The 2018 effective tax rate differs from the Canadian statutory rate primarily due to: (a) changes in valuation allowances and tax reserves; (b) significant permanent differences for which we have recognized a tax benefit; (c) income in tax jurisdictions with lower statutory tax rates than Canada; and (d) losses in tax jurisdictions with existing valuation allowances.

Liquidity and Capital Resources

The following table summarizes our cash flows for 2019, 2018 and 2017 as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

	For the Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
(in millions of U.S. dollars)			
Net cash provided by operating activities from continuing operations	**$ 250.0**	$ 244.3	$ 176.0
Net cash used in investing activities from continuing operations	**(147.8)**	(282.7)	(153.6)
Net cash (used in) provided by financing activities from continuing operations	**(66.0)**	(296.6)	596.5
Cash flows from discontinued operations:			
Net cash (used in) provided by operating activities from continuing operations	**(3.2)**	(97.6)	102.7
Net cash provided by (used in) investing activities from continuing operations	**—**	1,225.5	(44.7)
Net cash used in financing activities from continuing operations	**—**	(769.7)	(643.4)
Effect of exchange rate changes on cash	**1.7**	(10.3)	6.3
Net increase in cash, cash equivalents and restricted cash	**34.7**	12.9	39.8
Cash and cash equivalents and restricted cash, beginning of year	**170.8**	157.9	118.1
Cash and cash equivalents and restricted cash, end of year	**205.5**	170.8	157.9
Cash and cash equivalents and restricted cash of discontinued operations, end of year	**—**	—	66.0
Cash and cash equivalents and restricted cash from continuing operations, end of year	**$ 205.5**	$ 170.8	$ 91.9

Operating Activities

Cash provided by operating activities from continuing operations was $250.0 million in 2019 compared to $244.3 million in 2018 and $176.0 million in 2017. The $5.7 million increase in 2019 compared to 2018 was due primarily to the change in working capital balances relative to the prior year period, partially offset by the decrease in net income from continuing operations.

The $68.3 million increase in 2018 compared to 2017 was due primarily to the increase in net income from continuing operations and the change in working capital account balances relative to the prior year resulting primarily from timing of payments of interest on our 2024 Notes.

Investing Activities

Cash used in investing activities from continuing operations was $147.8 million in 2019 compared to $282.7 million in 2018 and $153.6 million in 2017. The $134.9 million decrease in 2019 compared to 2018 was due primarily to the cash received from the sale of our Cott Beverages LLC business in the first quarter of 2019, as well as a decrease in cash used to finance acquisitions and a decrease in additions to property, plant and equipment relative to the prior year, partially offset by the cash received from the sale of our PCS business and a sale of equity securities in the prior year.

The $129.1 million increase in 2018 compared to 2017 was due primarily to the cash used to finance the acquisitions of the Mountain Valley and Crystal Rock businesses, an increase in additions to property, plant and equipment and intangible assets relative to the prior year, partially offset by the proceeds received from the sale of our PCS business and proceeds received from the sale of equity securities.

Financing Activities

Cash used in financing activities from continuing operations was $66.0 million in 2019 compared to cash used in financing activities from continuing operations of $296.6 million in 2018 and cash provided by financing activities from continuing operations of $596.5 million in 2017. The $230.6 million decrease in 2019 compared to 2018 was due primarily to the redemption of the DSS Notes in the prior year and a decrease in common shares repurchased relative to the prior year, partially offset by a decrease in borrowings under our ABL facility net of payments relative to the prior year.

The $893.1 million decrease in cash provided by financing activities from continuing operations in 2018 compared to 2017 was due primarily to the redemption of the DSS Notes in the current year, the increase in the number of common shares repurchased relative to the prior year, and the issuance of the 2025 Notes in the prior year, partially offset by an increase in borrowings under our ABL facility net of payments relative to the prior year and the partial redemption of the DSS Notes in the prior year.

Financial Liquidity

As of December 28, 2019, we had $1,360.0 million of debt and $205.5 million of cash and cash equivalents compared to $1,342.2 million of debt and $170.8 million of cash and cash equivalents as of December 29, 2018. Our cash and cash equivalents balance as of December 28, 2019 and December 29, 2018 includes $12.4 million and $12.5 million, respectively, of cash proceeds received from the Traditional Business Disposition that are being held in escrow by a third-party escrow agent to secure potential indemnification claims. Our cash and cash equivalents balance as of December 28, 2019 also includes $0.5 million of cash proceeds received from the sale of our Cott Beverages LLC business that are being held in escrow by a third-party escrow agent to secure potential indemnification claims. In addition, our cash and cash equivalents balances as of December 28, 2019 and December 29, 2018 include margin account balances related to our coffee futures of $6.4 million and $12.9 million, respectively. We are required to maintain margin account balances in accordance with futures market and broker regulations.

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

Our ABL facility and debt capital markets transactions are described under “Debt” below.

In 2019, we declared a dividend of $0.06 per common share each quarter for an aggregate dividend payment of approximately $32.6 million.

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of December 28, 2019.

Contractual Obligations

The following table shows the schedule of future payments under certain contracts, including debt agreements and guarantees, as of December 28, 2019:

		Payments due by period					
(in millions of U.S. dollars)	Total	2020	2021	2022	2023	2024	Thereafter
5.500% senior notes due in 2024	499.3	—	—	—	—	499.3	—
5.500% senior notes due in 2025	750.0	—	—	—	—	—	750.0
ABL facility [1]	92.0	92.0	—	—	—	—	—
Interest expense [2]	384.0	76.7	72.4	68.5	68.6	56.7	41.1
Operating lease obligations	275.6	53.9	42.9	32.9	27.7	22.3	95.9
Finance leases [3]	36.6	7.5	6.4	5.9	5.6	4.8	6.4
Pension obligations	17.9	1.6	1.0	1.0	0.9	1.1	12.3
Purchase obligations [4]	158.6	141.8	15.6	0.8	0.4	—	—
Other liabilities	3.2	3.0	0.2	—	—	—	—
Total [5]	**$ 2,217.2**	**$ 376.5**	**$ 138.5**	**$ 109.1**	**$ 103.2**	**$ 584.2**	**$ 905.7**

1 The ABL facility is considered a current liability. As of December 28, 2019, we had $92.0 million of outstanding borrowings under the ABL facility.

2 Interest expense includes fixed interest on the 2024 Notes, the 2025 Notes, the ABL facility and other long-term liabilities. Actual amounts will differ from estimates provided.

3 Includes estimated interest payments using a weighted average discount rate of 6.0% as of December 28, 2019.

4 Purchase obligations consist of commitments for the purchase of inventory, energy transactions, and payments related to professional fees and technology outsourcing agreements. These obligations represent the minimum contractual obligations expected under the normal course of business.

5 The contractual obligations table excludes the Company’s ASC 740 uncertain tax positions of $17.3 million because the Company cannot make a reliable estimate as to when such amounts will be settled.

Debt

Our total debt as of December 28, 2019 and December 29, 2018 was as follows:

	December 28, 2019			December 29, 2018		
(in millions of U.S. dollars)	Principal	Unamortized Debt Costs	Net	Principal	Unamortized Debt Costs	Net
5.500% senior notes due in 2024	**499.3**	**5.8**	**493.5**	513.1	7.2	505.9
5.500% senior notes due in 2025	**750.0**	**8.2**	**741.8**	750.0	9.8	740.2
ABL facility	**92.0**	**—**	**92.0**	81.1	—	81.1
Short-term borrowings	**0.4**	**—**	**0.4**	7.9	—	7.9
Finance leases	**30.9**	**—**	**30.9**	5.0	—	5.0
Other debt financing	**1.4**	**—**	**1.4**	2.1	—	2.1
Total debt	**1,374.0**	**14.0**	**1,360.0**	1,359.2	17.0	1,342.2
Less: Short-term borrowings and current debt:						
ABL facility	**92.0**	**—**	**92.0**	81.1	—	81.1
Short-term borrowings	**0.4**	**—**	**0.4**	7.9	—	7.9
Finance leases - current maturities	**6.3**	**—**	**6.3**	1.9	—	1.9
Other debt financing	**1.1**	**—**	**1.1**	1.1	—	1.1
Total current debt	**99.8**	**—**	**99.8**	92.0	—	92.0
Total long-term debt	**$ 1,274.2**	**$ 14.0**	**$ 1,260.2**	$ 1,267.2	$ 17.0	$ 1,250.2

Asset-Based Lending Facility

We have maintained an ABL facility with JPMorgan Chase Bank N.A. as Administrative Agent since 2008 to provide financing for our operations. We have amended and refinanced the ABL facility from time to time and incurred related financing fees, $4.3 million of which have been capitalized and deferred and are being amortized using the straight-line method over the duration of the amended ABL facility.

As of December 28, 2019, our total availability under the ABL facility was $216.4 million which was based on our borrowing base (accounts receivables, inventory, and fixed assets as of the December 2019 month-end under the terms of the credit agreement governing the ABL facility). As of December 28, 2019, we had $92.0 million of outstanding borrowings under the ABL facility and $47.4 million of outstanding letters of credit. As a result, our excess availability under the ABL facility was $77.0 million as of December 28, 2019. The commitment fee was 0.25% per annum of the unused commitment, which was $110.6 million as of December 28, 2019. The weighted average effective interest rate at December 28, 2019 on our outstanding borrowings was 3.4%. The effective interest rates are based on our aggregate availability.

The ABL facility, as amended and restated most recently on January 30, 2018, provides us with financing in the United States, Canada, the United Kingdom and the Netherlands. Cott and its subsidiaries, Holdings, DSS, S&D, Aimia and Aquaterra, are borrowers under the ABL facility. The ABL facility is a revolving facility of up to $250.0 million with a maturity date of August 3, 2021. JPMorgan Chase Bank, N.A. serves as administrative agent and administrative collateral agent and JPMorgan Chase Bank, N.A., London Branch serves as U.K. security trustee. Availability under the ABL facility is dependent on a borrowing base calculated as a percentage of the value of eligible inventory, accounts receivable and property, plant and equipment in the manner set forth in the credit agreement. Subject to certain conditions, the ABL facility may be increased up to an additional $100.0 million at our option if lenders agree to increase their commitments. The debt under the ABL facility is guaranteed by most of our U.S., Canadian and U.K. subsidiaries, certain of our Dutch subsidiaries and certain other subsidiaries. As disclosed previously on a Current Report on Form 8-K dated February 7, 2020 (the “ABL Amendment 8-K”), on February 7, 2020, the ABL facility was amended to, among other things, modify certain negative covenants of the ABL facility to facilitate the sale of S&D (see Note 24 to the Consolidated Financial Statements) and to limit the conditions to be met for the acquisition of Primo Water Corporation (see Note 24 to the Consolidated Financial Statements) to be permitted under the ABL facility (the “ABL Amendment”). This reference to the ABL Amendment does not purport to be complete and is qualified in its entirety by reference to Exhibit 10.1 to the ABL Amendment 8-K.

5.500% Senior Notes due in 2025

In March 2017, we issued $750.0 million of our 2025 Notes to qualified purchasers in a private placement offering under Rule 144A under the Securities Act, and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2025 Notes were issued by our wholly-owned subsidiary Holdings, and most of our U.S., Canadian, U.K. and Dutch subsidiaries guarantee the 2025 Notes. The 2025 Notes will mature on April 1, 2025 and interest is payable semi-annually on April 1st and October 1st of each year commencing on October 1, 2017. The proceeds of the 2025 Notes were used to redeem in full the 2020 Notes, redeem $100.0 million aggregate principal amount of our DSS Notes and to pay related fees and expenses.

We incurred $11.7 million of financing fees in connection with the issuance of the 2025 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2025 Notes.

5.500% Senior Notes due in 2024

In June 2016, we issued €450.0 million (U.S. $499.3 million at the exchange rate in effect on December 28, 2019) of our 2024 Notes to qualified purchasers in a private placement offering under Rule 144A and Regulation S under the Securities Act and other applicable laws. The 2024 Notes were initially issued by our wholly-owned subsidiary Cott Finance Corporation. In connection with the closing of the acquisition of Eden, we assumed all of the obligations of Cott Finance Corporation under the 2024 Notes, and most of our U.S., Canadian, U.K. and Dutch subsidiaries that were obligors under the 2022 Notes and the 2020 Notes entered into a supplemental indenture to guarantee the 2024 Notes. The 2024 Notes will mature on July 1, 2024 and interest is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2017. The proceeds of the 2024 Notes were used to fund a portion of the purchase price of the acquisition of Eden and to pay related fees and expenses.

We incurred approximately $11.3 million of financing fees for the issuance of the 2024 Notes and $11.0 million of bridge financing commitment fees and professional fees in connection with the acquisition of Eden. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2024 Notes. The bridge financing commitment fees and professional fees were expensed as incurred.

Credit Ratings and Covenant Compliance

Credit Ratings

Our objective is to maintain credit ratings that provide us with ready access to global capital and credit markets at favorable interest rates.

As of December 28, 2019, the Company’s credit ratings were as follows:

	Credit Ratings	
	Moody’s Rating	Standard and Poor’s Rating
Corporate credit rating	B1	B
2024 Notes	B1	B
2025 Notes	B1	B
Outlook	Stable	Stable

Any downgrade of our credit ratings by either Moody’s or S&P could increase our future borrowing costs or impair our ability to access capital markets on terms commercially acceptable to us or at all.

Covenant Compliance

Indentures governing our outstanding notes

Under the indentures governing our outstanding notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. The covenants are substantially similar across the series of notes. As of December 28, 2019, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any such covenants of our outstanding notes since the date of their issuance or assumption, as applicable.

ABL Facility

Under the credit agreement governing the ABL facility, as amended and restated most recently on January 30, 2018, Cott and its restricted subsidiaries are subject to a number of business and financial covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. The minimum fixed charge coverage ratio of 1.0 to 1.0 is effective if and when there exists an event of default or aggregate availability is less than the greater of 10% of the Line Cap under the ABL facility or $22.5 million (which would be reduced to $13.5 million upon the S&D Disposition, per the ABL Amendment). Line Cap is defined as an amount equal to the lesser of the lenders' commitments or the borrowing base at such time. If an event of default or certain defaults exist or the excess availability is less than the greater of 10% of the aggregate availability under the ABL facility or $22.5 million (which would be reduced to $13.5 million upon the S&D Disposition, per the ABL Amendment), the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the facility. We were in compliance with all of the applicable covenants under the ABL facility as of December 28, 2019.

Issuer Purchases of Equity Securities

Common Share Repurchase Programs

On December 11, 2018, our Board of Directors approved a share repurchase program for up to $50.0 million of our outstanding common shares over a 12-month period commencing on December 14, 2018 (the "Repurchase Plan"). During 2019, we repurchased 2,006,789 common shares for approximately $27.8 million through open market transactions under the Repurchase Plan. During the second quarter of 2019, we utilized all funds under the Repurchase Plan.

On December 11, 2019, our Board of Directors approved a new share repurchase program for up to $50.0 million of our outstanding common shares over a 12-month period (the "New Repurchase Plan"). We made no repurchases of our common shares under the New Repurchase Plan during 2019.

Tax Withholding

During 2019, 263,484 shares (2018—417,224; 2017—277,338) of our previously-issued common shares were withheld from delivery to our employees to satisfy their tax obligations related to share-based awards. Please refer to the table in Part II, Item 5 of this Annual Report on Form 10-K.

Capital Structure

Since December 29, 2018, equity has decreased by $4.2 million. The decrease was due primarily to common share dividend payments of $32.6 million and common shares repurchased and subsequently canceled of $31.8 million, partially offset by net income of $2.9 million, other comprehensive income, net of tax of $33.2 million, share-based compensation costs of $12.4 million, and a cumulative-effect of changes in accounting principle, net of taxes of $10.5 million recognized as a result of the adoption of Accounting Standards Update 2016-02 - Leases.

Dividend payments

Common Share Dividend

Our Board of Directors declared a quarterly dividend of $0.06 per common share in each quarter during 2019 and 2018 for an aggregate dividend payment of approximately $32.6 million and $33.7 million, respectively. We intend to pay a regular quarterly dividend on our common shares subject to, among other things, the best interests of our shareowners, our results of operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the ABL facility and indentures governing our outstanding notes as well as other factors that the Board of Directors may deem relevant from time to time.

Recent Accounting Pronouncements

Refer to Note 1 in the Consolidated Financial Statements for a summary of recently adopted and recently issued accounting standards and their related effects or anticipated effects on our consolidated results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not trade market risk sensitive instruments.

Currency Exchange Rate Risk

We are exposed to changes in foreign currency exchange rates. Operations outside of the United States accounted for 24.8% of 2019 revenue, net, and 24.7% of 2018 revenue, net, and are concentrated principally in the United Kingdom, Canada, and Europe. We translate the revenues and expenses of our foreign operations using average exchange rates prevailing during the period. The effect of a 10% change in the average foreign currency exchange rates among the U.S. dollar versus the Canadian dollar, pound sterling and Euro for the year ended December 28, 2019, would result in our revenue, net, in 2019 changing by $58.8 million and our gross profit in 2019 changing by $32.7 million. This change would be material to our cash flows and our results of operations.

Debt Obligations and Interest Rates

We have exposure to interest rate risk from the outstanding principal amounts of our short-term borrowings on our ABL facility. Interest rates on our long-term debt are fixed and not subject to interest rate volatility. Our ABL facility is vulnerable to fluctuations in the U.S. short-term base rate and the LIBOR rate. Because we had $92.0 million of ABL borrowings outstanding as of December 28, 2019, a 100 basis point increase in the current per annum interest rate for our ABL facility (excluding the $47.4 million of outstanding letters of credit) would result in additional interest expense of approximately $0.9 million. The weighted average interest rate of our outstanding ABL facility at December 28, 2019 was 3.4%.

We regularly review the structure of our indebtedness and consider changes to the proportion of variable versus fixed rate debt through refinancing, interest rate swaps or other measures in response to the changing economic environment. Historically, we have not used derivative instruments to manage interest rate risk. If we use and fail to manage these derivative instruments successfully, or if we are unable to refinance our indebtedness or otherwise increase our debt capacity in response to changes in the marketplace, the expense associated with debt service could increase. This would negatively affect our financial condition and profitability.

The information below summarizes our market risks associated with long-term debt obligations as of December 28, 2019. The table presents principal cash flows and related interest rates by year. Interest rates disclosed represent the actual weighted average rates as of December 28, 2019.

	Debt Obligations	
(in millions of U.S. dollars, except percentage amounts)	Outstanding debt balance	Weighted average interest rate
Debt maturing in:		
2020	$ 100.0	3.5%
2021	5.6	5.9%
2022	5.0	6.3%
2023	4.8	6.3%
2024	503.4	5.5%
Thereafter	755.2	5.5%
Total	$ 1,374.0	

Commodity Price Risk

The competitive marketplace in which we operate may limit our ability to recover increased costs through higher prices. As a result, we are subject to market risk with respect to commodity price fluctuations principally related to our purchases of resin for PET, HDPE and polycarbonate bottles, tea, green coffee and fuel. We manage some of our exposure to this risk through the use of supplier pricing agreements, which enable us to fix the purchase prices for certain commodities, as well as derivative financial instruments. We estimate that a 10% increase in the market prices of these commodities over the current market prices would cumulatively increase our cost of sales during the next 12 months by approximately $32.0 million. This change would be material to our cash flows and our results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See “Index to Consolidated Financial Statements.”

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial and Administrative Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 28, 2019 (the “Evaluation”). Based upon the Evaluation, our Chief Executive Officer and Chief Financial and Administrative Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”)) are effective.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management evaluates the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial and Administrative Officer, assessed the effectiveness of our internal control over financial reporting as of December 28, 2019, and concluded that it was effective as of December 28, 2019.

The effectiveness of our internal control over financial reporting as of December 28, 2019 has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, who also audited our Consolidated Financial Statements included in this Annual Report on Form 10-K, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended December 28, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item regarding directors is incorporated by reference to, and will be contained in, the "Election of Directors" section of our definitive proxy statement for the 2020 Annual Meeting of Shareowners, which is expected to be filed within 120 days after December 28, 2019 (the "2020 Proxy Statement"). The information required by this item regarding executive officers appears as the Supplemental Item in Part I. There have been no material changes to the procedures by which shareholders may recommend nominees to our Board of Directors.

The Audit Committee of our Board of Directors is an "audit committee" for the purposes of Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee charter is posted on our website at www.cott.com. The members of the Audit Committee are Graham Savage (Chairman), Gregory Monahan and Mario Pilozzi. As required by the NYSE rules, the Board of Directors has determined that each member of the Audit Committee is independent and financially literate and that Mr. Savage qualifies as an "audit committee financial expert" within the meaning of the rules of the U.S. Securities and Exchange Commission.

All of our directors, officers and employees must comply with our Code of Business Conduct and Ethics. In addition, our Chief Executive Officer, Chief Financial and Administrative Officer and principal accounting officer and certain other employees have a further obligation to comply with our Code of Ethics for Senior Officers. Our Code of Business Conduct and Ethics and our Code of Ethics for Senior Officers are posted on our website, www.cott.com, and we intend to comply with obligations to disclose any amendment to, or waiver of, provisions of these codes by posting such information on our website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to, and will be contained in, the "Compensation of Executive Officers," "The Human Resources and Compensation Committee Report" and "Compensation Committee Interlocks and Insider Participation" sections of our 2020 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREOWNER MATTERS

The information required by this item is incorporated by reference to, and will be contained in, the "Principal Shareowners," "Security Ownership of Directors and Management" and "Equity Compensation Plan Information" sections of our 2020 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to, and will be contained in, the "Certain Relationships and Related Transactions" section of our 2020 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to, and will be contained in, the "Independent Registered Public Accounting Firm" section of our 2020 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The documents filed as part of this report are as follows:

1. Financial Statements

The consolidated financial statements and accompanying report of a registered independent public accounting firm are listed in the Index to Consolidated Financial Statements and are filed as part of this report.

2. Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts for the Years Ended December 28, 2019, December 29, 2018, and December 30, 2017.

3. Exhibits

		Incorporated by Reference				Filed Herewith
Exhibit No.	Description of Exhibit	Form	Exhibit	Filing Date	File No.	
2.1	Share Purchase Agreement, dated as of July 24, 2017, by and among Cott Corporation, Refresco Group B.V., Refresco US Holdings Inc. and certain other parties thereto	8-K	2.1	7/26/2017	001-31410	
3.1	Articles of Amalgamation of Cott Corporation, as amended					*
3.2	By-laws of Cott Corporation, as amended	8-A	3.2	5/4/2018	001-31410	
4.1	Indenture, dated as of June 30, 2016, by and among Cott Finance Corporation, BNY Trust Company of Canada, as Canadian trustee, The Bank of New York Mellon, as U.S. trustee, paying agent, registrar, transfer agent and authenticating agent, and The Bank of New York Mellon, London Branch, as London paying agent, governing the 5.50% Senior Notes due 2024	8-K	4.1	6/30/2016	001-31410	
4.2	Form of 5.50% Senior Notes due 2024 (included as Exhibit A to Exhibit 4.1)	8-K	4.1	6/30/2016	001-31410	
4.3	Sixth Supplemental Indenture, dated as of April 16, 2018, governing the 5.50% Senior Notes due 2024, by and among Cott Corporation and certain of its subsidiaries, including Crystal Rock Holdings, Inc. and Crystal Rock LLC, and BNY Trust Company of Canada, as Canadian trustee, The Bank of New York Mellon, as U.S. trustee, paying agent, registrar, transfer agent and authenticating agent, and The Bank of New York Mellon, London Branch, as London paying agent	10-Q	4.1	5/10/2018	001-31410	
4.4	Seventh Supplemental Indenture, dated as of June 29, 2018, governing the 5.50% Senior Notes due 2024, by and among Cott Corporation and John Farrer & Company (Kendal) Limited, and BNY Trust Company of Canada, as Canadian trustee, The Bank of New York Mellon, as U.S. trustee, paying agent, registrar, transfer agent and authenticating agent, and The Bank of New York Mellon, London Branch, as London paying agent	10-Q	4.1	8/7/2018	001-31410	

4.5	Eighth Supplemental Indenture, dated as of November 16, 2018, governing the 5.50% Senior Notes due 2024, by and among Cott Corporation and John Farrer & Company (Kendal) Limited, and BNY Trust Company of Canada, as Canadian trustee, The Bank of New York Mellon, as U.S. trustee, paying agent, registrar, transfer agent and authenticating agent, and The Bank of New York Mellon, London Branch, as London paying agent	10-K	4.9	2/27/2019	001-31410
4.6	Ninth Supplemental Indenture, dated as of January 15, 2019, governing the 5.50% Senior Notes due 2024, by and among Cott Corporation, Amazon Springs Water Co. Ltd., Mountain Valley Holdings LLC, Mountain Valley Spring Company, LLC and Mountain Valley Logistics, LLC, and BNY Trust Company of Canada, as Canadian co-trustee, and The Bank of New York Mellon, as U.S. co-trustee	10-K	4.10	2/27/2019	001-31410
4.7	Tenth Supplemental Indenture, dated as of April 1, 2019, governing the 5.50% Senior Notes due 2024, by and among Cott Corporation, Wallingford Holding, Inc. and Wallingford Coffee Mills Inc., and BNY Trust Company of Canada, as Canadian co-trustee, and The Bank of New York Mellon, as U.S. co-trustee	10-Q	4.1	5/9/2019	001-31410
4.8	Indenture, dated as of March 22, 2017, by and among Cott Holdings Inc., the guarantors party thereto, BNY Trust Company of Canada, as Canadian co-trustee, and The Bank of New York Mellon, as U.S. co-trustee, paying agent, registrar, transfer agent and authenticating agent, governing the 5.500% Senior Notes due 2025	8-K	4.1	3/22/2017	001-31410
4.9	Form of 5.500% Senior Notes due 2025 (included as Exhibit A to Exhibit 4.8)	8-K	4.1	3/22/2017	001-31410
4.10	Third Supplemental Indenture, dated as of April 16, 2018, governing the 5.50% Senior Notes due 2025, by and among Cott Holdings Inc. and certain of its subsidiaries, including Crystal Rock Holdings, Inc. and Crystal Rock LLC, and BNY Trust Company of Canada, as Canadian co-trustee, and The Bank of New York Mellon, as U.S. co-trustee, paying agent, registrar, transfer agent and authenticating agent	10-Q	4.2	5/10/2018	001-31410
4.11	Fourth Supplemental Indenture, dated as of June 29, 2018, governing the 5.50% Senior Notes due 2025, by and among Cott Holdings Inc. and John Farrer & Company (Kendal) Limited, and BNY Trust Company of Canada, as Canadian co-trustee, and The Bank of New York Mellon, as U.S. co-trustee, paying agent, registrar, transfer agent and authenticating agent	10-Q	4.2	8/7/2018	001-31410
4.12	Fifth Supplemental Indenture, dated as of November 16, 2018, governing the 5.50% Senior Notes due 2025, by and among Cott Holdings Inc., Amazon Springs Water Co. Ltd., Mountain Valley Holdings LLC, Mountain Valley Spring Company, LLC and Mountain Valley Logistics, LLC, and BNY Trust Company of Canada, as Canadian co-trustee, and The Bank of New York Mellon, as U.S. co-trustee	10-K	4.15	2/27/2019	001-31410

4.13	Sixth Supplemental Indenture, dated as of January 15, 2019, governing the 5.50% Senior Notes due 2025, by and among Cott Holdings Inc. and Cott Cayman, and BNY Trust Company of Canada, as Canadian co-trustee, and The Bank of New York Mellon, as U.S. co-trustee	10-K	4.16	2/27/2019	001-31410	
4.14	Seventh Supplemental Indenture, dated as of April 1, 2019, governing the 5.50% Senior Notes due 2025, by and among Cott Holdings, Inc., Wallingford Holding, Inc. and Wallingford Coffee Mills Inc., and BNY Trust Company of Canada, as Canadian co-trustee, and The Bank of New York Mellon, as U.S. co-trustee	10-Q	4.2	5/19/2019	001-31410	
4.15	Shareholder Rights Plan Agreement, dated as of May 1, 2018, between Cott Corporation and Computershare Investor Services Inc., as Rights Agent	8-K	4.1	5/4/2018	001-31410	
4.16	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934					*
10.1	Second Amendment and Restatement Agreement, dated as of January 30, 2018, to the Credit Agreement dated as of August 17, 2010, as amended, among Cott Corporation, Cott Beverages Inc., Cott Beverages Limited, Cliffstar LLC, DS Services of America, Inc. and the other Loan Parties party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., London Branch as UK security trustee, JPMorgan Chase Bank, N.A., as administrative agent and administrative collateral agent, and each of the other parties party thereto	8-K	10.1	2/2/2018	001-31410	
10.2 (2)	Offer Letter Agreement with Jerry Fowden dated August 1, 2018	8-K	10.1	8/3/2018	001-31410	
10.3 (2)	Extension of Offer Letter Agreement with Jerry Fowden dated December 10, 2019	8-K	10.1	12/11/2019	001-31410	
10.4 (2)	Employment Offer Letter to Jay Wells dated January 14, 2012	10-Q	10.1	5/7/2012	001-31410	
10.5 (2)	Offer Letter Agreement with Thomas Harrington dated August 1, 2018	8-K	10.2	8/3/2018	001-31410	
10.6 (2)	Employment Offer Letter to Ron Hinson dated November 6, 2017	10-Q	10.1	11/9/2017	001-31410	
10.7 (2)	Employment Offer Letter to Marni Morgan Poe dated January 14, 2010	10-Q	10.1	5/12/2010	001-31410	
10.8 (2)	Employment Offer Letter to Jason Ausher dated May 6, 2015	10-Q	10.2	8/5/2015	001-31410	
10.9 (2)	Contract of Employment between Aimia Foods Limited and Steven Kitching dated February 14, 2019					*
10.10 (2)	Employment Offer Letter to William Jamieson, dated January 15, 2019	10-Q	10.1	5/9/2019	001-31410	
10.11 (2)	Cott Corporation Severance and Non-Competition Plan, dated February 18, 2009	8-K	10.2	2/24/2009	001-31410	
10.12 (2)	First Amendment to the Cott Corporation Severance and Non-Competition Plan, dated August 1, 2018	8-K	10.3	8/3/2018	001-31410	

10.13 [2]	Amended and Restated Cott Corporation Equity Incentive Plan	DEF 14A	Appendix B	3/28/2013	001-31410	
10.14 [2]	Amendment to Amended and Restated Cott Corporation Equity Incentive Plan	DEF 14A	Appendix B	3/26/2015	001-31410	
10.15 [2]	Amendment to Amended and Restated Cott Corporation Equity Incentive Plan	10-Q	10.3	8/9/2016	001-31410	
10.16 [2]	Cott Corporation 2018 Equity Incentive Plan	DEF 14A	Appendix B	3/21/2018	001-31410	
10.17 [2]	Form of Restricted Share Unit Award Agreement with Time-Based Vesting under the Amended and Restated Cott Corporation Equity Incentive Plan	10-K	10.22	2/29/2016	001-31410	
10.18 [2]	Form of Restricted Share Unit Award Agreement with Performance-Based Vesting under the Amended and Restated Cott Corporation Equity Incentive Plan	10-K	10.23	2/29/2016	001-31410	
10.19 [2]	Form of Nonqualified Stock Option Agreement under the Amended and Restated Cott Corporation Equity Incentive Plan	10-K	10.24	2/29/2016	001-31410	
21.1	List of Subsidiaries of Cott Corporation					*
23.1	Consent of Independent Registered Public Accounting Firm					*
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the year ended December 28, 2019.					*
31.2	Certification of the Chief Financial and Administrative Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the year ended December 28, 2019.					*
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the year ended December 28, 2019.					*
32.2	Certification of the Chief Financial and Administrative Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the year ended December 28, 2019.					*
101	The following financial statements from Cott Corporation's Annual Report on Form 10-K for the fiscal year ended December 28, 2019, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, and (vi) Notes to the Consolidated Financial Statements.					*
104	Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101).					*

[1] Confidential treatment has been granted for portions of this exhibit.

[2] Indicates a management contract or compensatory plan.

All other schedules called for by the applicable SEC accounting regulations are not required under the related instructions or are inapplicable and, therefore, have been omitted.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

Signatures

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

Cott Corporation

/S/ THOMAS J HARRINGTON

Thomas J. Harrington
Chief Executive Officer
Date: February 26, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/S/ THOMAS J HARRINGTON

Thomas J. Harrington
Chief Executive Officer, Director
(Principal Executive Officer)
Date: February 26, 2020

/S/ JAY WELLS

Jay Wells
Chief Financial and Administrative Officer
(Principal Financial Officer)
Date: February 26, 2020

/S/ JASON AUSHER

Jason Ausher
Chief Accounting Officer
(Principal Accounting Officer)
Date: February 26, 2020

/S/ JERRY FOWDEN

Jerry Fowden
Executive Chairman, Director
Date: February 26, 2020

/S/ STEVEN STANBROOK

Steven Stanbrook
Director
Date: February 26, 2020

/S/ STEPHEN H. HALPERIN

Stephen H. Halperin
Director
Date: February 26, 2020

/S/ BETTY JANE HESS

Betty Jane Hess
Director
Date: February 26, 2020

/S/GREGORY MONAHAN

Gregory Monahan
Director
Date: February 26, 2020

/S/ MARIO PILOZZI

Mario Pilozzi
Director
Date: February 26, 2020

/S/ BRITTA BOMHARD

Britta Bomhard
Director
Date: February 26, 2020

/S/ GRAHAM SAVAGE

Graham Savage
Director
Date: February 26, 2020

/S/ ERIC ROSENFELD

Eric Rosenfeld
Director
Date: February 26, 2020

COTT CORPORATION
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Cott Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Cott Corporation and its subsidiaries (the "Company") as of December 28, 2019 and December 29, 2018, and the related consolidated statements of operations, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 28, 2019, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Analysis - Eden Reporting Unit

As described in Note 1 to the consolidated financial statements, the Company's consolidated goodwill balance was $1,175.7 million as of December 28, 2019, and the goodwill associated with the Eden reporting unit was $321.1 million. Management tests goodwill for impairment at least annually on the first day of the fourth quarter, or more frequently if management determines a triggering event has occurred during the year. The fair value of the Eden reporting unit was estimated using a mix of the income approach (which is based on the discounted cash flows of the reporting unit) and the guideline public company approach. Critical assumptions used in management's valuation of the Eden reporting unit included the anticipated future cash flows, weighted-average terminal growth rate and discount rate. Anticipated future cash flows assumption reflects projected revenue growth rates, operating profit margins and capital expenditures.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Eden reporting unit is a critical audit matter are there was significant judgment by management when developing the fair value measurement of the reporting unit. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's significant assumptions, including revenue growth rates, operating profit margins, the discount rate, and weighted-average terminal growth rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting units. These procedures also included, among others, testing management's process for developing the fair value measurement of the reporting unit; evaluating the appropriateness of the discounted cash flow model and the guideline public company approach; testing the completeness, accuracy, and relevance of underlying data used in the discounted cash flow model; and evaluating the reasonableness of significant assumptions used by management, including revenue growth rates, operating profit margins, the discount rate, and weighted-average terminal growth rate. Evaluating management's assumptions related to revenue growth rates and operating profit margins involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow model and certain significant assumptions, including the discount rate and the weighted-average terminal growth rate.

/s/PricewaterhouseCoopers LLP
Tampa, Florida
February 26, 2020

We have served as the Company's auditor since 2007.

COTT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions of U.S. dollars, except share and per share amounts)

	For the Year Ended		
	December 28, 2019	**December 29, 2018**	**December 30, 2017**
Revenue, net	**$ 2,394.5**	$ 2,372.9	$ 2,269.7
Cost of sales	**1,166.7**	1,197.3	1,142.0
Gross profit	**1,227.8**	1,175.6	1,127.7
Selling, general and administrative expenses	**1,113.0**	1,092.1	1,043.2
Loss on disposal of property, plant and equipment, net	**7.5**	9.4	10.2
Acquisition and integration expenses	**16.9**	15.3	30.4
Operating income	**90.4**	58.8	43.9
Other expense (income), net	**2.8**	(42.9)	(8.0)
Interest expense, net	**78.2**	77.6	85.5
Income (loss) from continuing operations before income taxes	**9.4**	24.1	(33.6)
Income tax expense (benefit)	**9.5**	(4.8)	(30.0)
Net (loss) income from continuing operations	**$ (0.1)**	$ 28.9	$ (3.6)
Net income from discontinued operations, net of income taxes (Note 3)	**3.0**	354.6	10.7
Net income	**$ 2.9**	$ 383.5	$ 7.1
Less: Net income attributable to non-controlling interests - discontinued operations	**—**	0.6	8.5
Net income (loss) attributable to Cott Corporation	**$ 2.9**	$ 382.9	$ (1.4)
Net income (loss) per common share attributable to Cott Corporation			
Basic:			
Continuing operations	**$ —**	$ 0.21	$ (0.03)
Discontinued operations	**$ 0.02**	$ 2.54	$ 0.02
Net income (loss)	**$ 0.02**	$ 2.75	$ (0.01)
Diluted:			
Continuing operations	**$ —**	$ 0.21	$ (0.03)
Discontinued operations	**$ 0.02**	$ 2.50	$ 0.02
Net income (loss)	**$ 0.02**	$ 2.71	$ (0.01)
Weighted average common shares outstanding (in thousands)			
Basic	**135,224**	139,097	139,078
Diluted	**135,224**	141,436	139,078

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

COTT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions of U.S. dollars)

	For the Year Ended		
	December 28, 2019	**December 29, 2018**	**December 30, 2017**
Net income	**$ 2.9**	$ 383.5	$ 7.1
Other comprehensive income (loss):			
Currency translation adjustment	**13.6**	(16.1)	27.2
Pension benefit plan, net of tax [1, 2]	**(1.3)**	17.1	(2.4)
Gain (loss) on derivative instruments, net of tax [3]	**20.9**	(8.3)	(1.3)
Total other comprehensive income (loss)	**33.2**	(7.3)	23.5
Comprehensive income	**$ 36.1**	$ 376.2	$ 30.6
Less: Comprehensive income attributable to non-controlling interests	**—**	0.6	8.5
Comprehensive income attributable to Cott Corporation	**$ 36.1**	$ 375.6	$ 22.1

1 Net of $3.6 million of associated tax impact that resulted in an increase to the gain on sale of discontinued operations for the year ended December 29, 2018.

2 Net of the effect of a $0.2 million tax benefit, $0.1 million tax expense and $0.6 million tax benefit for the years ended December 28, 2019, December 29, 2018 and December 30, 2017, respectively.

3 Net of the effect of $6.8 million tax expense and $2.5 million tax benefit for the years ended December 28, 2019 and December 29, 2018, respectively.

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

COTT CORPORATION

CONSOLIDATED BALANCE SHEETS
(in millions of U.S. dollars, except share amounts)

	December 28, 2019		December 29, 2018	
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**205.5**	$	170.8
Accounts receivable, net of allowance of $9.1 ($9.6 as of December 29, 2018)		**279.3**		308.3
Inventories		**122.5**		129.6
Prepaid expenses and other current assets		**35.0**		27.2
Total current assets		**642.3**		635.9
Property, plant and equipment, net		**647.8**		624.7
Operating lease right-of-use-assets		**203.1**		—
Goodwill		**1,175.7**		1,143.9
Intangible assets, net		**701.4**		739.2
Deferred tax assets		**—**		0.1
Other long-term assets, net		**20.6**		31.7
Total assets	**$**	**3,390.9**	$	3,175.5
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	**$**	**92.4**	$	89.0
Current maturities of long-term debt		**7.4**		3.0
Accounts payable and accrued liabilities		**466.1**		469.0
Current operating lease obligations		**41.7**		—
Total current liabilities		**607.6**		561.0
Long-term debt		**1,260.2**		1,250.2
Operating lease obligations		**167.8**		—
Deferred tax liabilities		**127.4**		124.3
Other long-term liabilities		**61.7**		69.6
Total liabilities		**2,224.7**		2,005.1
Commitments and contingencies - Note 20				
Equity				
Common shares, no par value - 134,803,211 shares issued (December 29, 2018 - 136,195,108 shares issued)		**892.3**		899.4
Additional paid-in-capital		**77.4**		73.9
Retained earnings		**265.0**		298.8
Accumulated other comprehensive loss		**(68.5)**		(101.7)
Total Cott Corporation equity		**1,166.2**		1,170.4
Total liabilities and equity	**$**	**3,390.9**	$	3,175.5

Approved by the Board of Directors:
/s/ Graham Savage
Director

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)

	For the Year Ended		
	December 28, 2019	**December 29, 2018**	**December 30, 2017**
Cash flows from operating activities of continuing operations:			
Net income	**$ 2.9**	$ 383.5	$ 7.1
Net income from discontinued operations, net of income taxes	**3.0**	354.6	10.7
Net (loss) income from continuing operations	**(0.1)**	28.9	(3.6)
Adjustments to reconcile net (loss) income from continuing operations to cash flows from operating activities:			
Depreciation and amortization	**192.8**	194.6	188.6
Amortization of financing fees	**3.5**	3.5	1.9
Share-based compensation expense	**12.4**	17.3	17.5
Benefit for deferred income taxes	**(2.1)**	(6.7)	(33.9)
Gain on extinguishment of long-term debt	**—**	(7.1)	(1.5)
Loss (gain) on sale of business	**6.0**	(6.0)	—
Loss on disposal of property, plant and equipment, net	**7.5**	9.4	10.2
Other non-cash items	**(2.2)**	(3.0)	(3.5)
Change in operating assets and liabilities, net of acquisitions:			
Accounts receivable	**15.1**	(10.8)	(8.0)
Inventories	**(7.5)**	(0.5)	(2.0)
Prepaid expenses and other current assets	**2.6**	(4.0)	0.9
Other assets	**1.7**	(0.5)	2.1
Accounts payable and accrued liabilities and other liabilities	**20.3**	29.2	7.3
Net cash provided by operating activities from continuing operations	**250.0**	244.3	176.0
Cash flows from investing activities of continuing operations:			
Acquisitions, net of cash received	**(76.3)**	(164.0)	(35.5)
Additions to property, plant and equipment	**(114.6)**	(130.8)	(121.3)
Additions to intangible assets	**(10.9)**	(13.2)	(5.6)
Proceeds from sale of property, plant and equipment and sale-leaseback	**2.9**	4.1	7.8
Proceeds from sale of business, net of cash sold	**50.5**	12.8	—
Proceeds from sale of equity securities	**—**	7.9	—
Other investing activities	**0.6**	0.5	1.0
Net cash used in investing activities from continuing operations	**(147.8)**	(282.7)	(153.6)
Cash flows from financing activities of continuing operations:			
Payments of long-term debt	**(5.6)**	(264.5)	(101.5)
Issuance of long-term debt	**—**	2.7	750.0
Borrowings under ABL	**75.1**	98.4	—
Payments under ABL	**(64.2)**	(17.4)	—
Premiums and costs paid upon extinguishment of long-term debt	**—**	(12.5)	(7.7)
Issuance of common shares	**1.2**	6.4	3.5
Common shares repurchased and canceled	**(31.8)**	(74.9)	(3.8)
Financing fees	**—**	(1.5)	(11.1)

Dividends paid to common and preferred shareholders	**(32.5)**	(33.4)	(33.4)
Payment of contingent consideration for acquisitions	**(0.3)**	(2.8)	—
Other financing activities	**(7.9)**	2.9	0.5
Net cash (used in) provided by financing activities from continuing operations	**(66.0)**	(296.6)	596.5
Cash flows from discontinued operations:			
Operating activities of discontinued operations	**(3.2)**	(97.6)	102.7
Investing activities of discontinued operations	**—**	1,225.5	(44.7)
Financing activities of discontinued operations	**—**	(769.7)	(643.4)
Net cash (used in) provided by discontinued operations	**(3.2)**	358.2	(585.4)
Effect of exchange rate changes on cash	**1.7**	(10.3)	6.3
Net increase in cash, cash equivalents and restricted cash	**34.7**	12.9	39.8
Cash and cash equivalents and restricted cash, beginning of year	**170.8**	157.9	118.1
Cash and cash equivalents and restricted cash, end of year	**205.5**	170.8	157.9
Cash and cash equivalents and restricted cash of discontinued operations, end of year	**—**	—	66.0
Cash and cash equivalents and restricted cash from continuing operations, end of year	**$ 205.5**	$ 170.8	$ 91.9
Supplemental Non-cash Investing and Financing Activities:			
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	**$ 14.2**	$ 11.6	$ 10.9
Accrued deferred financing fees	**$ —**	$ —	$ 0.6
Dividends payable issued through accounts payable and other accrued liabilities	**$ 0.1**	$ 0.3	$ 0.3
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	**$ 75.2**	$ 68.9	$ 81.6
Cash paid for income taxes, net	**$ 6.9**	$ 9.6	$ 1.9

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

COTT CORPORATION

CONSOLIDATED STATEMENTS OF EQUITY
(in millions of U.S. dollars, except share amounts)

	Cott Corporation Equity						
	Number of Common Shares (In thousands)	Common Shares	Additional Paid-in-Capital	Retained Earnings (Accumulated deficit)	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Equity
Balance at December 31, 2016	**138,591**	**$ 909.3**	**$ 54.2**	**$ 22.9**	**$ (117.9)**	**$ 5.3**	**$ 873.8**
Net (loss) income	—	—	—	(1.4)	—	8.5	7.1
Other comprehensive income, net of tax	—	—	—	—	23.5	—	23.5
Common shares dividends ($0.24 per common share)	—	—	—	(33.7)	—	—	(33.7)
Share-based compensation	—	—	22.9	—	—	—	22.9
Common shares repurchased and canceled	(277)	(3.8)	—	—	—	—	(3.8)
Common shares issued - Equity Incentive Plan	1,004	9.4	(7.7)	—	—	—	1.7
Common shares issued - Dividend Reinvestment Plan	34	0.5	—	—	—	—	0.5
Common shares issued - Employee Stock Purchase Plan	137	1.7	(0.3)	—	—	—	1.4
Distributions to non-controlling interests	—	—	—	—	—	(7.7)	(7.7)
Balance at December 30, 2017	**139,489**	**$ 917.1**	**$ 69.1**	**$ (12.2)**	**$ (94.4)**	**$ 6.1**	**$ 885.7**
Net income	—	—	—	382.9	—	0.6	383.5
Other comprehensive loss, net of tax	—	—	—	—	(7.3)	—	(7.3)
Common shares dividends ($0.24 per common share)	—	—	—	(33.7)	—	—	(33.7)
Share-based compensation	—	—	17.4	—	—	—	17.4
Common shares repurchased and canceled	(4,981)	(36.7)	—	(38.2)	—	—	(74.9)
Common shares issued - Equity Incentive Plan	1,581	17.4	(12.4)	—	—	—	5.0
Common shares issued - Dividend Reinvestment Plan	20	0.3	—	—	—	—	0.3
Common shares issued - Employee Stock Purchase Plan	86	1.3	(0.2)	—	—	—	1.1
Distributions to non-controlling interests	—	—	—	—	—	(0.9)	(0.9)
Sale of subsidiary shares of non-controlling interests	—	—	—	—	—	(5.8)	(5.8)
Balance at December 29, 2018	**136,195**	**$ 899.4**	**$ 73.9**	**$ 298.8**	**$ (101.7)**	**$ —**	**$ 1,170.4**
Cumulative effect of changes in accounting principle, net of taxes	—	—	—	10.5	—	—	10.5
Net income	—	—	—	2.9	—	—	2.9
Other comprehensive income, net of tax	—	—	—	—	33.2	—	33.2
Common shares dividends ($0.24 per common share)	—	—	—	(32.6)	—	—	(32.6)
Share-based compensation	—	—	12.4	—	—	—	12.4

Common shares repurchased and canceled	(2,270)	(17.2)	—	(14.6)	—	—	(31.8)
Common shares issued - Equity Incentive Plan	781	8.8	(8.7)	—	—	—	0.1
Common shares issued - Dividend Reinvestment Plan	3	—	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	94	1.3	(0.2)	—	—	—	1.1
Balance at December 28, 2019	**134,803**	**$ 892.3**	**$ 77.4**	**$ 265.0**	**$ (68.5)**	**$ —**	**$ 1,166.2**

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

Notes to Consolidated Financial Statements

Description of Business

As used herein, "Cott," "the Company," "our Company," "Cott Corporation," "we," "us," or "our" refers to Cott Corporation, together with its consolidated subsidiaries. Cott is a water and filtration service company with a leading volume-based national presence in the North American and European home and office delivery industry for bottled water. Our platform reaches over 2.5 million customers or delivery points across North America and Europe and is supported by strategically located sales and distribution facilities and fleets, as well as wholesalers and distributors. This enables us to efficiently service residences, businesses, and small and large retailers.

Note 1—Summary of Significant Accounting Policies

Basis of presentation

These Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") using the U.S. dollar as the reporting currency, as the majority of our business and the majority of our shareowners are in the United States.

Our fiscal year is based on either a 52- or 53- week period ending on the Saturday closest to December 31. For the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, we had 52- weeks of activity. One of our subsidiaries uses a Gregorian calendar year-end which differs from the Company's 52- or 53- week fiscal year-end. Differences arising from the use of the different fiscal year-ends were not deemed material for the fiscal years ended December 28, 2019, December 29, 2018 or December 30, 2017.

Basis of consolidation

The Consolidated Financial Statements include our accounts, our wholly-owned and majority-owned subsidiaries that we control. All intercompany transactions and accounts have been eliminated in consolidation.

Changes in presentation

Certain prior year amounts have been reclassified to conform to the current year presentation on the accompanying Consolidated Statements of Cash Flows. We reclassified amortization of senior notes premium and commodity hedging loss (gain), net to other non-cash items. These reclassifications had no effect on net cash provided by operating activities.

During the first quarter of 2019, we reviewed and realigned our reporting segments to reflect how the business will be managed and the results will be reviewed by the Chief Executive Officer, who is the Company's chief operating decision maker. Following such review, we realigned our three reporting segments as follows: Route Based Services (which includes our DS Services of America, Inc. ("DSS"), Aquaterra Corporation ("Aquaterra"), Mountain Valley Spring Company ("Mountain Valley"), Eden Springs Europe B.V. ("Eden") and Aimia Foods ("Aimia") businesses); Coffee, Tea and Extract Solutions (which includes our S. & D. Coffee, Inc. ("S&D") business); and All Other (which includes miscellaneous expenses and our Cott Beverages LLC business, which was sold in the first quarter of 2019). Our segment reporting results have been recast to reflect these changes for all periods presented.

Discontinued operations

In July 2017, we entered into a Share Purchase Agreement with Refresco Group B.V., a Dutch company ("Refresco"), pursuant to which we sold to Refresco, on January 30, 2018, our carbonated soft drinks and juice businesses via the sale of our North America, United Kingdom and Mexico business units (including the Canadian business) and our Royal Crown International finished goods export business (collectively, the "Traditional Business" and such transaction, the "Traditional Business Disposition"). The Traditional Business Disposition was structured as a sale of the assets of our Canadian business and a sale of the stock of the operating subsidiaries engaged in the Traditional Business in the other jurisdictions after we completed an internal reorganization. The aggregate deal consideration was $1.25 billion, paid at closing in cash, with customary post-closing adjustments resolved in December 2018 by the payment of $7.9 million from the Company to Refresco. The sale of the Traditional Business represented a strategic shift and had a major effect on our operations and, therefore, the Traditional Business is presented herein as discontinued operations. The Traditional Business excludes our Route Based Services and Coffee, Tea and Extract Solutions reporting segments, and our Cott Beverages LLC business.

Estimates

The preparation of these Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Consolidated Financial Statements include estimates and assumptions that, in the opinion of management, were significant to the underlying amounts representing the future valuation of intangible assets, long-lived assets and goodwill, realization of deferred income tax assets, the resolution of tax contingencies and projected benefit plan obligations.

Revenue recognition

We recognize revenue, net of sales returns, when ownership passes to customers for products manufactured in our own plants and/or by third-parties on our behalf, and when prices to our customers are fixed or determinable and collection is reasonably assured. This may be upon shipment of goods or upon delivery to the customer, depending on contractual terms. Shipping and handling costs paid by the customer to us are included in revenue. Although we occasionally accept returns of products from our customers, historically returns have not been material.

We also recognize rental income on filtration, brewers and dispensing equipment at customer locations based on the terms of the related rental agreements, which are generally measured based on 28-day periods. Amounts billed to customers for rental in future periods are deferred and included in accounts payable and accrued liabilities on the Consolidated Balance Sheets.

Sales incentives

We participate in various incentive programs with our customers, including volume-based incentives, contractual rebates and promotional allowances. Volume incentives are based on our customers achieving volume targets for a period of time. Volume incentives and contractual rebates are deducted from revenue and accrued as the incentives are earned and are based on management's estimate of the total the customer is expected to earn and claim. Promotional allowances are accrued at the time of revenue recognition and are deducted from revenue based on either the volume shipped or the volume sold at the retailer location, depending on the terms of the allowance. We regularly review customer sales forecasts to ensure volume targets will be met and adjust incentive accruals and revenues accordingly.

Cost of sales

We record costs associated with the manufacturing of our products in cost of sales. Shipping and handling costs incurred to store, prepare and move products between production facilities or from production facilities to branch locations or storage facilities are recorded in cost of sales. Shipping and handling costs incurred to deliver products from our Route Based Services and Coffee, Tea and Extract Solutions reporting segment branch locations to the end-user consumer of those products are recorded in selling, general and administrative ("SG&A") expenses. All other costs incurred in shipment of products from our production facilities to customer locations are reflected in cost of sales. Shipping and handling costs included in SG&A were $492.9 million, $473.8 million, and $440.8 million for the years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

Selling, general and administrative expenses

We record all other expenses not charged to production as SG&A expenses. Advertising costs are expensed at the commencement of an advertising campaign and are recognized as a component of SG&A expenses. Advertising costs are not significant to any reporting segment other than Route Based Services. Advertising costs expensed were approximately $23.8 million, $24.0 million, and $21.6 million for the years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

Share-based compensation

We have in effect equity incentive plans under which Time-based RSUs, Performance-based RSUs, non-qualified stock options and director share awards have been granted (as such terms are defined in Note 9 of the Consolidated Financial Statements). Share-based compensation expense for all share-based compensation awards is based on the grant-date fair value. We recognized these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the vesting term of three years, and account for forfeitures when they occur. The fair value of the Company's Time-based RSUs, Performance-based RSUs and director share awards are based on the closing market price of its common shares on the date of grant as stated on the NYSE. We estimate the fair value of non-qualified options as of the date of grant using the Black-Scholes option pricing model. This model considers, among other factors, the expected life of the award, the expected volatility of the Company's share price, and expected dividends. The Company records share-based compensation expense in SG&A expenses.

All excess tax benefits and tax deficiencies related to share-based compensation are recognized in results of operations at settlement or expiration of the award. The excess tax benefit or deficiency is calculated as the difference between the grant date price and the price of our common shares on the vesting or exercise date.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities not exceeding three months at the time of purchase. The fair values of our cash and cash equivalents approximate the amounts shown on our Consolidated Balance Sheets due to their short-term nature.

Allowance for doubtful accounts

A portion of our accounts receivable is not expected to be collected due to non-payment, bankruptcies and deductions. Our accounting policy for the allowance for doubtful accounts requires us to reserve an amount based on the evaluation of the aging of accounts receivable, detailed analysis of high-risk customers' accounts, and the overall market and economic conditions of our customers. This evaluation considers the customer demographic, such as large commercial customers as compared to small businesses or individual customers. We consider our accounts receivable delinquent or past due based on payment terms established with each customer. Accounts receivable are written off when the account is determined to be uncollectible.

Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out method, or net realizable value. Finished goods and work-in-process include the inventory costs of raw materials, direct labor and manufacturing overhead costs. As a result, we use an inventory reserve to adjust our inventory costs down to a net realizable value and to reserve for estimated obsolescence of both raw materials and finished goods.

Customer deposits

The Company generally collects deposits on three- and five-gallon bottles used by our home and office water delivery customers. Such deposits are refunded only after customers return such bottles in satisfactory condition. The associated bottle deposit liability is estimated based on the number of water customers, average consumption and return rates and bottle deposit market rates. The Company analyzes these assumptions quarterly and adjusts the bottle deposit liability as necessary.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is allocated between cost of sales and SG&A expenses and is determined using the straight-line method over the estimated useful lives of the assets.

Leasehold improvements are amortized using the straight-line method over the remaining life of the lease or useful life of the asset, whichever is shorter. Maintenance and repairs are charged to operating expense when incurred.

Leases

We have operating and finance leases for manufacturing and production facilities, branch distribution and warehouse facilities, vehicles and machinery and equipment. At inception, we determine whether an agreement represents a lease and, at commencement, we evaluate each lease agreement to determine whether the lease constitutes an operating or financing lease. Some of our lease agreements have renewal options, tenant improvement allowances, rent holidays and rent escalation clauses. As described below under "Recently adopted accounting pronouncements," we adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02 - Leases as of December 30, 2018.

With the adoption of ASU 2016-02, we recorded operating lease right-of-use assets and operating lease obligations on our balance sheet. Right-of-use lease assets represent our right to use the underlying asset for the lease term, and the operating lease obligation represents our commitment to make the lease payments arising from the lease. We have elected not to recognize on the balance sheet leases with terms of one-year or less. Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable. As such, we utilize the appropriate incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received. The lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms.

Goodwill

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill is not amortized, but instead is tested for impairment at least annually.

The following table summarizes our goodwill on a reporting segment basis as of December 28, 2019 and December 29, 2018:

	Reporting Segment			
(in millions of U.S. dollars)	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Total
Balance December 30, 2017	$ 982.4	$ 117.8	$ 4.5	$ 1,104.7
Goodwill acquired during the year	63.3	—	—	63.3
Adjustments	(3.0)	—	—	(3.0)
Foreign exchange	$ (21.1)	$ —	$ —	$ (21.1)
Balance December 29, 2018	1,021.6	117.8	4.5	1,143.9
Goodwill acquired during the year	35.3	10.4	—	45.7
Adjustments	(3.1)	—	—	(3.1)
Divestitures	—	—	(4.5)	(4.5)
Foreign exchange	(6.3)	—	—	(6.3)
Balance December 28, 2019	$ 1,047.5	$ 128.2	$ —	$ 1,175.7

Cott operates through two operating segments: Route Based Services and Coffee, Tea and Extract Solutions. These two operating segments are also reportable segments. We test goodwill for impairment at least annually on the first day of the fourth quarter, based on our reporting unit carrying values, calculated as total assets less non-interest bearing liabilities, as of the end of the third quarter, or more frequently if we determine a triggering event has occurred during the year. Any impairment loss is recognized in our results of operations. We evaluate goodwill for impairment on a reporting unit basis, which is an operating segment or a level below an operating segment, referred to as a component. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. However, two or more components of an operating segment can be aggregated and deemed a single reporting unit if the components have similar economic characteristics. Our Route Based Services operating segment was determined to have five components: DSS, Mountain Valley, Aquaterra, Eden and Aimia. We have determined that DSS and Aquaterra have similar economic characteristics and have aggregated them as a single reporting unit for the purpose of testing goodwill for impairment ("DSSAqua"). For the purpose of testing goodwill for impairment in 2019, we have determined our reporting units are DSSAqua, Mountain Valley, Eden, Aimia and S&D. DSSAqua, Mountain Valley, Eden and Aimia are components of the Route Based Services operating segment. S&D is a component of the Coffee, Tea and Extract Solutions operating segment.

We had goodwill of $1,175.7 million on our Consolidated Balance Sheet at December 28, 2019, which represents amounts for the DSSAqua, Mountain Valley, Eden, Aimia and S&D reporting units.

For purposes of the 2019 annual test, we elected to perform a qualitative assessment for our DSSAqua, Mountain Valley, Aimia and S&D reporting units to assess whether it was more likely than not that the fair value of these reporting units exceeded their respective carrying values. In performing these assessments, management relied on a number of factors including, but not limited to, macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant reporting unit events, the impact of which are all significant judgments and estimates. Based on these factors, management concluded that it was more likely than not that the fair values of the DSSAqua, Mountain Valley, Aimia and S&D reporting units were greater than their respective carrying amounts, including goodwill, indicating no impairment. Goodwill allocated to the DSSAqua, Mountain Valley, Aimia and S&D reporting units as of December 28, 2019 is $657.0 million, $16.0 million, $53.4 million and $128.2 million, respectively.

For the Eden reporting unit, we elected to bypass the qualitative assessment and performed a quantitative analysis due to a decline in 2019 actual versus projected operating results. We determined the fair value of the reporting unit being evaluated using a mix of the income approach (which is based on the discounted cash flows of the reporting unit) and the guideline public company approach. We weighted the income approach and the guideline public company approach at 50% each to determine the fair value of the reporting unit. We believe using a combination of these approaches provides a more accurate valuation because it incorporates the expected cash generation of the Company in addition to how a third-party market participant would value the reporting unit. As the business is assumed to continue in perpetuity, the discounted future cash flows includes a terminal value. Critical assumptions used in our 2019 valuation of the Eden reporting unit included the anticipated future cash flows, weighted-average terminal growth rate of 1.5% and a discount rate of 8.5%. Anticipated future cash flows assumption reflects projected revenue growth rates, operating profit margins and capital expenditures. The terminal growth rate assumption incorporated into the discounted cash flow calculation reflects our long-term view of the market and industry, projected changes in the sale of our products, pricing of such products and operating profit margins. The discount rate was determined using various factors and sensitive assumptions, including bond yields, size premiums and tax rates. This rate was based on the weighted average cost of capital a market participant would use if evaluating the reporting unit as an investment. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine the fair value of the respective reporting units. The key inputs into the discounted cash flow analysis were consistent with market data, where available, indicating that the assumptions used were in a reasonable range of observable market data.

Based on the quantitative assessment including consideration of the sensitivity of the assumptions made and methods used to determine fair value, industry trends and other relevant factors, we noted that the estimated fair value of the Eden reporting unit exceeded its carrying value by approximately 4.2%. Therefore no goodwill impairment charges were recorded in the fourth quarter ended December 28, 2019. The Company performed a sensitivity analysis that noted that an increase in the discount rate of 50 basis points would have an adverse impact on the impairment testing result. Goodwill allocated to the Eden reporting unit as of December 28, 2019 is $321.1 million.

Each year during the fourth quarter, we re-evaluate the assumptions used in our assessments, such as revenue growth rates, operating profit margins and discount rates, to reflect any significant changes in the business environment that could materially affect the fair value of our reporting units. Based on the evaluations performed in 2019, we determined that the fair value of each of our reporting units exceeded their carrying amounts.

Intangible assets

As of December 28, 2019, our intangible assets subject to amortization, net of accumulated amortization were $414.3 million, consisting principally of $367.6 million of customer relationships that arose from acquisitions, $25.6 million of software, and $11.2 million of patents. Customer relationships are typically amortized on an accelerated basis for the period over which we expect to receive the economic benefits. The customer relationship intangible assets acquired in our acquisitions are amortized over the expected remaining useful life of those relationships on a basis that reflects the pattern of realization of the estimated undiscounted after-tax cash flows. We review the estimated useful life of these intangible assets annually, unless a review is required more frequently due to a triggering event, such as a loss of a significant customer. Our review of the estimated useful life takes into consideration the specific net cash flows related to the intangible asset. The permanent loss of, or significant decline in sales to customers included in the intangible asset would result in either an impairment in the value of the intangible asset or an accelerated amortization of any remaining value and could lead to an impairment of the fixed assets that were used to service that customer. In 2018, we recorded $10.0 million in customer relationships acquired with the Mountain Valley Acquisition (as defined in Note 5 to the Consolidated Financial Statements) and $8.4 million in customer relationships acquired with the Crystal Rock Acquisition (as defined in Note 5 to the Consolidated Financial Statements). We did not record impairment charges for other intangible assets in 2019, 2018 or 2017.

Our intangible assets with indefinite lives relate to trademarks acquired in the acquisition of DSS (the "DSS Trademarks"); trademarks acquired in the acquisition of Eden (the "Eden Trademarks"), trademarks acquired in the acquisition of Aquaterra (the "Aquaterra Trademarks"), trademarks acquired in the Mountain Valley Acquisition (the "Mountain Valley Trademarks") and trademarks acquired in the Crystal Rock Acquisition (the "Crystal Rock Trademarks"). These assets have an aggregate net book value of $287.1 million as of December 28, 2019. There are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of these intangible assets.

The life of the DSS Trademarks, Eden Trademarks, Aquaterra Trademarks, Mountain Valley Trademarks and Crystal Rock Trademarks are considered to be indefinite and therefore these intangible assets are not amortized. Rather, they are tested for impairment at least annually or more frequently if we determine a triggering event has occurred during the year. We compare the carrying amount of the intangible asset to its fair value and when the carrying amount is greater than the fair value, we recognize in income an impairment loss. During the fourth quarter of 2019, management concluded that it was more likely than not that the fair value of the DSS Trademarks, Eden Trademarks, Aquaterra Trademarks, Mountain Valley Trademarks and Crystal Rock Trademarks were greater than their respective carrying value, indicating no impairment.

We assessed qualitative factors to determine whether the existence of events or circumstances indicated that it was more likely than not that the fair value of the DSS Trademarks, Aquaterra Trademarks, Mountain Valley Trademarks and Crystal Rock Trademarks were less than their respective carrying value. The qualitative factors we assessed included macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant events, the impact of which are all significant judgments and estimates. We concluded that it was more likely than not that the fair value of the DSS Trademarks, Aquaterra Trademarks, Mountain Valley Trademarks and Crystal Rock Trademarks were more than its carrying value and therefore we were not required to perform any additional testing.

To determine the fair value of the Eden Trademarks, we use a relief from royalty method of the income approach, which calculates a fair value royalty rate that is applied to revenue forecasts associated with those trademarks. The resulting cash flows are discounted using a rate to reflect the risk of achieving the projected royalty savings attributable to the trademarks. The assumptions used to estimate the fair value of these trademarks are subjective and require significant management judgment, including estimated future revenues, the fair value royalty rate (which is estimated to be a reasonable market royalty charge that would be charged by a licensor of the trademarks) and the risk adjusted discount rate. Based on our impairment test, the estimated fair value of the Eden Trademarks exceeded the carrying value by approximately 42.0%. If actual revenues in future periods are less than currently projected for the Eden Trademarks, these trademarks could be impaired.

Impairment and disposal of long-lived assets

When adverse events occur, we compare the carrying amount of long-lived assets to the estimated undiscounted future cash flows at the lowest level of independent cash flows for the group of long-lived assets and recognize any impairment loss based on discounted cash flows in the Consolidated Statements of Operations, taking into consideration the timing of testing and the asset's remaining useful life. The expected life and value of these long-lived assets is based on an evaluation of the competitive environment, history and future prospects as appropriate. We did not record impairments of long-lived assets in 2019 or 2018. As part of normal business operations, we identify long-lived assets that are no longer productive and dispose of them. Losses on disposals of assets are presented separately in our Consolidated Statements of Operations as part of operating income. We recognized losses on disposal of property, plant and equipment, net of $7.5 million for the year ended December 28, 2019 ($9.4 million—December 29, 2018; $10.2 million—December 30, 2017).

Derivative financial instruments

We use derivative financial instruments to manage our exposure to movements in foreign currencies and certain commodity prices. All derivative instruments are recorded at fair value in the Consolidated Balance Sheets. We do not use derivative financial instruments for trading or speculative purposes. We manage credit risk related to the derivative financial instruments by requiring high credit standards for our counterparties and periodic settlements. Refer to Note 21 to the Consolidated Financial Statements for further information on our derivative financial instruments.

Foreign currency translation

The assets and liabilities of non-U.S. active operations, all of which are self-sustaining, are translated to U.S. dollars at the exchange rates in effect at the balance sheet dates. Revenues and expenses are translated using average monthly exchange rates prevailing during the period. The resulting gains or losses are recorded in accumulated other comprehensive loss.

Income taxes

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amount of assets and liabilities and their respective tax bases, using currently enacted income tax rates. A valuation allowance is established to reduce deferred income tax assets if, on the basis of available evidence, it is not more likely than not that all or a portion of any deferred tax assets will be realized. The consideration of available evidence requires significant management judgment including an assessment of the future periods in which the deferred tax assets and liabilities are expected to be realized and projections of future taxable income.

The ultimate realization of the deferred tax assets, including net operating losses, is dependent upon the generation of future taxable income during the periods prior to their expiration. If our estimates and assumptions about future taxable income are not appropriate, the value of our deferred tax assets may not be recoverable, which may result in an increase to our valuation allowance that will impact current earnings.

We account for uncertain tax positions using a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, based on the technical merits. The second step requires management to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

We recognize interest and penalties related to unrecognized tax benefits within the income tax expense (benefit) line in the accompanying Consolidated Statements of Operations, and we include accrued interest and penalties within the other long-term liabilities line in the accompanying Consolidated Balance Sheets.

Pension costs

We record annual amounts relating to defined benefit pension plans based on calculations, which include various actuarial assumptions such as discount rates and assumed rates of return on plan assets depending on the pension plan. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return on plan assets, changes in the level of contributions to the plans and other factors. The funded status is the difference between the fair value of plan assets and the benefit obligation. Future actuarial gains or losses that are not recognized as net periodic benefits cost in the same periods will be recognized as a component of other comprehensive income.

Recently adopted accounting pronouncements

Update ASU 2016-02 – Leases (Topic 842), amended by Update ASU 2018-11 – Leases—Targeted Improvements (Topic 842) and Update ASU 2019-01 – Leases—Codification Improvements (Topic 842)

In February 2016, the FASB issued an update to its guidance on lease accounting for lessees and lessors. This update revises accounting for operating leases by a lessee, among other changes, and requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the balance sheet. The distinction between finance and operating leases has not changed, and the update does not significantly change the effect of finance and operating leases on the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows. Additionally, this update requires both qualitative and specific quantitative disclosures. For public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The update requires adoption using a modified retrospective transition approach, with certain practical expedients available, with either 1) periods prior to the adoption date being recast or 2) a cumulative-effect adjustment recognized to the opening balance of retained earnings on the adoption date with prior periods not recast.

The amended guidance also provides lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component, but instead to account for those components as a single component if the non-lease components otherwise would be accounted for under ASC Topic 606 and both of the following are met: 1) the timing and pattern of transfer of the non-lease component or components and associated lease component are the same; and 2) the lease component, if accounted for separately, would be classified as an operating lease. If the non-lease component or components associated with the lease component are the predominant component of the combined component, an entity is required to account for the combined component in accordance with ASC Topic 606. Otherwise, the entity must account for the combined component as an operating lease in accordance with ASC Topic 842.

Effective December 30, 2018, we adopted the guidance in this amendment using the cumulative-effect adjustment method and elected the package of practical expedients permitted in ASC Topic 842. Accordingly, we accounted for our existing leases as operating or finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 29, 2018) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. We also elected to not separate lease components from non-lease components for all fixed payments.

Adoption of the new standard resulted in total operating lease obligations of $234.3 million and operating lease right-of-use assets of $228.0 million as of December 30, 2018. The difference between the initial operating lease obligation and the right-of-use assets is related to previously existing lease liabilities. In addition, the cumulative-effect adjustment recognized to the opening balance of retained earnings was $10.5 million related to unamortized deferred gains associated with sale-leaseback transactions that were previously being amortized over the leaseback term and deferred tax assets associated with these deferred gains. This standard did not have a material impact on the Company's cash flows from operations and had no impact on the Company's operating results. The most significant impact was the recognition of the right-of-use assets and right-of-use liabilities for operating leases. See Note 2 to the Consolidated Financial Statements for additional information on leases.

The standard also requires lessors to classify leases as sales-type, direct financing or operating leases, similar to existing guidance. We concluded that all of our lessor lease arrangements will continue to be classified as operating leases under the new standard.

Update ASU 2017-08 – Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20)

In March 2017, the FASB amended its guidance on accounting for debt securities. The amendments shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. We adopted the guidance in this amendment effective December 30, 2018. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

Update ASU 2018-02 – Income Statement—Reporting Comprehensive Income (Topic 220)

In February 2018, the FASB amended its guidance that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the comprehensive tax legislation enacted by the U.S. government on December 22, 2017 commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") and requires certain disclosures about stranded tax effects. For public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted, and may be applied in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate tax rate in the Tax Act is recognized. We adopted the guidance in this amendment effective December 30, 2018. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

Update ASU 2018-07 – Compensation—Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)

In June 2018, the FASB amended its guidance to expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amended guidance also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC Topic 606. We adopted the guidance in this amendment effective December 30, 2018. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

Update ASU 2019-07 – Codification Updates to SEC Sections—Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates

In July 2019, the FASB amended and aligned its guidance in various SEC sections of the Codification with the requirements of certain SEC final rules. The amendments in this update are effective immediately. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

Recently issued accounting pronouncements

Update ASU 2016-13 – Financial Instruments—Credit Losses (Topic 326), Update ASU 2019-05 – Financial Instruments—Credit Losses—Targeted Transition Relief (Topic 326) and Update ASU 2019-11 – Codification Improvements to Financial Instruments—Credit Losses (Topic 326)

In June 2016, the FASB amended its guidance to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. The amended guidance also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. In May 2019, the FASB amended the original guidance by providing an option to irrevocably elect the fair value option for certain financial instruments previously measured at amortized cost basis. In November 2019, the FASB provided additional guidance around how to report expected recoveries. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption will be permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This guidance will be applied using a prospective or modified retrospective transition method, depending on the area covered in this update. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

Update ASU 2018-13 – Fair Value Measurement (Topic 820)

In August 2018, the FASB amended its guidance on disclosure requirements for fair value measurement. The update amends existing fair value measurement disclosure requirements by adding, changing, or removing certain disclosures. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Implementation on a prospective or retrospective basis varies by specific disclosure requirement. Early adoption is permitted. The standard also allows for early adoption of any removed or modified disclosures upon issuance of this update while delaying adoption of the additional disclosures until their effective date. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

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

In August 2018, the FASB amended its guidance on disclosure requirements for defined benefit plans. The update amends existing annual disclosure requirements applicable to all employers that sponsor defined benefit pension and other postretirement plans by adding, removing, and clarifying certain disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2020, with early adoption permitted, and are to be applied on a retrospective basis to all periods presented. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

Update ASU 2018-15 – Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)

In August 2018, the FASB amended its guidance on customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. This update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This update also requires customers to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted, including adoption in any interim period. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

Update ASU 2019-04 – Codification Improvements to Topic 326—Financial Instruments—Credit Losses, Topic 815—Derivative and Hedging, and Topic 825—Financial Instruments

In April 2019, the FASB amended its guidance to clarify and provide narrow-scope amendments for these three recent standards related to financial instruments accounting. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a prospective or modified retrospective transition method, depending on the area covered in this update. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

Update ASU 2019-12 – Income Taxes—Simplifying the Accounting for Income Taxes (Topic 740)

In December 2019, the FASB amended its guidance to remove certain exceptions to the general principles in Topic 740 and improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in this update are effective for fiscal years beginning after December 15, 2020, with early adoption permitted. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

Note 2—Leases

We have operating and finance leases for manufacturing and production facilities, branch distribution and warehouse facilities, vehicles and machinery and equipment. The remaining terms on our leases range from one year to 22 years, some of which may include options to extend the leases generally between one and 10 years, and some of which may include options to terminate the leases within one year.

The components of lease expense for the year ended December 28, 2019 were as follows:

(in millions of U.S. dollars)		For the Year Ended December 28, 2019
Operating lease cost	$	54.7
Short-term lease cost		5.0
Finance lease cost		
Amortization of right-of-use assets	$	5.0
Interest on lease liabilities		1.3
Total finance lease cost	$	6.3
Sublease income	$	0.8

Supplemental cash flow information related to leases for the year ended December 28, 2019 was as follows:

(in millions of U.S. dollars)	For the Year Ended December 28, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	54.0
Operating cash flows from finance leases	1.2
Financing cash flows from finance leases	4.4
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	28.9
Finance leases	30.6

Supplemental balance sheet information related to leases was as follows:

(in millions of U.S. dollars, except lease term and discount rate)		December 28, 2019
Operating leases		
Operating lease right-of-use assets	$	203.1
Current operating lease obligations		41.7
Operating lease obligations		167.8
Total operating lease obligations	$	209.5
Financing leases		
Property, plant and equipment, net	$	31.9
Current maturities of long-term debt		6.3
Long-term debt		24.6
Total finance lease obligations	$	30.9

Weighted Average Remaining Lease Term	
Operating leases	7.8 years
Finance leases	5.9 years
Weighted Average Discount Rate	
Operating leases	6.1%
Finance leases	6.0%

Maturities of lease obligations as of December 28, 2019 were as follows:

(in millions of U.S. dollars)	Operating Leases	Finance Leases
2020	$ 53.9	$ 7.5
2021	42.9	6.4
2022	32.9	5.9
2023	27.7	5.6
2024	22.3	4.8
Thereafter	95.9	6.4
Total lease payments	275.6	36.6
Less imputed interest	(66.1)	(5.7)
Present value of lease obligations	$ 209.5	$ 30.9

Leases (Topic 840) Disclosures

On December 30, 2018, we adopted the new lease standard using a modified-retrospective approach by recognizing and measuring leases at the adoption date with accumulative effect of initially applying the guidance recognized at the date of initial application and did not restate the prior periods presented in our Consolidated Financial Statements. As such, prior periods presented in our Consolidated Financial Statements continue to be in accordance with the former lease standard, Topic 840 Leases. See Note 1 to the Consolidated Financial Statements for additional information on our recently adopted accounting pronouncement.

Operating Leases

Under the previous lease standard, we leased buildings, machinery and equipment, computer hardware and furniture and fixtures. All contractual increases and rent-free periods included in the lease contract were taken into account when calculating the minimum lease payment and were recognized on a straight-line basis over the lease term. Certain leases had renewal periods and contingent rentals, which were not included in the table below. As of December 29, 2018, the minimum annual payments under operating leases were as follows:

(in millions of U.S. dollars)	Operating Leases
2019	$ 51.6
2020	42.9
2021	36.2
2022	29.2
2023	23.4
Thereafter	106.9

Total rent expense under operating leases was $63.2 million and $54.3 million for the year ended December 29, 2018 and December 30, 2017, respectively, which is net of sublease income of $0.9 million for the year ended December 29, 2018.

Capital Leases

As of December 29, 2018, we had capital lease assets and accumulated depreciation of $6.7 million and $1.0 million, respectively, which were included in property, plant and equipment, net on the Consolidated Balance Sheet.

In addition, as of December 29, 2018, the future minimum payments required under capital leases over their remaining terms are summarized below:

(in millions of U.S. dollars)	Capital Leases	
2019	$	**1.9**
2020		**1.4**
2021		**0.7**
2022		**0.5**
2023		**0.4**
Thereafter		**0.1**

Note 3—Discontinued Operations

On January 30, 2018, the Company completed the sale of the Traditional Business to Refresco. The Traditional Business Disposition was structured as a sale of the assets of the Canadian business and a sale of the stock of the operating subsidiaries engaged in the Traditional Business in the other jurisdictions after the Company completed an internal reorganization. The aggregate deal consideration was $1.25 billion, paid at closing in cash, with customary post-closing adjustments, resolved in December 2018 by the payment of $7.9 million from the Company to Refresco. As of December 28, 2019 and December 29, 2018, $12.4 million and $12.5 million of the total sale proceeds are being held in escrow by a third-party escrow agent to secure potential indemnification claims. These funds are included in cash and cash equivalents on the Consolidated Balance Sheets.

In connection with the Traditional Business Disposition, the Company and Refresco entered into a Transition Services Agreement pursuant to which the Company and Refresco provide certain services to each other for various service periods, with the longest service period being 18 months, including tax and accounting services, certain human resources services, communications systems and support, and insurance/risk management. Each party is compensated for services rendered as set forth in the Transition Services Agreement. Each service period may be extended as set forth in the Transition Services Agreement, up to a maximum extension of 180 days. All service periods under the Transition Services Agreement have expired.

In addition, the Company and Refresco entered into certain Co-pack Manufacturing Agreements pursuant to which the Company and Refresco manufacture and supply certain beverage products for each other and a Concentrate Supply Agreement pursuant to which the Company supplies concentrates to Refresco. Each party will be compensated for the products they supply as set forth in the applicable agreement. The Co-pack Manufacturing Agreements have a term of 36 months, and the Concentrate Supply Agreement had the same term as that of the Transition Services Agreement, which has since expired by its terms.

For the year ended December 28, 2019, the Company paid Refresco $0.7 million for the contract manufacture of beverage products and reimbursed Refresco $0.7 million for various operational expenses that were paid by Refresco on its behalf. For the year ended December 28, 2019, Refresco paid the Company $7.2 million for the contract manufacture of beverage products.

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

	For the Year Ended		
(in millions of U.S. dollars)	December 28, 2019	December 29, 2018	December 30, 2017
Revenue, net	**$ —**	$ 111.2	$ 1,637.1
Cost of sales	**—**	98.4	1,428.4
Operating income from discontinued operations	**—**	2.0	49.9
Gain on sale of discontinued operations	**—**	427.9	—
Income (loss) from discontinued operations, before income taxes	**—**	402.5	(20.5)
Income tax (benefit) expense [1]	**(3.0)**	47.9	(31.2)
Net income from discontinued operations, net of income taxes	**3.0**	354.6	10.7
Less: Net income attributable to non-controlling interests	**—**	0.6	8.5
Net income attributable to Cott Corporation – discontinued operations [2]	**$ 3.0**	$ 354.0	$ 2.2

[1] The Traditional Business Disposition resulted in a taxable gain on sale in the U.S., which utilized a significant portion of the existing U.S. net operating loss carryforwards. As a result, the Company is in a net deferred tax liability position in the U.S. and thus a tax benefit of approximately $35.1 million related to a release of the U.S. valuation allowance was recorded in 2018 and is offsetting the overall income tax expense related to discontinued operations. The Traditional Business Disposition resulted in a non-taxable gain on sale in the United Kingdom. No tax benefit resulted from the Traditional Business Disposition related to the taxable loss on sale in Canada due to the Company's valuation allowance position. During 2019, $3.0 million of tax benefit was recorded related to the finalization of the U.S. tax gain calculation.

[2] Net income attributable to Cott Corporation - discontinued operations is inclusive of interest expense on short-term borrowings and debt required to be repaid or extinguished as part of divestiture of $3.4 million for the year ended December 29, 2018 (December 30, 2017 - $49.5 million).

Cash flows from discontinued operations included borrowings and payments under the ABL facility of $262.4 million and $482.8 million, respectively, for the year ended December 29, 2018, and $3,004.1 million and $2,990.7 million, respectively, for the year ended December 30, 2017.

Note 4—Revenue

Our principal source of revenue is from bottled water delivery to residential and business customers primarily in North America and Europe, and the manufacture and distribution of coffee, tea and extracts to institutional and commercial customers in the United States for the years ended December 28, 2019, December 29, 2018 and December 30, 2017. Revenue is recognized, net of sales returns, when a customer obtains control of promised goods or services in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We measure revenue based on the consideration specified in the client arrangement, and revenue is recognized when the performance obligations in the client arrangement are satisfied. A performance obligation is a contractual promise to transfer a distinct service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when the customer receives the benefit of the performance obligation. Clients typically receive the benefit of our services as they are performed. Substantially all our client contracts require that we be compensated for services performed to date. This may be upon shipment of goods or upon delivery to the customer, depending on contractual terms. Shipping and handling costs paid by the customer to us are included in revenue and costs incurred by us for shipping and handling activities that are performed after a customer obtains control of the product are accounted for as fulfillment costs. In addition, we exclude from net revenue and cost of sales taxes assessed by governmental authorities on revenue-producing transactions. Although we occasionally accept returns of products from our customers, historically returns have not been material.

Contract Estimates

The nature of certain of the Company's contracts give rise to variable consideration including cash discounts, volume-based rebates, point of sale promotions, and other promotional discounts to certain customers. For all promotional programs and discounts, the Company estimates the rebate or discount that will be granted to the customer and records an accrual upon invoicing. These estimated rebates or discounts are included in the transaction price of the Company's contracts with customers as a reduction to net revenues and are included as accrued sales incentives in accounts payable and accrued liabilities in the Consolidated Balance Sheets. This methodology is consistent with the manner in which the Company historically estimated and recorded promotional programs and discounts. Accrued sales incentives were $10.0 million and $10.5 million at December 28, 2019 and December 29, 2018, respectively.

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

Contract Balances

Contract liabilities relate primarily to advances received from the Company's customers before revenue is recognized. These amounts are recorded as deferred revenue and are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. The advances are expected to be earned as revenue within one year of receipt. Deferred revenues at December 28, 2019 and December 29, 2018 were $23.7 million and $22.0 million, respectively. The amount of revenue recognized for the year ended December 28, 2019 that was included in the December 29, 2018 deferred revenue balance was $21.7 million.

The Company does not have any material contract assets as of December 28, 2019.

Disaggregated Revenue

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

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

	For the Year Ended		
(in millions of U.S. dollars)	December 28, 2019	December 29, 2018	December 30, 2017
United States	$ 1,801.7	$ 1,786.9	$ 1,709.0
United Kingdom	172.0	173.2	160.0
Canada	67.4	64.1	61.8
All other countries	353.4	348.7	338.9
Total [1]	$ 2,394.5	$ 2,372.9	$ 2,269.7

[1] Prior-period amounts are not adjusted under the modified-retrospective method of adoption.

Note 5—Acquisitions

Mountain Valley Acquisition

In October 2018, DSS, a wholly-owned subsidiary of Cott, acquired Mountain Valley, a growing American brand of spring and sparkling bottled water delivered to homes and offices throughout the United States (the "Mountain Valley Acquisition"). The initial purchase price paid by DSS in the Mountain Valley Acquisition was $80.4 million on a debt and cash free basis. The post-closing working capital adjustment was resolved in February 2019 by the payment of $0.4 million by the former owners of Mountain Valley to DSS. The Mountain Valley Acquisition was funded through a combination of incremental borrowings under the Company's ABL facility and cash on hand.

The total consideration paid by DSS in the Mountain Valley Acquisition is summarized below:

(in millions of U.S. dollars)		
Cash paid to sellers	$	62.5
Cash paid on behalf of sellers for sellers' transaction expenses		1.8
Cash paid to retire outstanding debt on behalf of sellers		16.1
Working capital settlement		(0.4)
Total consideration	$	80.0

The Mountain Valley Acquisition supported the Company's strategy to expand the Company's existing home and office bottled water category into premium spring, sparkling and flavored water. The Company has accounted for this transaction as a business combination which requires that assets acquired and liabilities assumed be measured at their acquisition date fair values.

The adjusted purchase price of $80.0 million has been allocated to the assets acquired and liabilities assumed based on management's estimates of their fair values as of the acquisition date. The excess of the adjusted purchase price over the aggregate fair values was recorded as goodwill. Measurement period adjustments recorded during the year ended December 28, 2019 included adjustments to property, plant and equipment and intangible assets based on final valuations of such assets, as well as the assumed customer bottle deposit liability based on a review by management. These measurement period adjustments did not have a material effect on our results of operations in prior periods.

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

(in millions of U.S. dollars)		Originally Reported		Measurement Period Adjustments		Acquired Value
Cash and cash equivalents	$	8.2	$	—	$	8.2
Accounts receivable		4.2		—		4.2
Inventory		2.3		—		2.3
Prepaid expenses and other assets		0.2		—		0.2
Property, plant and equipment		38.5		3.0		41.5
Goodwill		20.5		(4.5)		16.0
Intangible assets		25.8		2.6		28.4
Accounts payable and accrued liabilities		(19.3)		(1.5)		(20.8)
Total	$	80.4		(0.4)		80.0

The amount of revenues and net income related to the Mountain Valley Acquisition included in the Company's Consolidated Statement of Operations for the period from the acquisition date through December 29, 2018 were $10.1 million and $1.2 million, respectively. During the year ended December 29, 2018, the Company incurred $1.0 million of acquisition-related costs associated with the Mountain Valley Acquisition, which are included in acquisition and integration expenses in the Consolidated Statement of Operations for the year ended December 29, 2018.

Crystal Rock Acquisition

In March 2018, the Company completed the acquisition of Crystal Rock Holdings, Inc., a direct-to-consumer home and office water, coffee and filtration business serving customers throughout New York and New England ("Crystal Rock"). The transaction was structured as a merger following a cash tender offer for all outstanding shares of Crystal Rock, with Crystal Rock becoming a wholly-owned indirect subsidiary of the Company (the "Crystal Rock Acquisition"). The aggregate consideration paid was $37.7 million and includes the purchase price paid to the Crystal Rock shareholders of $20.7 million, $0.8 million in costs paid on behalf of the sellers for the seller's transaction costs and $16.2 million of assumed debt and accrued interest obligations of Crystal Rock that was paid by the Company.

The total consideration paid by the Company in the Crystal Rock Acquisition is summarized below:

(in millions of U.S. dollars)		
Cash paid to sellers	$	20.7
Cash paid on behalf of sellers for sellers' transaction expenses		0.8
Total consideration	$	21.5

The Crystal Rock Acquisition strengthens the Company's presence in New York and New England. The Company has accounted for this transaction as a business combination which requires that assets acquired and liabilities assumed be measured at their acquisition date fair values.

The purchase price of $21.5 million, net of debt, has been allocated to the assets acquired and liabilities assumed based on management's estimates of their fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The measurement period adjustment recorded during the year ended December 28, 2019 was an adjustment to deferred taxes based on analysis of certain tax positions. This measurement period adjustment did not have a material effect on our results of operations in prior periods.

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

(in millions of U.S. dollars)	Originally Reported	Measurement Period Adjustments	Acquired Value
Cash and cash equivalents	$ 1.6	$ —	$ 1.6
Accounts receivable	6.4	—	6.4
Inventory	2.2	—	2.2
Prepaid expenses and other current assets	2.2	—	2.2
Property, plant and equipment	8.9	—	8.9
Goodwill	13.7	0.5	14.2
Intangible assets	12.6	—	12.6
Other assets	0.1	—	0.1
Short-term borrowings	(4.1)	—	(4.1)
Current maturities of long-term debt	(1.6)	—	(1.6)
Accounts payable and accrued liabilities	(6.7)	—	(6.7)
Long-term debt	(10.4)	—	(10.4)
Deferred tax liabilities	(2.5)	(0.5)	(3.0)
Other long-term liabilities	(0.9)	—	(0.9)
Total	$ 21.5	$ —	$ 21.5

The amount of revenues related to the Crystal Rock Acquisition included in the Company's Consolidated Statement of Operations for the period from the acquisition date through December 29, 2018 was $42.3 million. During the year ended December 29, 2018, the Company incurred $3.6 million of acquisition-related costs associated with the Crystal Rock Acquisition, which are included in acquisition and integration expenses in the Consolidated Statement of Operations for the year ended December 29, 2018. During the second quarter of 2018, Crystal Rock was integrated within our DSS business, therefore it is impracticable to determine the amount of net income related to the Crystal Rock Acquisition included in the Company's Statement of Operations for the period from the acquisition date through December 29, 2018.

Intangible Assets

In our determination of the estimated fair value of intangible assets, we consider, among other factors, the best use of acquired assets, analysis of historical financial performance and estimates of future performance of the acquired business' products. The estimated fair values of identified intangible assets are calculated considering both market participant assumptions, using an income approach as well as estimates and assumptions provided by Cott management and management of the acquired business. Assumptions include, but are not limited to, expected revenue growth, weighted-average terminal growth rate, risk adjusted discount rate and fair value royalty rate.

The estimated fair value of customer relationships represent future after-tax discounted cash flows that will be derived from sales to existing customers of the acquired business as of the date of acquisition.

The estimated fair value of trademarks and trade names represent the future projected cost savings associated with the premium and brand image obtained as a result of owning the trademark or trade name as opposed to obtaining the benefit of the trademark or trade name through a royalty or rental fee.

Mountain Valley Acquisition

The following table sets forth the components of identified intangible assets associated with the Mountain Valley Acquisition and their estimated weighted average useful lives:

(in millions of U.S. dollars)	Estimated Fair Market Value		Weighted Average Estimated Useful Life
Customer relationships	$	10.0	20 years
Trademarks and trade names		18.4	Indefinite
Total	$	28.4	

Crystal Rock Acquisition

The following table sets forth the components of identified intangible assets associated with the Crystal Rock Acquisition and their estimated weighted average useful lives:

(in millions of U.S. dollars)	Estimated Fair Market Value		Weighted Average Estimated Useful Life
Customer relationships	$	8.4	11 years
Trademarks and trade names		4.2	Indefinite
Total	$	12.6	

Goodwill

Mountain Valley Acquisition

The principal factor that resulted in recognition of goodwill in the Mountain Valley Acquisition was that the purchase price was based in part on cash flow projections assuming the reduction of administration costs and the integration of acquired customers and products into our operations, which is of greater value than on a standalone basis. The goodwill recognized as part of the Mountain Valley Acquisition was allocated to the Route Based Services reporting segment and is expected to be tax deductible.

Crystal Rock Acquisition

The principal factor that resulted in recognition of goodwill in the Crystal Rock Acquisition was that the purchase price was based in part on cash flow projections assuming the reduction of administration costs and the integration of acquired customers and products into our operations, which is of greater value than on a standalone basis. The goodwill recognized as part of the Crystal Rock Acquisition was allocated to the Route Based Services reporting segment, none of which is expected to be tax deductible.

Note 6—Other Expense (Income), Net

The following table summarizes other expense (income), net for the years ended December 28, 2019, December 29, 2018 and December 30, 2017:

	For the Year Ended		
(in millions of U.S. dollars)	December 28, 2019	December 29, 2018	December 30, 2017
Foreign exchange losses (gains), net	**$ 0.9**	$ (7.1)	$ (1.7)
Proceeds from legal settlements	**—**	(14.9)	—
Loss (gain) on sale of business	**6.0**	(6.0)	—
Transition services agreement service income	**(0.3)**	(2.6)	—
Pension curtailment gain	**—**	—	(4.5)
Gain on extinguishment of long-term debt	**—**	(7.1)	(1.5)
Other gains, net	**(3.8)**	(5.2)	(0.3)
Total	**$ 2.8**	$ (42.9)	$ (8.0)

Note 7—Interest Expense, Net

The following table summarizes interest expense, net for the years ended December 28, 2019, December 29, 2018 and December 30, 2017:

	For the Year Ended		
(in millions of U.S. dollars)	December 28, 2019	December 29, 2018	December 30, 2017
Interest on long-term debt	**$ 69.5**	$ 72.2	$ 83.1
Interest on short-term debt	**4.8**	—	—
Other interest expense, net	**3.9**	5.4	2.4
Total	**$ 78.2**	$ 77.6	$ 85.5

Note 8—Income Taxes

Provision (Benefit) for Income Taxes

Income (loss) from continuing operations, before income taxes consisted of the following:

	For the Year Ended		
(in millions of U.S. dollars)	December 28, 2019	December 29, 2018	December 30, 2017
Canada	**$ (57.0)**	$ (26.1)	$ (29.1)
Outside Canada	**66.4**	50.2	(4.5)
Income (loss) from continuing operations, before income taxes	**$ 9.4**	$ 24.1	$ (33.6)

Income tax expense (benefit) consisted of the following:

	For the Year Ended		
(in millions of U.S. dollars)	December 28, 2019	December 29, 2018	December 30, 2017
Current			
Canada	**$ (0.2)**	—	$ —
Outside Canada	**12.6**	2.3	3.9
	$ 12.4	$ 2.3	$ 3.9
Deferred			
Canada	**$ (1.0)**	$ (5.6)	$ —
Outside Canada	**(1.9)**	(1.5)	(33.9)
	$ (2.9)	$ (7.1)	$ (33.9)
Income tax expense (benefit)	**$ 9.5**	$ (4.8)	$ (30.0)

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

	For the Year Ended		
(in millions of U.S. dollars)	December 28, 2019	December 29, 2018	December 30, 2017
Income tax expense (benefit) based on Canadian statutory rates	**$ 2.5**	$ 6.4	$ (8.7)
Foreign tax rate differential	**(11.1)**	(2.6)	(1.3)
Local taxes	**2.1**	0.5	(0.2)
Nontaxable interest income	**(8.4)**	(9.8)	(11.3)
Impact of intercompany transactions and dividends	**12.2**	1.0	(9.2)
Nontaxable capital gains	**—**	—	(3.7)
Income tax credits	**(0.5)**	—	—
Change in enacted tax rates	**(0.1)**	3.4	(32.7)
Change in valuation allowance	**19.7**	(4.2)	45.8
Change in uncertain tax positions	**0.3**	(3.4)	(2.4)
Equity compensation	**1.5**	1.5	1.1
Permanent differences	**1.6**	1.1	(0.6)
Outside basis differences on discontinued operations	**—**	—	(3.8)
Adjustments to deferred taxes	**(10.4)**	0.7	(3.4)
Other items	**0.1**	0.6	0.4
Income tax expense (benefit)	**$ 9.5**	$ (4.8)	$ (30.0)

Deferred Tax Assets and Liabilities

Deferred income tax assets and liabilities were recognized on temporary differences between the financial and tax bases of existing assets and liabilities as follows:

(in millions of U.S. dollars)	December 28, 2019	December 29, 2018
Deferred tax assets		
Net operating loss carryforwards	**$ 134.2**	$ 109.8
Capital loss carryforwards	**12.0**	13.1
Liabilities and reserves	**28.2**	25.0
Stock options	**8.2**	8.1
Inventories	**4.0**	3.8
Interest expense	**11.3**	12.2
Derivatives [1]	**—**	2.8
Right of use lease obligations	**49.1**	—
Other [1]	**—**	3.9
	247.0	178.7
Deferred tax liabilities		
Property, plant and equipment	**(76.3)**	(65.7)
Intangible assets	**(125.1)**	(139.2)
Right of use assets	**(47.6)**	—
Derivatives	**(3.9)**	—
Other	**(1.2)**	—
	(254.1)	(204.9)
Valuation allowance	**(120.3)**	(98.0)
Net deferred tax liability	**$ (127.4)**	$ (124.2)

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[1] Derivatives prior year amounts have been reclassified from other to conform to the current year presentation.

As of December 28, 2019, we have outside tax basis differences, including undistributed earnings, in our foreign subsidiaries. For 2019, deferred taxes have not been recorded on the undistributed earnings because the foreign subsidiaries have the ability to repatriate funds to its parent company tax-efficiently or the undistributed earnings are indefinitely reinvested under the accounting guidance. In order to arrive at this conclusion, we considered factors including, but not limited to, past experience, domestic cash requirements, cash requirements to satisfy the ongoing operations, capital expenditures and other financial obligations of our subsidiaries. It is not practicable to determine the excess book basis over outside tax basis in the shares or the amount of incremental taxes that might arise if these earnings were to be remitted. The amount of tax payable could be significantly impacted by the jurisdiction in which a distribution was made, the amount of the distribution, foreign withholding taxes under applicable tax laws when distributed, relevant tax treaties and foreign tax credits. We repatriated earnings of $75.1 million and $83.1 million to Canada in 2019 and 2018, respectively, incurring no tax expense.

As of December 28, 2019, we have operating loss carryforwards totaling $516.0 million, capital loss carryforwards totaling $44.8 million, and tax credit carryforwards totaling $1.7 million. The operating loss carryforward amount was attributable to Canadian operating loss carryforwards of $213.4 million that will expire from 2027 to 2039; U.S. federal and state operating loss carryforwards of $120.6 million and $11.1 million, respectively, that will expire from 2020 to 2039; Dutch operating loss carryforwards of $115.9 million that will expire from 2020 to 2025; and various other operating loss carryforwards of $55.0 million that will expire from 2020 to 2039.

The capital loss carryforward is attributable to Canadian capital losses of $39.2 million and Israeli capital losses of $5.6 million, all with indefinite lives. The tax credit carryforward of $1.7 million will expire from 2020 to 2022.

In general, under Section 382 and 383 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), a U.S. corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses ("NOLs") or tax credits to offset future taxable income. Therefore, current or future changes in our Canadian stock ownership, many of which are outside of our control, could result in a U.S. ownership change under Section 382 and 383 of the Code. If we undergo a U.S. ownership change, our ability to utilize U.S. federal or state NOLs or tax credits could be limited. We monitor changes in our ownership on an ongoing basis and do not believe we had a change of control limitation as of December 28, 2019.

We establish a valuation allowance to reduce deferred tax assets if, based on the weight of the available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Due to recent cumulative losses, it was determined that it is more likely than not we will not realize the benefit of net operating loss carryforwards and other net deferred assets in Canada, and certain jurisdictions within the Eden business. The balance of the valuation allowance was $120.3 million and $98.0 million for the years ended December 28, 2019 and December 29, 2018, respectively. The valuation allowance increase in 2019 was primarily related to losses generated in tax jurisdictions with existing valuation allowances.

Additionally, we have determined that it is more likely than not that the benefit from our capital losses in Canada and Israel will not be realized in the future due to the uncertainty regarding potential future capital gains in the jurisdiction. In recognition of this risk, we have provided a valuation allowance of $12.0 million on our capital losses.

The Tax Act enacted new Section 163(j) interest expense limitation rules on December 22, 2017. On November 26, 2018, the U.S. Department of the Treasury released proposed regulations to provide interpretative guidance for the new Section 163(j) rules, with early adoption permitted. We have not adopted the proposed regulations. If the proposed regulations are finalized as currently written, they could have a material impact to our consolidated financial statements in the year in which they are finalized.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of our unrecognized tax benefits is as follows:

	For the Year Ended		
(in millions of U.S. dollars)	**December 28, 2019**	**December 29, 2018**	**December 30, 2017**
Unrecognized tax benefits at beginning of year	**$ 15.5**	$ 16.2	$ 28.6
Additions based on tax positions taken during a prior period	**5.0**	1.3	0.2
Reductions based on tax positions taken during a prior period	**(1.9)**	(0.1)	(6.3)
Settlement on tax positions taken during a prior period	**—**	—	(1.0)
Tax rate change	**—**	(0.1)	(4.5)
Lapse in statute of limitations	**(2.9)**	(4.3)	(3.2)
Additions based on tax positions taken during the current period	**1.7**	3.0	1.7
Cash payments	**(0.2)**	—	—
Foreign exchange	**0.1**	(0.5)	0.7
Unrecognized tax benefits at end of year	**$ 17.3**	$ 15.5	$ 16.2

As of December 28, 2019, we had $17.3 million of unrecognized tax benefits, a net increase of $1.8 million from $15.5 million as of December 29, 2018. If we recognized our tax positions, approximately $11.4 million would favorably impact the effective tax rate. We believe it is reasonably possible that our unrecognized tax benefits will decrease or be recognized in the next twelve months by up to $1.7 million due to the settlement of certain tax positions and lapses in statutes of limitation in various tax jurisdictions.

We recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes. We recovered nil of interest and penalties during the years ended December 28, 2019, December 29, 2018 and December 30, 2017. The amount of interest and penalties recognized in the Consolidated Balance Sheets for 2019 and 2018 were a liability of $1.0 million and $0.6 million, respectively.

Years through 2009 have been audited by the U.S. Internal Revenue Service, though the statutes are still open back to 2008 due to certain net operating loss carryforwards. Years prior to 2014 are closed to audit by U.S. state jurisdictions. We are currently under audit in Canada by the Canada Revenue Agency ("CRA") for tax year 2014. Years prior to 2014 are closed to audit by the CRA. We are currently under audit in Israel for the 2013 to 2017 tax years, the United Kingdom for the 2016 and 2017 tax years, and Poland for the 2014 tax year.

Note 9—Share-Based Compensation

Our shareowners approved our Amended and Restated Cott Corporation Equity Incentive Plan (the "Amended and Restated Equity Plan") in its current form in May 2016, and approved the Cott Corporation 2018 Equity Incentive Plan ("2018 Equity Plan" and together with the Amended and Restated Equity Plan, the "Equity Plans") in May 2018. Awards under the Equity Plans may be in the form of incentive stock options, non-qualified stock options, restricted shares, restricted share units, performance shares, performance units, stock appreciation rights, and stock payments to employees, directors and outside consultants. The Equity Plans are administered by the Human Resources and Compensation Committee ("HRCC") of the Board of Directors or any other board committee as may be designated by the Board of Directors from time to time. Under the Amended and Restated Equity Plan, 20,000,000 shares are reserved for future issuance, and under the 2018 Equity Plan, 8,000,000 shares are reserved for future issuance, subject to adjustment upon a share split, share dividend, recapitalization, and other similar transactions and events. Shares that are issued under the Equity Plans are applied to reduce the maximum number of shares remaining available for issuance under the Equity Plans; provided that the total number of shares available for issuance under the Equity Plans are reduced two shares for each share issued pursuant to a "full-value" award (i.e., an award other than an option or stock appreciation right).

Shares to be issued pursuant to Time-based RSUs, Performance-based RSUs, or stock options that are forfeited, expired, or are canceled or settled without the issuance of shares return to the pool of shares available for issuance under the Equity Plans. As of December 28, 2019, there were 670,280 shares available for future issuance under the Amended and Restated Equity Plan, and 8,000,000 shares available for future issuance under the 2018 Equity Plan.

The table below summarizes the share-based compensation expense for the years ended December 28, 2019, December 29, 2018, and December 30, 2017. Share-based compensation expense is recorded in SG&A expenses in the Consolidated Statements of Operations. As referenced below: (i) "Performance-based RSUs" represent restricted share units with performance-based vesting, (ii) "Time-based RSUs" represent restricted share units with time-based vesting, (iii) "Stock options" represent non-qualified stock options, (iv) "Director share awards" represent common shares issued in consideration of the annual board retainer fee to non-management members of our Board of Directors, and (v) the "ESPP" represents the Cott Corporation Employee Share Purchase Plan, under which common shares are issued to eligible employees at a discount through payroll deductions.

	For the Year Ended		
(in millions of U.S. dollars)	**December 28, 2019**	**December 29, 2018**	**December 30, 2017**
Stock options	**$ 3.3**	$ 5.3	$ 5.5
Performance-based RSUs	**5.7**	7.0	12.0
Time-based RSUs	**2.1**	3.8	4.2
Director share awards	**1.1**	1.0	1.1
Employee Share Purchase Plan	**0.2**	0.3	0.1
Total [1]	**$ 12.4**	$ 17.4	$ 22.9

1 Includes $0.1 million and $5.4 million of share-based compensation expense from our discontinued operations, which were included in net income (loss) from discontinued operations, net of income taxes on the Consolidated Statements of Operations for the years ended December 29, 2018 and December 30, 2017, respectively.

On August 1, 2018, in connection with the appointment of the Company's chief executive officer to executive chairman of the Board effective December 30, 2018, the Board approved the modification of certain outstanding awards issued to the chief executive officer. The modified awards will continue to vest in accordance with their normal applicable vesting schedules regardless of continued service. The total incremental compensation expense associated with the modification was $5.5 million for the year ended December 29, 2018.

During the third quarter of 2017, in connection with the sale of the Traditional Business and upon a determination by the HRCC, outstanding awards granted to Traditional Business employees vested as follows: outstanding time-based RSUs vested in full, outstanding unvested stock options vested in full (and remain exercisable for three years from the date of closing of the Traditional Business Disposition), and outstanding performance-based RSUs vested in full, assuming achievement of the applicable pre-tax income level at the "target" level. As a result, an additional $1.2 million of expense was recorded for the year ended December 30, 2017 and included in net income (loss) from discontinued operations, net of income taxes on the Consolidated Statement of Operations.

The tax benefit recognized related to share-based compensation expense for the fiscal year ended December 28, 2019 was $0.6 million (December 29, 2018 - $0.9 million; December 30, 2017 - $0.5 million).

As of December 28, 2019, the unrecognized share-based compensation expense and weighted average years over which we expect to recognize it as compensation expense were as follows:

(in millions of U.S. dollars, except years)	Unrecognized share-based compensation expense as of December 28, 2019	Weighted average years expected to recognize compensation
Stock options	$ 5.3	2.1
Performance-based RSUs	6.9	2.4
Time-based RSUs	3.9	2.1
Total	$ 16.1	

Stock Options

During 2019, 2018 and 2017 approximately 1,138,000, 1,182,400, and 734,500 options were granted to certain employees under the Amended and Restated Equity Plan at a weighted-average exercise price of $13.68, $14.67, and $17.50 per share, respectively. The weighted-average grant date fair value of the options was estimated to be $3.42, $3.87, and $4.82 per share in 2019, 2018 and 2017, respectively, using the Black-Scholes option pricing model. The contractual term of an option granted is fixed by the Amended and Restated Equity Plan and cannot exceed ten years from the grant date.

The grant date fair value of each option granted during 2019, 2018 and 2017 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	For the Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Risk-free interest rate	1.8%	2.8%	2.3%
Average expected life (years)	6.0	5.6	6.0
Expected volatility	29.0%	28.8%	29.2%
Expected dividend yield	1.8%	1.6%	1.4%

The following table summarizes the activity for Company stock options:

	Stock Options (in thousands)	Weighted average exercise price	Weighted average contractual term (years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2016	4,474	$ 10.32	8.8	$ 5,623.3
Granted	734	17.50		
Exercised	(169)	9.21		1,092.9
Forfeited or expired	(33)	10.28		
Outstanding at December 30, 2017	5,006	$ 11.41	8.1	$ 26,952.3
Granted	1,182	14.67		
Exercised	(734)	10.04		4,408.1
Forfeited or expired	(8)	10.64		
Outstanding at December 29, 2018	5,446	$ 12.30	7.3	$ 11,993.0
Granted	1,138	13.68		
Exercised	(91)	10.47		389.1
Forfeited or expired	—	—		
Outstanding at December 28, 2019	6,493	$ 12.57	6.9	$ 11,045.4
Exercisable at December 28, 2019	4,336	$ 11.64	5.8	$ 11,018.6
Vested or expected to vest at December 28, 2019	6,493	$ 12.57	6.9	$ 11,045.4

The aggregate intrinsic value amounts in the table above represent the difference between the closing price of our common shares on the New York Stock Exchange on December 27, 2019, which was $13.45 (December 28, 2018—$13.66; December 29, 2017—$16.66), and the exercise price, multiplied by the number of in-the-money stock options as of the same date.

Stock options granted during the year ended December 28, 2019 vest in three equal annual installments on the first, second and third anniversaries of the date of grant.

The total amount of cash received from the exercise of stock options was not material during the fiscal year ended December 28, 2019. The total amount of cash received from the exercise of stock options was $5.0 million during the fiscal year ended December 29, 2018 with an associated tax benefit of $0.2 million realized. The total amount of cash received from the exercise of stock options was $1.6 million during the fiscal year ended December 30, 2017 with no associated tax benefit realized. The total fair value of options that vested during the year ended December 28, 2019 was $19.0 million (December 29, 2018 — $16.8 million; December 30, 2017 — $16.4 million).

Other Awards

In 2019, we granted 74,238 common shares to the non-management members of our Board of Directors under the Amended and Restated Equity Plan with a grant date fair value of approximately $1.1 million. The common shares were issued in consideration of the directors' annual board retainer fee and were vested upon issuance.

Additionally, in 2019, we granted 284,591 Performance-based RSUs, which vest on the last day of our 2022 fiscal year. The number of shares ultimately awarded will be based upon the performance percentage, which can range from 0% to 200% of the awards granted. The Performance-based RSUs vest primarily on the Company's achievement of a specified level of cumulative pre-tax income for the applicable performance period. The number of Performance-based RSUs that may vest and the related unrecognized compensation cost is subject to change based on the level of targeted pre-tax income that is achieved during the vesting period. The Company also granted 216,057 Time-based RSUs, which vest over three years in equal annual installments on the first, second and third anniversaries of the date of grant and include a service condition.

	Number of Performance-based RSUs (in thousands)	Weighted Average Grant-Date Fair Value	Number of Time-based RSUs (in thousands)	Weighted Average Grant-Date Fair Value
Balance at December 31, 2016	3,063	$ 9.89	800	$ 11.10
Awarded	235	17.06	135	17.50
Awarded in connection with modification	64	11.32	—	—
Issued	(320)	8.00	(409)	10.55
Forfeited	(143)	15.18	(24)	12.28
Balance at December 30, 2017	2,899	$ 9.15	502	$ 13.14
Awarded	312	14.67	208	14.67
Awarded in connection with modification	246	9.21	—	—
Issued	(686)	9.32	(269)	13.07
Forfeited	(1,106)	6.55	(14)	13.24
Outstanding at December 29, 2018	1,665	$ 13.90	427	$ 14.23
Awarded	285	13.69	216	13.69
Awarded in connection with modification	190	11.22	—	—
Issued	(441)	11.30	(239)	13.38
Forfeited	(100)	12.33	(7)	14.89
Outstanding at December 28, 2019	1,599	$ 14.36	397	$ 14.43
Vested or expected to vest at December 28, 2019	1,594	$ 13.30	397	$ 14.43

The total fair value of Performance-based RSUs vested and issued during the years ended December 28, 2019, December 29, 2018 and December 30, 2017 were $5.0 million, $6.4 million and $2.6 million. The total fair value of Time-based RSUs vested and issued during the years ended December 28, 2019, December 29, 2018, and December 30, 2017 were $3.2 million, $3.5 million, and $4.3 million.

Employee Share Purchase Plan

The Company has maintained the Cott Corporation Employee Share Purchase Plan (the "ESPP") since 2015. The ESPP qualifies as an "employee share purchase plan" under Section 423 of the Internal Revenue Code of 1986 ("IRC"), as amended. Substantially all employees are eligible to participate in the ESPP and may elect to participate at the beginning of any quarterly offering period. The ESPP authorizes the issuance, and the purchase by eligible employees, of up to 3,000,000 shares of Cott common shares through payroll deductions. Eligible employees who choose to participate may purchase Cott common shares at 90% of market value on the first or last day of the quarterly offering period, whichever is lower. The minimum contribution which an eligible employee may make under the ESPP is 1% of the employee's eligible compensation, with the maximum contribution limited to 15% of the employee's eligible compensation. At the end of each quarterly offering period for which the employee participates, the total amount of each employee's payroll deduction for that offering period will be used to purchase Cott common shares. The Company recognized $0.2 million, $0.3 million and $0.1 million of share-based compensation expense in SG&A expenses in the Consolidated Statement of Operations for 2019, 2018 and 2017, respectively. At December 28, 2019, 2,581,340 shares remained available for issuance under the ESPP.

Note 10—Common Shares and Net Income (Loss) per Common Share

Common Shares

On May 1, 2018, our Board of Directors approved a share repurchase program for up to $50.0 million of Cott's outstanding common shares over a 12-month period commencing on May 7, 2018 (the "Initial Repurchase Plan"). Since that date, for the year ended December 29, 2018, we repurchased 2,973,282 common shares for approximately $46.0 million through open market transactions under the Initial Repurchase Plan. Shares purchased under the Initial Repurchase Plan were subsequently canceled.

On December 11, 2018, our Board of Directors approved a share repurchase program for up to $50.0 million of Cott's outstanding common shares over a 12-month period commencing on December 14, 2018 (the "Second Repurchase Plan"). Since that date, for the years ended December 28, 2019 and December 29, 2018, we repurchased 2,006,789 and 1,590,088 common shares for approximately $27.8 million and $22.2 million, respectively, through open market transactions under the Second Repurchase Plan. Shares purchased under the Second Repurchase Plan were subsequently canceled. During the second quarter of 2019, we utilized all funds under the Second Repurchase Plan.

On December 11, 2019, our Board of Directors approved a new share repurchase program for up to $50.0 million of Cott's outstanding common shares over a 12-month period (the "New Repurchase Plan"). We made no repurchases of our common shares under the New Repurchase Plan during 2019.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is calculated by dividing net income (loss) attributable to Cott Corporation by the weighted average number of common shares outstanding during the periods presented. Diluted net income (loss) per common share is calculated by dividing diluted net income (loss) attributable to Cott Corporation by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, Performance-based RSUs, and Time-based RSUs during the periods presented.

Set forth below is a reconciliation of the numerator and denominator for the diluted net income (loss) per common share computations for the periods indicated:

	For the Year Ended		
	December 28, 2019	**December 29, 2018**	**December 30, 2017**
Numerator (in millions):			
Net income (loss) attributable to Cott Corporation			
Continuing operations	**$ (0.1)**	$ 28.9	$ (3.6)
Discontinued operations	**3.0**	354.0	2.2
Net income (loss)	**2.9**	382.9	(1.4)
Basic Earnings Per Share			
Denominator (in thousands):			
Weighted average common shares outstanding - basic	**135,224**	139,097	139,078
Basic Earnings Per Share:			
Continuing operations	**—**	0.21	(0.03)
Discontinued operations	**0.02**	2.54	0.02
Net income (loss)	**0.02**	2.75	(0.01)
Diluted Earnings Per Share			
Denominator (in thousands):			
Weighted average common shares outstanding - basic	**135,224**	139,097	139,078
Dilutive effect of Stock Options	**—**	1,199	—
Dilutive effect of Performance based RSUs	**—**	900	—
Dilutive effect of Time-based RSUs	**—**	240	—
Weighted average common shares outstanding - diluted	**135,224**	141,436	139,078
Diluted Earnings Per Share:			
Continued operations	**—**	0.21	(0.03)
Discontinued operations	**0.02**	2.50	0.02
Net income (loss)	**0.02**	2.71	(0.01)

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

	For the Year Ended		
(in thousands)	**December 28, 2019**	**December 29, 2018**	**December 30, 2017**
Stock options	**6,493**	2,095	5,006
Performance-based RSUs [1]	**1,594**	564	2,235
Time-based RSUs [2]	**397**	148	493

1 Performance-based RSUs represent the number of shares expected to be issued based on the estimated achievement of pre-tax income for these awards.

2 Time-based RSUs represent the number of shares expected to be issued based on known employee retention information.

Note 11—Segment Reporting

Our broad portfolio of products includes bottled water, coffee, brewed tea, water dispensers, coffee and tea brewers, specialty coffee, liquid coffee or tea concentrate, single cup coffee, cold brewed coffee, iced blend coffee or tea beverages, blended teas, hot tea, sparkling tea, coffee or tea extract solutions, filtration equipment, hot chocolate, soups, malt drinks, creamers/whiteners, cereals, beverage concentrates, premium spring, sparkling and flavored water, and mineral water.

We operate through three reporting segments: Route Based Services; Coffee, Tea and Extract Solutions; and All Other. Our corporate oversight function is not treated as a segment; it includes certain general and administrative costs that are not allocated to any of the reporting segments.

During the first quarter of 2019, we reviewed and realigned our reporting segments to reflect how the business will be managed and the results will be reviewed by the Chief Executive Officer, who is the Company's chief operating decision maker. Following such review, we realigned our three reporting segments as follows: Route Based Services (which includes our DSS, Aquaterra, Mountain Valley, Eden and Aimia businesses); Coffee, Tea and Extract Solutions (which includes our S&D business); and All Other (which includes miscellaneous expenses and our Cott Beverages LLC business, which was sold in the first quarter of 2019). Our segment reporting results have been recast to reflect these changes for all periods presented.

	December 28, 2019				
(in millions of U.S. dollars)	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net [1]	**$ 1,788.2**	**$ 605.0**	**$ 7.2**	**$ (5.9)**	**$ 2,394.5**
Depreciation and amortization	**168.3**	**24.2**	**0.3**	**—**	**192.8**
Operating income (loss)	**115.8**	**15.4**	**(40.8)**	**—**	**90.4**
Property, plant and equipment, net	**557.0**	**89.7**	**1.1**	**—**	**647.8**
Goodwill	**1,047.5**	**128.2**	**—**	**—**	**1,175.7**
Intangible assets, net	**596.0**	**104.4**	**1.0**	**—**	**701.4**
Total segment assets [2]	**2,816.1**	**526.5**	**48.3**	**—**	**3,390.9**
Additions to property, plant and equipment	**100.9**	**13.3**	**0.4**	**—**	**114.6**

[1] Intersegment revenue between the Coffee, Tea and Extract Solutions and the Route Based Services reporting segments was $5.9 million for the year ended December 28, 2019.

[2] Excludes intersegment receivables, investments and notes receivable.

	December 29, 2018				
(in millions of U.S. dollars)	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net [1]	$ 1,710.3	$ 587.6	$ 80.7	$ (5.7)	$ 2,372.9
Depreciation and amortization	170.7	22.9	1.0	—	194.6
Operating income (loss)	89.9	16.1	(47.2)	—	58.8
Property, plant and equipment, net	530.7	88.3	5.7	—	624.7
Goodwill	1,021.6	117.8	4.5	—	1,143.9
Intangible assets, net	608.3	103.2	27.7	—	739.2
Total segment assets [2]	2,578.3	464.8	132.4	—	3,175.5
Additions to property, plant and equipment	112.3	16.0	2.5	—	130.8

[1] Intersegment revenue between the Coffee, Tea and Extract Solutions and the Route Based Services reporting segments was $5.7 million for the year ended December 29, 2018. All Other includes $4.2 million of related party concentrate sales to discontinued operations for the year ended December 29, 2018.

[2] Excludes intersegment receivables, investments and notes receivable.

(in millions of U.S. dollars)	December 30, 2017				
	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net [1]	$ 1,599.6	$ 602.2	$ 67.9	$ —	2,269.7
Depreciation and amortization	164.9	22.7	1.0	—	188.6
Operating income (loss) [2]	79.7	15.9	(51.7)	—	43.9
Additions to property, plant and equipment	100.8	19.0	1.5	—	121.3

1 All Other includes $41.1 million of related party concentrate sales to discontinued operations for the year ended December 30, 2017.

2 Operating income in our Route Based Services reporting segment for the year ended December 30, 2017 decreased $5.0 million as a result of the adoption of Accounting Standards Update 2017-07 Compensation—Retirement Benefits ("ASU 2017-07").

Credit risk arises from the potential default of a customer in meeting its financial obligations to us. Concentrations of credit exposure may arise with a group of customers that have similar economic characteristics or that are located in the same geographic region. The ability of such customers to meet obligations would be similarly affected by changing economic, political or other conditions. We are not currently aware of any facts that would create a material credit risk.

We have limited customer concentration; no customer accounts for more than 10% of our net revenues.

Revenues are attributed to countries based on the location of the customer. Revenues generated from sales to external customers by geographic area were as follows:

(in millions of U.S. dollars)	For the Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
United States	**$ 1,801.7**	$ 1,786.9	$ 1,709.0
United Kingdom	**172.0**	173.2	160.0
Canada	**67.4**	64.1	61.8
All other countries	**353.4**	348.7	338.9
Total	**$ 2,394.5**	$ 2,372.9	$ 2,269.7

Revenues by channel by reporting segment were as follows:

(in millions of U.S. dollars)	For the Year Ended December 28, 2019				
	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net					
Home and office bottled water delivery	**$ 1,136.0**	**$ —**	**$ —**	**$ —**	**$ 1,136.0**
Coffee and tea services	**184.0**	**483.6**	**—**	**(5.9)**	**661.7**
Retail	**297.6**	**—**	**—**	**—**	**297.6**
Other	**170.6**	**121.4**	**7.2**	**—**	**299.2**
Total	**$ 1,788.2**	**$ 605.0**	**$ 7.2**	**$ (5.9)**	**$ 2,394.5**

(in millions of U.S. dollars)	For the Year Ended December 29, 2018				
	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net					
Home and office bottled water delivery [1]	$ 1,078.5	$ —	$ —	$ —	$ 1,078.5
Coffee and tea services	192.8	461.9	—	(5.7)	649.0
Retail [1]	286.0	—	—	—	286.0
Other [1]	153.0	125.7	80.7	—	359.4
Total	$ 1,710.3	$ 587.6	$ 80.7	$ (5.7)	$ 2,372.9

1 Revenue by channel of our Route Based Services reporting segment for the year ended December 29, 2018 had $83.7 million of revenues reclassified from "other" and "retail" to "home and office bottled water delivery" as these activities are associated with the "home and office bottled water delivery" channel. In addition, we reclassified $18.0 million out of the "retail" channel and into the "other" channel in order to better align the activities of a recent acquisition with those of our U.S. Route Based Services business.

(in millions of U.S. dollars)	For the Year Ended December 30, 2017				
	Route Based Services	Coffee, Tea and Extract Solutions	All Other	Eliminations	Total
Revenue, net					
Home and office bottled water delivery [1]	$ 990.6	$ —	$ —	$ —	$ 990.6
Coffee and tea services	186.8	501.7	—	—	688.5
Retail [1]	282.2	—	—	—	282.2
Other [1]	140.0	100.5	67.9	—	308.4
Total	$ 1,599.6	$ 602.2	$ 67.9	$ —	$ 2,269.7

1 Revenue by channel of our Route Based Services reporting segment for the year ended December 30, 2017 had $50.2 million of revenues reclassified from "other" to "home and office bottled water delivery" as these activities are associated with the "home and office bottled water delivery" channel.

Property, plant and equipment, net by geographic area as of December 28, 2019 and December 29, 2018 were as follows:

(in millions of U.S. dollars)	December 28, 2019	December 29, 2018
United States	**$ 505.4**	$ 491.1
United Kingdom	**20.9**	17.8
Canada	**18.6**	19.8
All other countries [1]	**102.9**	96.0
Total	**$ 647.8**	$ 624.7

1 No individual country is greater than 10% of total property, plant and equipment, net as of December 28, 2019 and December 29, 2018.

Note 12—Accounts Receivable, Net

The following table summarizes accounts receivable, net as of December 28, 2019 and December 29, 2018:

(in millions of U.S. dollars)	December 28, 2019	December 29, 2018
Trade receivables	**$ 268.5**	$ 293.0
Allowance for doubtful accounts	**(9.1)**	(9.6)
Other	**19.9**	24.9
Total	**$ 279.3**	$ 308.3

Note 13—Inventories

The following table summarizes inventories as of December 28, 2019 and December 29, 2018:

(in millions of U.S. dollars)	December 28, 2019	December 29, 2018
Raw materials	**$ 59.5**	$ 68.5
Finished goods	**36.7**	36.3
Resale items	**22.8**	21.5
Other	**3.5**	3.3
Total	**$ 122.5**	$ 129.6

Note 14—Property, Plant and Equipment, Net

The following table summarizes property, plant and equipment, net as of December 28, 2019 and December 29, 2018:

	December 28, 2019				December 29, 2018		
(in millions of U.S. dollars)	Estimated Useful Life in Years	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	n/a	**$ 99.3**	**$ —**	**$ 99.3**	$ 98.5	$ —	$ 98.5
Buildings	10-40	**115.7**	**31.3**	**84.4**	111.9	22.9	89.0
Machinery and equipment	5-15	**206.6**	**85.6**	**121.0**	183.3	67.0	116.3
Plates, films and molds	1-10	**1.5**	**0.6**	**0.9**	1.4	0.4	1.0
Vehicles and transportation equipment	3-15	**91.6**	**60.4**	**31.2**	88.1	50.2	37.9
Leasehold improvements [1]		**20.0**	**10.7**	**9.3**	16.7	6.9	9.8
IT Systems	3-7	**19.2**	**11.3**	**7.9**	16.2	8.6	7.6
Furniture and fixtures	3-10	**13.6**	**9.5**	**4.1**	9.3	3.2	6.1
Customer equipment [2]	3-7	**377.5**	**164.5**	**213.0**	330.4	118.2	212.2
Returnable bottles [3]	3-5	**81.9**	**37.1**	**44.8**	59.7	19.1	40.6
Finance leases [4]		**39.9**	**8.0**	**31.9**	6.7	1.0	5.7
Total		**$ 1,066.8**	**$ 419.0**	**$ 647.8**	$ 922.2	$ 297.5	$ 624.7

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1 Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life.

2 Customer equipment for the Route Based Services reporting segment consists of coolers, brewers, refrigerators, water purification devices and storage racks held on site at customer locations.

3 Returnable bottles are those bottles on site at Route Based Services customer locations.

4 Our recorded assets under finance leases relate to machinery and equipment, customer equipment, IT systems, customer equipment and vehicles and transportation equipment.

The amounts above include construction in progress of $8.3 million and $19.3 million for 2019 and 2018, respectively.

Depreciation expense, which includes depreciation recorded for assets under finance leases, for the year ended December 28, 2019 was $127.5 million (2018 - $123.6 million; 2017 - $120.0 million).

Note 15—Intangible Assets, Net

The following table summarizes intangible assets, net as of December 28, 2019 and December 29, 2018:

(in millions of U.S. dollars)	December 28, 2019			December 29, 2018		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangibles						
Not subject to amortization						
Rights [1]	**$ —**	**—**	**$ —**	$ 24.5	—	$ 24.5
Trademarks	**287.1**	**—**	**287.1**	282.3	—	282.3
Total intangibles not subject to amortization	**$ 287.1**	**—**	**$ 287.1**	$ 306.8	—	$ 306.8
Subject to amortization						
Customer relationships	**654.1**	**286.5**	**367.6**	603.1	211.1	392.0
Patents	**15.2**	**4.0**	**11.2**	15.2	2.5	12.7
Software	**56.9**	**31.3**	**25.6**	38.0	20.5	17.5
Other	**17.9**	**8.0**	**9.9**	16.6	6.4	10.2
Total intangibles subject to amortization	**$ 744.1**	**$ 329.8**	**$ 414.3**	$ 672.9	$ 240.5	$ 432.4
Total intangible assets	**$ 1,031.2**	**$ 329.8**	**$ 701.4**	$ 979.7	$ 240.5	$ 739.2

1 Relates to the 2001 acquisition of intellectual property from Royal Crown Company, Inc. and includes the right to manufacture concentrates, with all related inventions, processes, technologies, technical and manufacturing information, know-how and the use of the Royal Crown brand outside of North America and Mexico at our Cott Beverages LLC business. The Company sold Cott Beverages LLC to Refresco during the first quarter of 2019.

Amortization expense of intangible assets was $65.3 million during 2019 (2018 - $71.0 million; 2017 - $68.6 million).

The estimated amortization expense for intangible assets subject to amortization over the next five years is:

(in millions of U.S. dollars)	
2020	**$ 69.7**
2021	**58.7**
2022	**47.7**
2023	**37.4**
2024	**33.4**
Thereafter	**167.4**
Total	**$ 414.3**

Note 16—Accounts Payable and Accrued Liabilities

The following table summarizes accounts payable and accrued liabilities as of December 28, 2019 and December 29, 2018:

(in millions of U.S. dollars)	December 28, 2019	December 29, 2018
Trade payables	**$ 200.4**	$ 206.1
Accrued compensation	**58.8**	46.7
Accrued sales incentives	**10.0**	10.5
Accrued interest	**23.9**	24.2
Payroll, sales and other taxes	**17.4**	21.7
Accrued deposits	**77.1**	70.6
Derivative liability	**—**	10.9
Self-insurance liabilities	**18.3**	16.9
Other accrued liabilities	**60.2**	61.4
Total	**$ 466.1**	$ 469.0

Note 17—Debt

Our total debt as of December 28, 2019 and December 29, 2018 was as follows:

	December 28, 2019			December 29, 2018		
(in millions of U.S. dollars)	Principal	Unamortized Debt Costs	Net	Principal	Unamortized Debt Costs	Net
5.500% senior notes due in 2024	**499.3**	**5.8**	**493.5**	513.1	7.2	505.9
5.500% senior notes due in 2025	**750.0**	**8.2**	**741.8**	750.0	9.8	740.2
ABL facility	**92.0**	**—**	**92.0**	81.1	—	81.1
Short-term borrowings	**0.4**	**—**	**0.4**	7.9	—	7.9
Finance leases	**30.9**	**—**	**30.9**	5.0	—	5.0
Other debt financing	**1.4**	**—**	**1.4**	2.1	—	2.1
Total debt	**1,374.0**	**14.0**	**1,360.0**	1,359.2	17.0	1,342.2
Less: Short-term borrowings and current debt:						
ABL facility	**92.0**	**—**	**92.0**	81.1	—	81.1
Short-term borrowings	**0.4**	**—**	**0.4**	7.9	—	7.9
Finance leases - current maturities	**6.3**	**—**	**6.3**	1.9	—	1.9
Other debt financing	**1.1**	**—**	**1.1**	1.1	—	1.1
Total current debt	**99.8**	**—**	**99.8**	92.0	—	92.0
Total long-term debt	**$ 1,274.2**	**$ 14.0**	**$ 1,260.2**	$ 1,267.2	$ 17.0	$ 1,250.2

The long-term debt payments (which include current maturities of long-term debt) required in each of the next five years and thereafter are as follows:

(in millions of U.S. dollars)	Long-Term Debt (including current)
2020	$ 100.0
2021	5.6
2022	5.0
2023	4.8
2024	503.4
Thereafter	755.2
	$ 1,374.0

Asset-Based Lending Facility

In March 2008, we entered into a credit agreement with JPMorgan Chase Bank N.A. as Administrative Agent that created an ABL facility to provide financing for our operations. We have amended and refinanced the ABL facility from time to time and incurred related financing fees, $4.3 million of which have been capitalized and deferred and are being amortized using the straight-line method over the duration of the amended ABL facility.

As of December 28, 2019, our total availability under the ABL facility was $216.4 million, which was based on our borrowing base (accounts receivables, inventory, and fixed assets as of the December 2019 month-end under the terms of the credit agreement governing the ABL facility). As of December 28, 2019, we had $92.0 million of outstanding borrowings under the ABL facility and $47.4 million of letters of credit. As a result, our excess availability under the ABL facility was $77.0 million as of December 28, 2019. The commitment fee was 0.250% per annum of the unused commitment, which was $110.6 million as of December 28, 2019. The weighted average effective interest rate at December 28, 2019 on our outstanding borrowings was 3.40%. The effective interest rates are based on our aggregate availability.

In January 2018, we amended and restated the Amended and Restated Credit Agreement. The ABL facility, as amended and restated, provides us with financing in the United States, Canada, the United Kingdom and the Netherlands. Cott and its subsidiaries, Cott Holdings Inc., DSS, S&D, Aimia and Aquaterra, are borrowers under the ABL facility. The ABL facility is a revolving facility of up to $250.0 million with a maturity date of August 3, 2021. JPMorgan Chase Bank, N.A. serves as administrative agent and administrative collateral agent and JPMorgan Chase Bank, N.A., London Branch serves as U.K. security trustee. Availability under the ABL facility is dependent on a borrowing base calculated as a percentage of the value of eligible inventory, accounts receivable and property, plant and equipment in the manner set forth in the credit agreement. Subject to certain conditions, the ABL facility may be increased up to an additional $100.0 million at our option if lenders agree to increase their commitments. The debt under the ABL facility is guaranteed by most of our U.S., Canadian and U.K. subsidiaries, certain of our Dutch subsidiaries and certain other subsidiaries. As disclosed previously on a Current Report on Form 8-K dated February 7, 2020 (the “ABL Amendment 8-K”), on February 7, 2020, the ABL facility was amended to, among other things, modify certain negative covenants of the ABL facility to facilitate the sale of S&D (see Note 24 to the Consolidated Financial Statements) and to limit the conditions to be met for the acquisition of Primo Water Corporation (see Note 24 to the Consolidated Financial Statements) to be permitted under the ABL facility (the “ABL Amendment”). This reference to the ABL Amendment does not purport to be complete and is qualified in its entirety by reference to Exhibit 10.1 to the ABL Amendment 8-K.

5.500% Senior Notes due in 2025

In March 2017, we issued $750.0 million of our 2025 Notes to qualified purchasers in a private placement offering under Rule 144A under the Securities Act, and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2025 Notes were issued by our wholly-owned subsidiary Cott Holdings Inc., and most of our U.S., Canadian, U.K. and Dutch subsidiaries guarantee the 2025 Notes. The 2025 Notes will mature on April 1, 2025 and interest is payable semi-annually on April 1st and October 1st of each year commencing on October 1, 2017. The proceeds of the 2025 Notes were used to redeem in full the 2020 Notes, redeem $100.0 million aggregate principal amount of our DSS Notes and to pay related fees and expenses.

We incurred $11.7 million of financing fees in connection with the issuance of the 2025 Notes. The financing fees are being amortized using the effective interest method over a period of eight years, which represents the term to maturity of the 2025 Notes.

5.500% Senior Notes due in 2024

In June 2016, we issued €450.0 million (U.S. $499.3 million at the exchange rate in effect on December 28, 2019) of our 2024 Notes to qualified purchasers in a private placement offering under Rule 144A and Regulation S under the Securities Act and other applicable laws. The 2024 Notes were initially issued by our wholly-owned subsidiary Cott Finance Corporation. In connection with the closing of the acquisition of Eden, we assumed all of the obligations of Cott Finance Corporation under the 2024 Notes, and most of our U.S., Canadian, U.K. and Dutch subsidiaries that are currently obligors under the 2022 Notes and the 2020 Notes entered into a supplemental indenture to guarantee the 2024 Notes. The 2024 Notes will mature on July 1, 2024 and interest is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2017. The proceeds of the 2024 Notes were used to fund a portion of the purchase price of the acquisition of Eden and to pay related fees and expenses.

We incurred approximately $11.3 million of financing fees for the issuance of the 2024 Notes and $11.0 million of bridge financing commitment fees and professional fees in connection with the acquisition of Eden. The financing fees are being amortized using the effective interest method over a period of eight years, which represents the term to maturity of the 2024 Notes. The bridge financing commitment fees and professional fees were expensed as incurred.

Covenant Compliance

Indentures governing our outstanding notes

Under the indentures governing our outstanding notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. The covenants are substantially similar across the series of notes. As of December 28, 2019, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any covenants of our outstanding notes since the date of their issuance or assumption, as applicable.

ABL Facility

Under the credit agreement governing the ABL facility, Cott and its restricted subsidiaries are subject to a number of business and financial covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. The minimum fixed charge coverage ratio of 1.0 to 1.0 is effective if and when there exists an event of default or aggregate availability is less than the greater of 10% of the Line Cap under the ABL facility or $22.5 million (which would be reduced to $13.5 million upon the sale of our S&D business, per the ABL Amendment). Line Cap is defined as an amount equal to the lesser of the lenders' commitments or the borrowing base at such time. If an event of default exists or the excess availability is less than the greater of 10% of the aggregate availability under the ABL facility or $22.5 million (which would be reduced to $13.5 million upon the sale of our S&D business, per the ABL Amendment), the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the facility. We were in compliance with all of the applicable covenants under the ABL facility as of December 28, 2019.

Note 18—Retirement Plans

The Company maintains certain defined contribution ("DC") retirement plans covering qualifying employees. The total expense with respect to these DC plans was $7.3 million for the year ended December 28, 2019 (2018—$4.4 million; 2017—$2.0 million).

The Company also maintains several defined benefit ("DB") plans acquired as a part of acquisitions covering certain U.S. and non-U.S. employees, referred to as the U.S. and International Plans, respectively. Retirement benefits are based on years of service multiplied by a monthly benefit factor. Pension costs are funded in accordance with the provisions of the applicable law.

Our U.S. Plan is closed to new participants and is frozen. The Company uses a December 28, 2019 measurement date for all DB plans. Any variation differences based on three days of trading are deemed immaterial.

In the third quarter of 2017, our Eden business relocated its corporate headquarters from Switzerland to Spain, which resulted in the dismissal or relocation of certain non-U.S. employees of the International Plans. As a result of the dismissal or relocation of the certain non-U.S. employees, we recorded a gain on pension curtailment of approximately $4.5 million to other expense (income), net, in the Consolidated Statement of Operations for the year ended December 30, 2017.

Obligations and Funded Status

The following table summarizes the change in the projected benefit obligation, change in plan assets and unfunded status of the DB plans as of December 28, 2019 and December 29, 2018:

	December 28, 2019		
(in millions of U.S. dollars)	**U.S.**	**International**	**Total**
Change in Projected Benefit Obligation			
Projected benefit obligation at beginning of year	$ 7.9	$ 10.8	$ 18.7
Plan amendment	—	0.4	0.4
Service cost	—	0.8	0.8
Interest cost	0.3	0.2	0.5
Plan participant contributions	—	0.3	0.3
Benefit payments	(0.4)	(1.5)	(1.9)
Actuarial losses	0.8	1.5	2.3
Translation losses	—	0.6	0.6
Projected benefit obligation at end of year	$ 8.6	$ 13.1	$ 21.7
Change in Plan Assets			
Plan assets beginning of year	$ 6.9	$ 5.8	$ 12.7
Employer contributions	0.3	0.5	0.8
Plan participant contributions	—	0.3	0.3
Benefit payments	(0.4)	(1.0)	(1.4)
Settlement gains	—	0.2	0.2
Actual return on plan assets	1.3	(0.1)	1.2
Translation gains	—	0.2	0.2
Fair value at end of year	$ 8.1	$ 5.9	$ 14.0
Funded Status of Plan			
Projected benefit obligation	$ (8.6)	$ (13.1)	$ (21.7)
Fair value of plan assets	8.1	5.9	14.0
Unfunded status	$ (0.5)	$ (7.2)	$ (7.7)

(in millions of U.S. dollars)	December 29, 2018		
	U.S.	International	Total
Change in Projected Benefit Obligation			
Projected benefit obligation at beginning of year	$ 8.4	$ 12.8	$ 21.2
Plan amendment	—	(0.1)	(0.1)
Service cost	—	0.8	0.8
Interest cost	0.3	0.1	0.4
Plan participant contributions	—	0.3	0.3
Benefit payments	(0.4)	(1.4)	(1.8)
Actuarial gains	(0.4)	(0.4)	(0.8)
Settlement gains	—	(0.8)	(0.8)
Translation gains	—	(0.5)	(0.5)
Projected benefit obligation at end of year	$ 7.9	$ 10.8	$ 18.7
Change in Plan Assets			
Plan assets beginning of year	$ 7.1	$ 6.6	$ 13.7
Employer contributions	0.3	0.4	0.7
Plan participant contributions	—	0.3	0.3
Benefit payments	(0.4)	(0.8)	(1.2)
Settlement losses	—	(0.5)	(0.5)
Actual return on plan assets	(0.1)	—	(0.1)
Translation losses	—	(0.2)	(0.2)
Fair value at end of year	$ 6.9	$ 5.8	$ 12.7
Funded Status of Plan			
Projected benefit obligation	$ (7.9)	$ (10.8)	$ (18.7)
Fair value of plan assets	6.9	5.8	12.7
Unfunded status	$ (1.0)	$ (5.0)	$ (6.0)

The accumulated benefit obligation for the U.S. Plans equaled $8.6 million and $7.9 million at the end of 2019 and 2018, respectively. The accumulated benefit obligation for the International Plans equaled $13.1 million and $10.8 million at the end of 2019 and 2018, respectively.

Periodic Pension Costs

The components of net periodic pension cost were as follows:

(in millions of U.S. dollars)	December 28, 2019		
	U.S.	International	Total
Service cost	**$ —**	**$ 0.8**	**$ 0.8**
Interest cost	**0.3**	**0.2**	**0.5**
Expected return on plan assets	**(0.5)**	**—**	**(0.5)**
Net periodic pension (benefit) cost	**$ (0.2)**	**$ 1.0**	**$ 0.8**

(in millions of U.S. dollars)	December 29, 2018		
	U.S.	International	Total
Service cost	$ —	$ 0.8	$ 0.8
Interest cost	0.3	0.1	0.4
Expected return on plan assets	(0.5)	—	(0.5)
Recognized net gain due to settlement	—	(0.3)	(0.3)
Net periodic pension (benefit) cost	$ (0.2)	$ 0.6	$ 0.4

(in millions of U.S. dollars)	December 30, 2017 U.S.	International	Total
Service cost	$ —	$ 1.5	$ 1.5
Interest cost	(0.3)	0.3	—
Expected return on plan assets	0.4	(0.3)	0.1
Curtailment gain	—	(4.5)	(4.5)
Net periodic pension cost (benefit)	$ 0.1	$ (3.0)	$ (2.9)

Accumulated Other Comprehensive Loss

Amounts included in accumulated other comprehensive loss, net of tax, at year-end which have not yet been recognized in net periodic benefit cost were as follows:

(in millions of U.S. dollars)	December 28, 2019 U.S.	International	Total
Unrecognized net actuarial loss	**$ (0.1)**	**$ (0.9)**	**$ (1.0)**
Total accumulated other comprehensive loss	**$ (0.1)**	**$ (0.9)**	**$ (1.0)**

(in millions of U.S. dollars)	December 29, 2018 U.S.	International	Total
Unrecognized net actuarial (loss) income	$ (0.1)	$ 0.4	$ 0.3
Total accumulated other comprehensive (loss) income	$ (0.1)	$ 0.4	$ 0.3

(in millions of U.S. dollars)	December 30, 2017 U.S.	International	Total
Unrecognized net actuarial loss	$ (0.6)	$ (16.2)	$ (16.8)
Total accumulated other comprehensive loss	$ (0.6)	$ (16.2)	$ (16.8)

Actuarial Assumptions

The following table summarizes the weighted average actuarial assumptions used to determine the projected benefit obligation:

	For the Year Ended		
	December 28, 2019	**December 29, 2018**	**December 30, 2017**
U.S. Plans			
Discount rate	**3.0%**	4.0%	3.5%
Expected long-term rate of return on plan assets	**6.3%**	6.3%	7.0%
International Plans			
Discount rate	**1.1%**	2.4%	2.0%
Expected long-term rate of return on plan assets	**1.3%**	2.7%	3.1%
Rate of compensation increase	**2.7%**	1.4%	1.4%
CPI Inflation factor	**0.3%**	0.3%	0.3%

The following table summarizes the weighted average actuarial assumptions used to determine net periodic benefit cost:

	For the Year Ended		
	December 28, 2019	**December 29, 2018**	**December 30, 2017**
U.S. Plans			
Discount rate	**4.0%**	3.5%	3.8%
Expected long-term rate of return on plan assets	**6.3%**	6.3%	7.0%
International Plans			
Discount rate	**1.1%**	2.4%	2.0%
Expected long-term rate of return on plan assets	**1.3%**	2.7%	3.1%
Inflation factor	**0.3%**	0.3%	0.3%

The Company utilizes a yield curve analysis to determine the discount rates for its DB plan obligations. The yield curve considers pricing and yield information for high quality corporate bonds with maturities matched to estimated payouts of future pension benefits. The Company evaluates its assumption regarding the estimated long-term rate of return on plan assets based on historical experience, future expectations of investment returns, asset allocations, and its investment strategy. The Company’s long-term rate of return on plan assets reflect expectations of projected weighted average market returns of plan assets. Changes in expected returns on plan assets also reflect any adjustments to the Company’s targeted asset allocation.

Asset Mix

Our DB plans weighted-average asset allocations by asset category were as follows:

	December 28, 2019	**December 29, 2018**
U.S. Plans		
Equity securities	**46.3%**	42.8%
Fixed income investments	**53.7%**	57.2%
International Plans		
Equity securities	**56.8%**	58.6%
Fixed income investments	**33.2%**	31.0%
Real estate	**10.0%**	10.4%

Plan Assets

Our investment policy is that plan assets will be managed utilizing an investment philosophy and approach characterized by all of the following, listed in priority order: (1) emphasis on total return, (2) emphasis on high-quality securities, (3) sufficient income and stability of income, (4) safety of principal with limited volatility of capital through proper diversification and (5) sufficient liquidity. The target allocation percentages for the U.S. Plans' assets range between 30% to 45% in equity securities and 55% to 70% in fixed income investments. The target allocation percentages for the International Plans' assets range between 50% to 80% in equity securities, 20% to 50% in fixed income investments, 0% to 30% in real estate and 0% to 15% in alternative investments. None of our equity or debt securities are included in plan assets.

Cash Flows

We expect to contribute $1.6 million to the DB plans during the 2020 fiscal year.

The following benefit payments are expected to be paid in the periods indicated below:

(in millions of U.S. dollars)	U.S.	International	Total
Expected benefit payments			
FY 2020	$ 0.4	$ 1.2	$ 1.6
FY 2021	0.4	0.6	1.0
FY 2022	0.5	0.5	1.0
FY 2023	0.5	0.4	0.9
FY 2024	0.5	0.6	1.1
FY 2025 through FY 2029	2.6	9.7	12.3

The fair values of the Company's U.S. plan assets are measured daily at their net asset value and valued at $8.1 million and $6.9 million at December 28, 2019 and December 29, 2018, respectively.

The fair values of the Company's International plan assets at December 28, 2019 and December 29, 2018 were as follows:

	December 28, 2019		
(in millions of U.S. dollars)	Level 1	Level 2	Level 3
Mutual funds:			
Non-U.S. equity securities	**1.6**	—	—
Fixed income:			
Non-U.S. bonds	**1.7**	—	—
Insurance contract	—	**2.0**	—
Real estate:			
Real estate	—	**0.6**	—
Total	**$ 3.3**	**$ 2.6**	$ —

	December 29, 2018		
(in millions of U.S. dollars)	Level 1	Level 2	Level 3
Mutual funds:			
Non-U.S. equity securities	1.6	—	—
Fixed income:			
Non-U.S. bonds	1.9	—	—
Insurance contract	—	1.8	—
Real estate:			
Real estate	—	0.6	—
Total	$ 3.5	$ 2.4	$ —

Note 19—Consolidated Accumulated Other Comprehensive Income (Loss)

With the Traditional Business Disposition in 2018, the foreign currency translation balances associated with the Traditional Business were recognized in earnings in the period of disposition. Changes in consolidated accumulated other comprehensive income (loss) ("AOCI") by component for the years ended December 28, 2019, December 29, 2018 and December 30, 2017 were as follows:

(in millions of U.S. dollars) [1]	Gains and Losses on Derivative Instruments	Pension Benefit Plan Items	Currency Translation Adjustment Items	Total
Balance December 31, 2016	$ (0.1)	$ (14.4)	$ (103.4)	$ (117.9)
OCI before reclassifications	—	(2.7)	27.2	24.5
Amounts reclassified from AOCI	(1.3)	0.3	—	(1.0)
Net current-period OCI	(1.3)	(2.4)	27.2	23.5
Balance December 30, 2017	$ (1.4)	$ (16.8)	$ (76.2)	$ (94.4)
OCI before reclassifications	(14.5)	0.2	(25.5)	(39.8)
Amounts reclassified from AOCI	6.2	16.9	9.4	32.5
Net current-period OCI	(8.3)	17.1	(16.1)	(7.3)
Balance December 29, 2018	$ (9.7)	$ 0.3	$ (92.3)	$ (101.7)
OCI before reclassifications	12.9	(1.3)	13.6	25.2
Amounts reclassified from AOCI	8.0	—	—	8.0
Net current-period OCI	20.9	(1.3)	13.6	33.2
Balance December 28, 2019	$ 11.2	$ (1.0)	$ (78.7)	$ (68.5)

[1] All amounts are net of tax.

The following table summarizes the amounts reclassified from AOCI to total net income for the years ended December 28, 2019, December 29, 2018 and December 30, 2017:

(in millions of U.S. dollars) Details About AOCI Components [1]	For the Year Ended December 28, 2019	December 29, 2018	December 30, 2017	Affected Line Item in the Statement Where Net Income Is Presented
Gains and losses on derivative instruments				
Foreign currency and commodity hedges	$ (8.0)	$ (6.2)	$ 1.3	Cost of sales
	$ (8.0)	$ (6.2)	$ 1.3	Total before taxes
	—	—	—	Tax (expense) or benefit
	$ (8.0)	$ (6.2)	$ 1.3	Net of tax
Amortization of pension benefit plan items				
Recognized net actuarial loss [2]	$ —	$ (16.9)	$ —	Gain on sale of discontinued operations
Actuarial (losses)/gains [3]	—	—	(0.3)	
	—	(16.9)	(0.3)	Total before taxes
	—	—	—	Tax (expense) or benefit
	$ —	$ (16.9)	$ (0.3)	Net of tax
Foreign currency translation adjustments	—	(9.4)	—	Gain on sale of discontinued operations
Total reclassifications for the period	$ (8.0)	$ (32.5)	$ 1.0	Net of tax

1 Amounts in parenthesis indicate debits.

2 Net of $3.6 million of associated tax impact that resulted in an increase to the gain on the sale of discontinued operations for the year ended December 29, 2018.

3 This AOCI component is included in the computation of net periodic pension cost.

Note 20—Commitments and Contingencies

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flow. In addition, the Israeli Ministry of Environmental Protection (the “Ministry”) has alleged that a non-profit recycling corporation, which collects and recycles bottles sold by manufacturers, including Eden, failed to meet recycling quotas in 2016, in violation of Israeli law. The law imposes liability directly on manufacturers, and the Ministry has asserted that the manufacturers involved with the corporation owe a fine. Eden received a notice from the Ministry on June 21, 2018. Although we cannot predict the outcome of any potential proceedings at this early stage, Eden may be subject to a fine in excess of $0.1 million. Management believes, however, that the resolution of this matter will not be material to our financial position, results of operations, or cash flow.

We had $47.4 million in standby letters of credit outstanding as of December 28, 2019 ($46.1 million—December 29, 2018; $46.0 million—December 30, 2017).

We have future purchase obligations of $158.6 million that consist of commitments for the purchase of inventory, energy transactions, and payments related to professional fees and information technology outsourcing agreements. These obligations represent the minimum contractual obligations expected under the normal course of business.

Guarantees

After completion of the Traditional Business Disposition, the Company continues to provide contractual payment guarantees to three third-party lessors of certain real property used in the Traditional Business. The leases were conveyed to Refresco as part of the Traditional Business Disposition, but the Company's guarantee was not released by the landlord. The three lease agreements mature in 2027, 2028 and 2029. The maximum potential amount of undiscounted future payments under the guarantee of approximately $29.4 million as of December 28, 2019 ($32.2 million - December 29, 2018; $42.0 million - December 30, 2017) was calculated based on the minimum lease payments of the leases over the remaining term of the agreements. The Traditional Business Disposition documents require Refresco to pay all post-closing obligations under these conveyed leases, and to reimburse the Company if the landlord calls on a guarantee. Refresco has also agreed to a covenant to negotiate with the landlords for a release of the Company's guarantees; discussions are ongoing. The Company currently believes it is unlikely that we will be required to perform under any of these guarantees or any of the underlying obligations.

Note 21—Hedging Transactions and Derivative Financial Instruments

We are directly and indirectly affected by changes in foreign currency market conditions. These changes in market conditions may adversely impact our financial performance and are referred to as market risks. When deemed appropriate by management, we use derivatives as a risk management tool to mitigate the potential impact of foreign currency market risks.

We use various types of derivative instruments including, but not limited to, forward contracts, futures contracts and swap agreements for certain commodities. Forward and futures contracts are agreements to buy or sell a quantity of a currency at a predetermined future date, and at a predetermined rate or price. Forward contracts are traded over-the-counter whereas future contracts are traded on an exchange. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices.

All derivatives are carried at fair value in the Consolidated Balance Sheets in the line item accounts receivable, net or accounts payable and accrued liabilities. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These agreements allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the types of hedging relationships. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in our Consolidated Statements of Operations as the changes in the fair value of the hedged items attributable to the risk being hedged. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in AOCI and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings. We classify cash inflows and outflows related to derivative and hedging instruments within the appropriate cash flows section associated with the item being hedged.

For derivatives that will be accounted for as hedging instruments, we formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are highly effective at offsetting changes in either the fair values or cash flows of the related underlying exposures.

We estimate the fair values of our derivatives based on quoted market prices or pricing models using current market rates (see Note 22 to the Consolidated Financial Statements). The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. We do not view the fair values of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions. All of our derivatives are over-the-counter instruments with liquid markets.

Credit Risk Associated with Derivatives

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We monitor counterparty exposures regularly and review promptly any downgrade in counterparty credit rating. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of counterparty default to be minimal.

Cash Flow Hedging Strategy

We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in commodity prices. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. We did not discontinue any cash flow hedging relationships during the years ended December 28, 2019 or December 29, 2018, respectively.

We have entered into coffee futures contracts to hedge our exposure to price fluctuations on green coffee associated with fixed-price sales contracts with customers, which generally range from three to twelve months in length. These derivative instruments have been designated and qualified as a part of our commodity cash flow hedging program effective January 1, 2017. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of green coffee.

The notional amount for the coffee futures contracts that were designated and qualified for our commodity cash flow hedging program was 35.7 million pounds and 73.3 million pounds as of December 28, 2019 and December 29, 2018, respectively. Approximately $8.0 million and $6.2 million of realized losses, representing the effective portion of the cash-flow hedge, were subsequently reclassified from AOCI to earnings and recognized in cost of sales in the Consolidated Statement of Operations for the years ended December 28, 2019 and December 29, 2018, respectively. As of December 29, 2018, the estimated net amount of gains reported in AOCI that is expected to be reclassified to the Consolidated Statements of Operations within the next twelve months is $15.4 million.

The fair value of our derivative assets included in prepaid expenses and other current assets was $8.6 million as of December 28, 2019. We had no derivative assets as of December 29, 2018. We had no derivative liabilities as of December 28, 2019. Our derivative liabilities included in accounts payable and accrued liabilities was $10.9 million as of December 29, 2018. Set forth below is a reconciliation of the Company’s derivatives by contract type for the periods indicated:

(in millions of U.S. dollars)	December 28, 2019		December 29, 2018	
Derivative Contract	Assets	Liabilities	Assets	Liabilities
Coffee futures [1]	$ 8.6	$ —	$ —	$ (10.9)
	$ 8.6	$ —	$ —	$ (10.9)

[1] The fair value of the coffee futures excludes amounts in the related margin accounts. We are required to maintain margin accounts in accordance with futures market and broker regulations. As of December 28, 2019 and December 29, 2018, the aggregate margin account balances were $6.4 million and $12.9 million, respectively and are included in cash and cash equivalents on the Consolidated Balance Sheets.

Coffee futures are subject to enforceable master netting arrangements and are presented net in the reconciliation above. The fair value of the coffee futures assets and liabilities which are shown on a net basis are reconciled in the table below:

(in millions of U.S. dollars)	December 28, 2019	December 29, 2018
Coffee futures assets	$ 12.1	$ 0.1
Coffee futures liabilities	(3.5)	(11.0)
Net asset (liability)	$ 8.6	$ (10.9)

The location and amount of gains or losses recognized in the Consolidated Statements of Operations for cash flow hedging relationships, presented on a pre-tax basis, for the years ended December 28, 2019 and December 29, 2018, respectively, is shown in the table below:

	For the Year Ended	
	December 28, 2019	**December 29, 2018**
(in millions of U.S. dollars)	**Cost of Sales**	
Total amounts of income and expense line items presented in the Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	**$ 1,166.7**	$ 1,197.3
Loss on cash flow hedging relationship		
Coffee futures:		
Loss reclassified from AOCI into income/expense	**$ 8.0**	$ 6.2

The settlement of our derivative instruments resulted in a debit to cost of sales of $8.0 million and $6.2 million for the years ended December 28, 2019 and December 29, 2018, respectively.

Note 22—Fair Value Measurements

ASC No. 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

We have certain assets and liabilities such as our derivative instruments that are required to be recorded at fair value on a recurring basis in accordance with U.S. GAAP.

Our derivative assets and liabilities represent Level 2 instruments. Level 2 instruments are valued based on observable inputs for quoted prices for similar assets and liabilities in active markets. The fair value of the derivative assets as of December 28, 2019 was $8.6 million. We had no derivative assets as of December 29, 2018. We had no derivative liabilities as of December 28, 2019. The fair value for the derivative liabilities as of December 29, 2018 was $10.9 million.

Fair value of financial instruments

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of December 28, 2019 and December 29, 2018 were as follows:

	December 28, 2019		December 29, 2018	
(in millions of U.S. dollars)	Carrying Value	Fair Value	Carrying Value	Fair Value
5.500% senior notes due in 2024 [1, 2]	**493.5**	**514.5**	505.9	521.7
5.500% senior notes due in 2025 [1, 2]	**741.8**	**775.3**	740.2	695.8
Total	**$ 1,235.3**	**$ 1,289.8**	$ 1,246.1	$ 1,217.5

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

[2] Carrying value of our significant outstanding debt is net of unamortized debt issuance costs as of December 28, 2019 and December 29, 2018 (see Note 17 to the Consolidated Financial Statements).

Note 23—Quarterly Financial Information (unaudited)

	Year Ended December 28, 2019				
(in millions of U.S. dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue, net	$ 574.1	$ 604.1	$ 616.1	$ 600.2	$ 2,394.5
Cost of sales	291.2	291.0	289.9	294.6	1,166.7
Gross profit	282.9	313.1	326.2	305.6	1,227.8
Selling, general and administrative expenses	272.1	284.2	280.8	275.9	1,113.0
Loss on disposal of property plant and equipment, net	1.9	1.6	1.1	2.9	7.5
Acquisition and integration expenses	4.8	2.7	2.7	6.7	16.9
Operating income	4.1	24.6	41.6	20.1	90.4
Net (loss) income from continuing operations	(19.7)	4.4	8.6	6.6	(0.1)
Net income from discontinued operations, net of income taxes	—	—	1.5	1.5	3.0
Net (loss) income attributable to Cott Corporation	$ (19.7)	$ 4.4	$ 10.1	$ 8.1	$ 2.9
Per share data:					
Net (loss) income per common share attributable to Cott Corporation					
Basic:					
Continuing operations	$ (0.14)	$ 0.03	$ 0.06	$ 0.05	$ —
Discontinued operations	$ —	$ —	$ 0.01	$ 0.01	$ 0.02
Net (loss) income	$ (0.14)	$ 0.03	$ 0.07	$ 0.06	$ 0.02
Diluted:					
Continuing operations	$ (0.14)	$ 0.03	$ 0.06	$ 0.05	$ —
Discontinued operations	$ —	$ —	$ 0.01	$ 0.01	$ 0.02
Net (loss) income	$ (0.14)	$ 0.03	$ 0.07	$ 0.06	$ 0.02

(in millions of U.S. dollars, except per share amounts)	Year Ended December 29, 2018 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue, net	$ 560.8	$ 603.6	$ 609.3	$ 599.2	$ 2,372.9
Cost of sales	287.3	302.2	298.8	309.0	1,197.3
Gross profit	273.5	301.4	310.5	290.2	1,175.6
Selling, general and administrative expenses	261.1	275.2	279.9	275.9	1,092.1
Loss on disposal of property, plant and equipment, net	1.3	1.3	1.2	5.6	9.4
Acquisition and integration expenses	5.0	4.2	1.6	4.5	15.3
Operating income	6.1	20.7	27.8	4.2	58.8
Net income from continuing operations	4.6	12.2	8.5	3.6	28.9
Net income (loss) from discontinued operations, net of income taxes	357.4	(1.4)	1.5	(2.9)	354.6
Less: Net income attributable to non-controlling interests - discontinued operations	0.6	—	—	—	0.6
Net income attributable to Cott Corporation	$ 361.4	$ 10.8	$ 10.0	$ 0.7	$ 382.9
Per share data:					
Net income per common share attributable to Cott Corporation					
Basic:					
Continuing operations	$ 0.03	$ 0.09	$ 0.06	$ 0.03	$ 0.21
Discontinued operations	$ 2.55	$ (0.01)	$ 0.01	$ (0.02)	$ 2.54
Net income	$ 2.58	$ 0.08	$ 0.07	$ 0.01	$ 2.75
Diluted:					
Continuing operations	$ 0.03	$ 0.09	$ 0.06	$ 0.03	$ 0.21
Discontinued operations	$ 2.51	$ (0.01)	$ 0.01	$ (0.02)	$ 2.50
Net income	$ 2.54	$ 0.08	$ 0.07	$ 0.01	$ 2.71

Note 24—Subsequent Events

On January 13, 2020, Cott entered into an Agreement and Plan of Merger with Cott Holdings Inc., a wholly-owned subsidiary of Cott ("Holdings"), Fore Merger LLC, a wholly-owned subsidiary of Holdings ("Merger Sub"), Fore Acquisition Corporation, a wholly-owned subsidiary of Merger Sub (the "Primo Purchaser"), and Primo Water Corporation ("Primo"), pursuant to which, on January 28, 2020, the Primo Purchaser commenced an exchange offer to purchase all of the outstanding shares of common stock of Primo, par value $0.001 per share, in exchange for, at the election of the Primo's stockholders, (i) $14.00 in cash, (ii) 1.0229 Cott common shares, no par value per share, plus cash in lieu of any fractional Cott common shares, or (iii) $5.04 in cash and 0.6549 Cott common shares (the "Offer"). As soon as practicable following the consummation of the Offer, the Primo Purchaser intends to acquire any remaining Primo shares by a merger of the Primo Purchaser with and into Primo (the "First Merger"), with Primo surviving the First Merger as a wholly-owned subsidiary of Merger Sub. Immediately following the First Merger, Primo intends to merge with and into Merger Sub, with Merger Sub being the surviving entity (the "Second Merger" and, together with the First Merger, the "Mergers"). Cott expects to issue an aggregate of up to 26,825,842 shares of its common stock in the Offer and the Mergers (collectively, the "Primo Acquisition"). The estimated aggregate consideration to be paid in the Primo Acquisition is approximately $775 million and includes approximately $216 million to be paid in cash, $367 million of Cott common shares and $192 million of cash paid to retire outstanding indebtedness on behalf of Primo. The actual aggregate consideration will be calculated upon closing of the Primo Acquisition based on the closing price of Cott common shares as of that date and actual outstanding indebtedness. The Primo Acquisition is expected to close in the first quarter of 2020, subject to satisfaction of certain conditions to the Offer and the First Merger.

On January 30, 2020, Cott entered into a Stock Purchase Agreement with Holdings, S&D, and Westrock Coffee Company, LLC, a Delaware limited liability company ("Purchaser"), pursuant to which Purchaser will acquire all of the issued and outstanding equity of S&D from Holdings (the "S&D Disposition"). The aggregate deal consideration is $405 million, payable at closing in cash, subject to adjustments for indebtedness, working capital, and cash. The S&D Disposition met the held for sale criteria in the first quarter of fiscal year 2020 and, because it represents a strategic shift that will have a major effect on Cott's operations and financial results, will be reported in discontinued operations. The S&D Disposition is expected to close in the first quarter of 2020 and is subject to satisfaction of certain conditions, including receipt of U.S. regulatory clearance. The Company intends to use the proceeds of the S&D Disposition to finance a portion of its acquisition of Primo, depending on the timing of closing, or otherwise to pay down indebtedness.

On February 7, 2020, Cott amended the Second Amended and Restated Credit Agreement, which governs our ABL facility. The amendment limits the conditions that needs to be met to consummate the S&D Disposition and the Primo Acquisition and increases the amount that the Primo assets may contribute to the borrowing base at the closing of the Primo Acquisition. In addition, subject to certain additional conditions, the amendment amends the credit agreement to permit the existence of a term loan to fund the Primo Acquisition and related expenses.

On February 19, 2020, the Board of Directors declared a dividend of $0.06 per common share, payable in cash on March 25, 2020 to shareowners of record at the close of business on March 10, 2020.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

(in millions of U.S. dollars)	Year Ended December 28, 2019					
Description	Balance at Beginning of Year	Reduction in Sales	Charged to Costs and Expenses	Charged to Other Accounts	Deductions [1]	Balance at End of Year
Reserves deducted in the balance sheet from the asset to which they apply						
Allowances for losses on:						
Accounts receivables	$ (9.6)	$ 0.1	$ (12.9)	$ 0.1	$ 13.2	$ (9.1)
Inventories	(1.4)	—	—	—	0.2	(1.2)
Deferred tax assets	(98.0)	—	(19.7)	(2.6)	—	(120.3)
	$ (109.0)	$ 0.1	$ (32.6)	$ (2.5)	$ 13.4	$ (130.6)

(in millions of U.S. dollars)	Year Ended December 29, 2018					
Description	Balance at Beginning of Year	Reduction in Sales	Charged to Costs and Expenses	Charged to Other Accounts	Deductions [1]	Balance at End of Year
Reserves deducted in the balance sheet from the asset to which they apply						
Allowances for losses on:						
Accounts receivables	$ (7.8)	$ 0.2	$ (13.9)	$ 9.8	$ 2.1	$ (9.6)
Inventories	(1.5)	—	(0.4)	—	0.5	(1.4)
Deferred tax assets [2]	(129.1)	—	4.2	26.9	—	(98.0)
	$ (138.4)	$ 0.2	$ (10.1)	$ 36.7	$ 2.6	$ (109.0)

(in millions of U.S. dollars)	Year Ended December 30, 2017					
Description	Balance at Beginning of Year	Reduction in Sales	Charged to Costs and Expenses	Charged to Other Accounts	Deductions [1]	Balance at End of Year
Reserves deducted in the balance sheet from the asset to which they apply						
Allowances for losses on:						
Accounts receivables	$ (6.3)	$ 0.1	$ (16.2)	$ 10.8	$ 3.8	$ (7.8)
Inventories	(1.3)	—	(0.4)	—	0.2	(1.5)
Deferred tax assets	(117.7)	—	(17.6)	6.2	—	(129.1)
	$ (125.3)	$ 0.1	$ (34.2)	$ 17.0	$ 4.0	$ (138.4)

1 Deductions primarily represent uncollectible accounts written off.

2 Amounts charged to other accounts include $35.1 million related to the release of the U.S. valuation allowance recorded through discontinued operations as a result of the Traditional Business Disposition.

Innovation, Science and Economic Development Canada
Corporations Canada

Innovation, Sciences et Développement économique Canada
Corporations Canada

Certificate of Amalgamation

Canada Business Corporations Act

Certificat de fusion

Loi canadienne sur les sociétés par actions

COTT CORPORATION
CORPORATION COTT

Corporate name / Dénomination sociale

1180671-8

Corporation number / Numéro de société

I HEREBY CERTIFY that the above-named corporation resulted from an amalgamation, under section 185 of the *Canada Business Corporations Act*, of the corporations set out in the attached articles of amalgamation.

JE CERTIFIE que la société susmentionnée est issue d'une fusion, en vertu de l'article 185 de la *Loi canadienne sur les sociétés par actions*, des sociétés dont les dénominations apparaissent dans les statuts de fusion ci-joints.

R Edwards

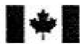
Raymond Edwards

Director / Directeur

2019-12-29

Date of Amalgamation (YYYY-MM-DD)
Date de fusion (AAAA-MM-JJ)

Canada



Innovation, Science and Economic Development Canada
Corporations Canada

Innovation, Sciences et Développement économique Canada
Corporations Canada

Canada Business Corporations Act (CBCA)
FORM 9
ARTICLES OF AMALGAMATION
(Section 185)

1 - Corporate name of the amalgamated corporation

COTT CORPORATION
CORPORATION COTT

2 - The province or territory in Canada where the registered office is situated (do not indicate the full address)

Ontario

3 - The classes and any maximum number of shares that the corporation is authorized to issue

See Schedule "A" annexed to these articles of amalgamation

4 - Restrictions, if any, on share transfers

None

5 - Minimum and maximum number of directors (for a fixed number of directors, indicate the same number in both boxes)

Minimum number 3 **Maximum number** 15

6 - Restrictions, if any, on the business the corporation may carry on

None

7 - Other provisions, if any

See Schedule "B" annexed to these articles of amalgamation.

8 - The amalgamation has been approved pursuant to that section or subsection of the Act which is indicated as follows:

○	**183 - Long form:** approved by special resolution of shareholders	✓	**184(1) - Vertical short-form:** approved by resolution of directors	○	**184(2) - Horizontal short-form:** approved by resolution of directors

9 - Declaration

I hereby certify that I am a director or an authorized officer of the following corporation:

Name of the amalgamating corporations	Corporation number	Signature
COTT CORPORATION CORPORATION COTT	1116520 - 8	[signature]
10321338 Canada Limited	1032133 - 8	[signature]
	-	
	-	

Note: Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding $5,000 or to imprisonment for a term not exceeding six months or to both (subsection 250(1) of the CBCA).

Canadä

SCHEDULE "A" TO THE ARTICLES OF AMALGAMATION
OF
COTT CORPORATION
CORPORATION COTT

3. The classes and any maximum number of shares that the Corporation is authorized to issue:

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

(a) An unlimited number of first preferred shares, issuable in series ("**First Preferred Shares**");

(b) an unlimited number of first series of First Preferred Shares, designated as Series A Convertible First Preferred Shares ("**Series A First Preferred Shares**");

(c) an unlimited number of second series of First Preferred Shares, designated as Series B Non-Convertible First Preferred Shares ("**Series B First Preferred Shares**");

(d) an unlimited number of Second Preferred Shares, issuable in series ("**Second Preferred Shares**");

(e) an unlimited number of first series of Second Preferred Shares, designated as convertible, participating voting Second Preferred Shares, Series 1 ("**Second Preferred Shares, Series 1**"); and

(f) an unlimited number of common shares ("**Common Shares**").

The rights, privileges, restrictions and conditions attaching to each of the foregoing classes of shares are as follows:

1.0 FIRST PREFERRED SHARES

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

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

1.2 The Board of Directors of the Corporation shall, subject as hereinafter provided and subject to the provisions of the *Canada Business Corporations Act,* fix, by resolution duly passed before the issue of the First Preferred Shares of each series, the designation, rights, privileges,

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

(i) provisions, if any, with respect to the rights of the holders of the First Preferred Shares of such series to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting;

(ii) whether any dividends shall be payable on the First Preferred Shares of such series and, if dividends are to be payable thereon, the rate, amount or method of calculation of preferential dividends, whether fixed or fluctuating, whether cumulative or non-cumulative, whether such dividends are payable in money or by the issue of fully paid shares of the Corporation, the currency or currencies of payment, the date or dates and places of payment of preferential dividends and the date or dates from which such preferential dividends shall accrue;

(iii) the rights of the Corporation if any, to purchase or redeem the First Preferred Shares of such series, and the purchase or redemption price or the method of calculating the same, and the terms and conditions of any such purchase or redemption;

(iv) provisions, if any, with respect to the rights of the holders of the First Preferred Shares of such series to tender such shares to the Corporation for purchase by the Corporation and to oblige the Corporation to make such purchase;

(v) the conversion rights, if any;

(vi) the terms and conditions of any share purchase plan or sinking fund with respect to the First Preferred Shares of such series; and

(vii) the restrictions, if any, respecting payment of dividends on the Second Preferred Shares, the Common Shares or on any other shares of the Corporation ranking junior to the First Preferred Shares;

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

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

payable shall have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative First Preferred Shares then issued and outstanding.

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

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

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

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

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

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

Any meeting of the holders of the outstanding First Preferred Shares may be held at any time and for any purpose, without notice, if all holders of First Preferred Shares entitled to vote at the meeting waive notice of the meeting in writing. For the purpose of waiver of notice, the words "in writing" shall, without limitation, include the sending of a telegram, telex, cable or any other form of written communication by a shareholder. Any holder of First Preferred Shares may waive notice of any meeting either before or after the meeting is held.

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

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

2.0 SERIES A CONVERTIBLE FIRST PREFERRED SHARES

2.1 Authorized. The Corporation shall be authorized to issue an unlimited number of Series A First Preferred Shares. Series A First Preferred Shares converted, redeemed, purchased, or otherwise acquired by the Corporation shall be cancelled and not restored to the status of authorized but unissued shares of the series. The number of authorized Series A First Preferred Shares may be increased or decreased by the approval of the holders of a majority of the outstanding Series A First Preferred Shares, voting as a separate series, provided that there shall be no decrease in the number of authorized Series A First Preferred Shares to a number less than the number of such series then issued and outstanding.

2.2 Currency. All payments and distributions on Series A First Preferred Shares or with respect thereto shall be made in United States currency. All references herein to "$" or "dollars" refer to United States currency.

2.3 Ranking.

(i) The Series A First Preferred Shares shall, with respect to the payment of dividends and upon Liquidation rank senior to each other class or series of shares of the Corporation (other than the Series B First Preferred Shares), whether now outstanding or hereafter issued, including, without limitation, the Common shares of the Corporation, the Second Preferred Shares and the Second Preferred Shares, Series 1 (all such junior shares being referred to hereinafter collectively as "**Junior Shares**").

(ii) The Series A First Preferred Shares shall, with respect to the payment of dividends and rights upon Liquidation rank equally with the Series B First Preferred Shares of the Corporation, whether now outstanding or hereafter issued.

2.4 Dividends.

(i) The holders of Series A First Preferred Shares shall be entitled to receive a quarterly fixed cumulative dividend in an amount equal to the applicable Dividend Rate (as defined herein) then in effect (the "**Dividends**"),

(ii) Subject to applicable law, Dividends shall be declared and payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year (unless any such day is not a Business Day, in which event such Dividends shall be payable on the next succeeding Business Day, without accrual to the actual payment date), commencing on January 1, 2015 (each such payment date being a "**Dividend Payment Date**," and the period from the Issue Date of the Series A First

Preferred Shares to the first Dividend Payment Date and each such quarterly period thereafter being a "**Dividend Period**"). The amount of Dividends payable on the Series A First Preferred Shares for any period shall be computed on the basis of a 360-day year and the actual number of days elapsed. Subject to Section 2.6 (iii)(G)(2) herein, such Dividends shall be paid to holders of Series A First Preferred Shares before any dividends shall be declared, set apart for or paid upon any Junior Shares.

(iii) Dividends, whether or not declared, shall begin to accrue and be cumulative from the Issue Date and shall compound at the relevant rate on each subsequent Dividend Payment Date (*i.e.*, no Dividends shall accrue on another Dividend unless and until any Dividend Payment Date for such other Dividends has passed without such other Dividends having been paid on such date, in which case Dividends will accrue on such unpaid Dividends). If the Corporation does not pay any Dividend in full on any scheduled Dividend Payment Date, such unpaid Dividend will accrue at the then applicable Dividend Rate plus an additional two and one half percent (2.5%) per annum of the Redemption Value of each Series A First Preferred Share from such scheduled Dividend Payment Date to the date that all accumulated Dividends on the Series A First Preferred Shares have been paid in cash in full. Any Dividends accrued and unpaid pursuant to this Section 2.4(iii) on each Dividend Payment Date shall be added to the Redemption Value until such Dividends are paid in cash in full. For the avoidance of doubt, Dividends shall accumulate whether or not in any Dividend Period there have been funds of the Corporation legally available for the payment of such Dividends.

(iv) Except as otherwise provided herein, if at any time the Corporation pays less than the total amount of Dividends then accumulated, such payment shall be distributed pro rata among the holders of Series A First Preferred Shares based upon the Redemption Value on the Series A First Preferred Shares then held by each such holder. When Dividends are not paid in full, all Dividends and any dividends on Series B First Preferred Shares shall be paid pro rata so that the amount of Dividends and any dividends on Series B First Preferred Shares shall in all cases bear to each other the same ratio as accumulated Dividends and accumulated dividends on Series B First Preferred Shares bear to each other.

(v) All Dividends shall be paid in cash.

(vi) Dividends shall be payable to the holders of record of Series A First Preferred Shares as they appear on the register of the Corporation at the Close of Business on the relevant record date, which shall be not more than thirty (30) days nor less than ten (10) days preceding the applicable Dividend Payment Date.

2.5 Liquidation, Dissolution or Winding Up.

(i) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or any return of capital or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs (each, a "**Liquidation**"), the holders of Series A First Preferred Shares shall be

entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) legally available therefor, an amount per Series A First Preferred Share equal to the greater of:

(A) the Redemption Value per share, plus an amount equal to any Dividends accumulated but unpaid thereon (whether or not declared) through the date of Liquidation; and

(B) the payment that holders of Series A First Preferred Shares would have received had such holders, immediately prior to such Liquidation converted their respective Series A First Preferred Shares into Common Shares (at the then applicable Conversion Rate) pursuant to Section 2.7 immediately prior to such Liquidation.

(the greater of (A) and (B) is referred to herein as the "**Liquidation Preference**"). Holders of Series A First Preferred Shares will not be entitled to any other amounts from the Corporation after they have received the full amounts provided for in this Section 2.5(i) and will have no right or claim to any of the Corporation's remaining assets.

(ii) If, in connection with any distribution described in Section 2.5(i) above, the assets of the Corporation or proceeds thereof are not sufficient to pay in full the Liquidation Preference payable on the Series A First Preferred Shares and the corresponding amounts payable on the Series B First Preferred Shares, then such assets, or the proceeds thereof, shall be paid pro rata in accordance with the full respective amounts which would be payable on such shares if all amounts payable thereon were paid in full.

(iii) For purposes of this Section 2.5, the merger or consolidation of the Corporation with or into any other corporation or other entity, or the sale, conveyance, lease or other disposition of all or substantially all of the assets of the Corporation, shall not constitute a Liquidation of the Corporation.

2.6 Voting Rights.

(i) Subject to Section 2.6(ii) and in addition to class voting rights pursuant to applicable law, the holders of Series A First Preferred Shares shall be entitled to (A) vote (in person or by proxy) with the holders of the Common Shares, voting together as a single class, on all matters submitted for a vote of holders of Common Shares, (B) that number of votes per Series A First Preferred Share as is equal to the number of Common Shares into which each such Series A First Preferred Share is then convertible at the time of the relevant record date (at the then applicable Conversion Rate) and (C) notice of all shareholders' meetings (or pursuant to any action by written consent) in accordance with the Corporation's Articles of Amalgamation and By-laws as if the holders of Series A First Preferred Shares were holders of Common Shares.

(ii) Subject to applicable law, Section 2.6(iii), Section 2.6(iv) and any other provisions to the contrary herein:

(A) from and after the Issue Date until June 12, 2016, the holders of shares of Series A First Preferred Shares shall have no voting rights pursuant to Sections 2.6(i)(A) and (B) above;

(B) from June 13, 2016 until December 12, 2017, the holders of Series A First Preferred Shares shall have voting rights pursuant to Sections 2.6(i)(A) and (B) above; provided, however, that, with respect to the election of directors to the Board only and subject to Section 2.6(iv), each holder of Series A First Preferred Shares shall cast votes on his, her or its shares in the same proportion as the Corporation's holders of Common Shares (e.g., if a director nominee receives ninety percent (90%) of the votes cast by the holders of Common Shares, with five percent (5%) against and five percent (5%) abstaining, then each holder of Series A First Preferred Shares shall cast ninety percent (90%) of his, her or its votes for such director nominee, five percent (5%) against, and abstain from voting Series A First Preferred Shares equivalent to five percent (5%) of the votes on an as-converted basis); and

(C) after December 12, 2017, the holders of shares of Series A First Preferred Shares shall have voting rights pursuant to Sections 2.6 (i) (A) and (B) above without restriction.

(iii) In addition to, and not in substitution for, the rights and privileges afforded to the holders of a class of issued shares under applicable law, for so long as any Series A First Preferred Shares remain outstanding, the Corporation shall not and shall not permit any direct or indirect Subsidiary of the Corporation to, without first obtaining the written consent or affirmative vote at a meeting called for that purpose by holders of at least two-thirds (2/3) of the then outstanding shares of Series A First Preferred Shares voting separately as a series, take any of the following actions:

(A) Any change, amendment, alteration or repeal (including, without limitation, as a result of a merger, consolidation, or other similar or extraordinary transaction) of any provisions of the Corporation's Articles of Amalgamation or By-laws that amends, modifies or adversely affects the rights, preferences, privileges, conditions or voting powers of the Series A First Preferred Shares;

(B) Any issuance or reclassification of shares of the Corporation (including, without limitation, as a result of a merger, consolidation, or other similar or extraordinary transaction) that would rank equal or senior to the Series A First Preferred Shares,

with respect to the Liquidation of the Corporation or with respect to the declaration or payment of dividends, including, for the avoidance of doubt, the issuance of any Series A First Preferred Shares or Series B First Preferred Shares;

(C) Any voluntary initiation of any Liquidation of the Corporation or any of its Significant Subsidiaries or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary or commencement of a proceeding for bankruptcy, insolvency, receivership or similar action with respect to the Corporation or any of its Significant Subsidiaries or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary;

(D) Any material change to the tax or accounting policies of the Corporation, except any changes required by applicable law or pursuant to GAAP;

(E) Except as provided in Section 2.6(iv) or Section 2.6(xi) below, any increase in the number of members of the Board if such increase would result in the Board having more than eleven (11) members;

(F) Any incurrence, assumption or refinancing of any Indebtedness of the Corporation or any of its Subsidiaries to the extent that, immediately after giving effect to such incurrence, assumption or refinancing, the ratio of (1) the consolidated Indebtedness of the Corporation and its Subsidiaries that would be stated on the balance sheet of the Corporation and its Subsidiaries as of the date of determination (determined on a consolidated basis in accordance with GAAP) minus the lesser of (i) the amount of cash and cash equivalents (except for Restricted Cash) that would be stated on the balance sheet of the Corporation and its Subsidiaries and held by the Corporation and its Subsidiaries as of the date of determination (determined on a consolidated basis in accordance with GAAP) and (ii) $75,000,000 to (2) the EBITDA of the Corporation and its Subsidiaries for the most recently ended four (4) fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred, assumed or refinanced (the "**Reference Period**"), would not be less than a ratio of 5.0-to-1.0 on a pro forma basis (calculated in accordance with GAAP and Regulation S-X promulgated by the United States Securities and Exchange Commission) after giving effect to such incurrence, assumption or refinancing and the use of the proceeds therefrom as if such events had occurred on the first day of the Reference Period, provided, however, in the case of any revolving credit facility, Indebtedness shall be deemed to be incurred on the date that the commitments are entered into and

not on the date of subsequent borrowings and shall be deemed to be outstanding continuously until such revolving credit facility is terminated and, for this purpose, the amount of the commitment under the Credit Agreement shall be deemed to be equal to $328,000,000.

(G) Any declaration or payment of any dividend or distribution (or any money made available for a sinking fund for the payment of any dividend or distribution) upon any Junior Shares, or the redemption of any Junior Shares, or the purchase for cancellation, payment or acquisition for any consideration (or any money made available for a sinking fund for the redemption) of any Junior Shares by the Corporation, directly or indirectly; provided, however, that the foregoing limitation shall not apply to:

(1) purchases, redemptions or other acquisitions of Junior Shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, managers or consultants of or to the Corporation or any of its Subsidiaries; or

(2) regular quarterly dividends to holders of Common Shares in an amount not to exceed US$0.06 per share; provided, however, that no dividends shall be declared or paid without a vote of the holders of Series A First Preferred Shares pursuant to this Section 2.6(iii) if one or more quarterly Dividends have not been paid in full on any Dividend Payment Date until such time as all such Dividends have been paid in full; or

(H) Any issuance of Equity Securities by any Subsidiary of the Corporation to any Person other than the Corporation or a direct or indirect wholly-owned Subsidiary of the Corporation, any acquisition of Equity Securities of any Person other than a wholly-owned Subsidiary of the Corporation or any of its direct or indirect wholly-owned Subsidiaries, or any transfer or other transaction (including, without limitation, as a result of a merger, consolidation, or other similar or extraordinary transaction) resulting in the Corporation or any of its Subsidiaries owning Equity Securities of any Person other than a wholly- owned Subsidiary of the Corporation or any of its direct or indirect wholly-owned Subsidiaries.

(iv) Notwithstanding Section 2.6(iii)(E) above and any other restrictions on the right to vote set forth herein, if at any time Dividends payable in respect of the Series A First Preferred Shares have not been declared and paid for the equivalent of six

(6) or more Dividend Periods, whether or not for consecutive Dividend Periods (a "**Preferred Dividend Default**"), then the holders of Series A First Preferred Shares shall be entitled to, voting separately as a series (in person or by proxy), nominate and elect two (2) additional directors to serve on the Board (each, a "**Preferred Share Director**") and are entitled to receive notice of and attend all meetings of shareholders of the Corporation at which directors are to be elected. In such a case, the number of directors serving on the Board at that time shall be increased by two (2), and, for clarity, no sitting director of the Corporation will be forced to resign to accommodate a Preferred Share Director.

(v) The election of Preferred Share Directors upon a Preferred Dividend Default shall take place:

(A) if the Corporation receives the request for a special meeting more than ninety (90) calendar days before the date fixed for the Corporation's next annual meeting of shareholders, at a special meeting for such purpose called by the holders of at least ten percent (10%) of the outstanding Series A First Preferred Shares, or, if the Corporation receives the request for a special meeting within ninety (90) calendar days before the date fixed for the Corporation's next annual or special meeting of shareholders, at such annual or special meeting of shareholders; and

(B) at each subsequent meeting (or special meeting held in its place) until all accrued and unpaid Dividends for all complete Dividend Periods prior to the date of payment plus the Dividend for the then current Dividend Period have been paid in full, or declared and a sum sufficient for such payment in cash is set aside for payment.

(vi) At any meeting held for the purpose of electing a Preferred Share Director, the presence in person or by proxy of the holders of at least a majority of the outstanding Series A First Preferred Shares shall be required to constitute a quorum and the Preferred Share Directors shall be elected by a majority of the votes cast (in person or by proxy) by the holders of Series A First Preferred Shares, voting separately as a series. Despite the prior sentence, if proper notice of a meeting of holders of Series A First Preferred Shares is given, specifying the purpose of or the business to be transacted at the meeting, and a quorum of holders of Series A First Preferred Shares is not present, a second meeting of holders of Series A First Preferred Shares may be held on forty eight (48) hours written notice to transact the business specified in the original notice. Subject to applicable law, the holders of Series A First Preferred Shares present at the second meeting constitute a quorum and the business specified in the original notice may be transacted by a majority vote of those holders of Series A First Preferred Shares in attendance (in person or by proxy) at the second meeting, voting as a class. In addition to the foregoing, holders of Series A First Preferred Shares shall be entitled to one (1) vote (in person or by proxy) for each Series A First Preferred Share held on any matter submitted for a vote by the Board.

(vii) Preferred Share Directors shall hold office from election until the earlier of:

(A) his or her resignation, death, bankruptcy or incapacity;

(B) the election of his/her successor in the manner as provided herein;

(C) his/her removal by holders of a majority of Series A First Preferred Shares, voting as a separate class; or

(D) the date on which all such unpaid Dividends have been paid in full, or declared and a sum sufficient for such payment in cash is set aside for payment to the holders of the Series A First Preferred Shares and the Series B First Preferred Shares.

(viii) Any vacancy occurring among the Preferred Share Directors may only be filled by the holders of the Series A First Preferred Shares, voting separately as a class.

(ix) The right of the holders of the Series A First Preferred Shares to elect the Preferred Share Directors continues until the date on which all such unpaid Dividends have been paid in full, or declared and a sum sufficient for such payment in cash is set aside for payment to the holders of the Series A First Preferred Shares and shall not apply at any meeting if or to the extent that the Preferred Share Directors, whose terms of office do not expire at such meeting, have been previously elected by the holders of the Series A First Preferred Shares, voting separately as a class. Notwithstanding anything contained in the Corporation's Articles of Amalgamation or By-laws, upon any termination of the right of the holders of Series A First Preferred Shares to elect the Preferred Share Directors as provided in this section, the term of office of any Preferred Share Director shall terminate and the entire Board shall be reduced accordingly so that there is no vacancy on the Board.

(x) If and when all such Dividends have been paid in full, or declared and a sum sufficient for such payment in cash is set aside for payment, holders of the Series A First Preferred Shares shall be divested of the voting rights set forth in Section 2.6(iv) (subject to re-vesting in the event of any subsequent Preferred Dividend Defaults).

(xi) Section 2.6(iii)(E) shall not apply to any increase in the number of members of the Board resulting from contractual rights of the initial holders of Series A Preferred Shares to appoint directors to the Board after conversion of the Series A Preferred Shares to Common Shares.

2.7 Conversion.

(i) Optional Conversion. At any time following the third (3rd) anniversary of the Issue Date, each holder of Series A First Preferred Shares shall have the right, at such holder's option, to convert any or all of such holder's Series A First Preferred Shares into a number of Common Shares equal to the product of the

aggregate Redemption Value of the Series A First Preferred Shares to be converted divided by US$1,000.00 multiplied by the Conversion Rate then in effect, plus cash in lieu of fractional shares, as set out in Section 2.10(ix) plus an amount in cash per Series A First Preferred Share equal to all accrued but unpaid Dividends (whether or not declared) on such Series A First Preferred Share to but excluding the applicable Conversion Date, out of funds legally available therefor. If the Corporation does not pay in cash such accrued but unpaid dividends on such shares, then, without limiting the right of the holders of Series A First Preferred Shares hereunder, at the option of each holder of the Series A First Preferred Shares, such amount may be added to the Redemption Value of the Series A First Preferred Shares for the purposes of determining the amount of Common Shares issuable upon conversion of the Series A First Preferred Shares.

(ii) Conversion Rate. The "**Conversion Rate**" means 159.236 shares, subject to adjustment in accordance with the rights, privileges, restrictions and conditions of the Series A First Preferred Shares as set out herein.

(iii) Conversion Procedures. A holder must do each of the following in order to convert its Series A First Preferred Shares pursuant to this Section 2.7:

(A) complete and manually sign the conversion notice provided by the Conversion Agent, and deliver such notice to the Conversion Agent;

(B) deliver to the Conversion Agent the certificate or certificates representing the Series A First Preferred Shares to be converted (or, if such certificate or certificates have been lost, stolen or destroyed, a lost certificate affidavit and indemnity in form and substance reasonably acceptable to the Corporation);

(C) if required, furnish appropriate endorsements and transfer documents in form and substance reasonably acceptable to the Corporation; and

(D) if required, pay any share transfer, documentary, stamp or similar taxes not payable by the Corporation pursuant to Section 2.8.

The "**Conversion Date**" means the date on which a holder complies in all respects with the procedures set forth in this Section 2.7(iii)

(iv) Effect of Conversion. Effective immediately prior to the Close of Business on the Conversion Date applicable to any Series A First Preferred Shares, but subject to the actual conversion occurring, Dividends shall no longer accrue or be declared on any Series A First Preferred Shares so converted and such Series A First Preferred Shares shall cease to be outstanding.

(v) Record Holder of Underlying Securities as of Conversion Date. The Person or Persons entitled to receive the Common Shares and, to the extent applicable, cash,

issuable upon conversion of Series A First Preferred Shares on a Conversion Date shall be treated for all purposes as the record holder(s) of such Common Shares and/or cash as of the Close of Business on such Conversion Date. As promptly as practicable on or after the Conversion Date and compliance by the applicable holder with the relevant conversion procedures contained in Section 2.7(iii) (and in any event no later than three (3) Trading Days thereafter), the Corporation shall issue the number of Common Shares issuable upon conversion (and deliver payment of cash in lieu of fractional shares). Such delivery of Common Shares and, if applicable, cash shall be made, at the option of the applicable holder, in certificated form or by book-entry. Any such certificate or certificates shall be delivered by the Corporation to the appropriate holder on a book-entry basis or by mailing certificates evidencing the shares to the holders at their respective addresses as set forth in the conversion notice. If fewer than all of the Series A First Preferred Shares held by any holder hereto are converted pursuant to Section 2.7(i) then a new certificate representing the unconverted Series A First Preferred Shares shall be issued to such holder concurrently with the issuance of the certificates (or book-entry shares) representing the applicable Common Shares. In the event that a holder shall not by written notice designate the name in which Common Shares and, to the extent applicable, cash to be delivered upon conversion of Series A First Preferred Shares should be registered or paid, or the manner in which such shares and, if applicable, cash should be delivered, the Corporation shall be entitled to register and deliver such shares and, if applicable, cash in the name of the holder and in the manner shown on the records of the Corporation.

(vi) Status of Converted or Acquired Shares. Series A First Preferred Shares duly converted in accordance with the rights, privileges, restrictions and conditions of the Series A First Preferred Shares as set out herein, or otherwise acquired by the Corporation in any manner whatsoever, shall be retired promptly after the acquisition thereof.

2.8 Taxes.

(i) Absent a change in law or Internal Revenue Service practice, or a contrary determination (as defined in Section 1313(a) of the United States Internal Revenue Code of 1986, as amended (the "**Code**")), each holder of Series A First Preferred Shares and the Corporation agree not to treat the Series A First Preferred Shares (based on their terms as set forth herein) as "preferred stock" within the meaning of Section 305 of the Code, and Treasury Regulation Section 1.305-5 for United States federal income tax and withholding tax purposes and shall not take any position inconsistent with such treatment.

(ii) The Corporation shall pay any and all documentary, stamp and similar issue or transfer tax due on (x) the issue of the Series A First Preferred Shares and (y) the issue of Common Shares upon conversion of the Series A First Preferred Shares. However, in the case of conversion of Series A First Preferred Shares, the Corporation shall not be required to pay any tax or duty that may be payable in respect of any transfer involved in the issue and delivery of Common Shares or

Series A First Preferred Shares in a name other than that of the holder of the shares to be converted, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax or duty, or has established to the satisfaction of the Corporation that such tax or duty has been paid.

(iii) Each holder of Series A First Preferred Shares and the Corporation agree to cooperate with each other in connection with any redemption of part of Series A First Preferred Shares and to use good faith efforts to structure such redemption so that such redemption may be treated as a sale or exchange pursuant to Section 302 of the Code; provided, that nothing in this Section 2.8 shall require the Corporation to purchase any Series A First Preferred Shares; and provided, further, that the Corporation makes no representation or warranty in this Section 2.8 regarding the tax treatment of any redemption of Series A First Preferred Shares.

2.9 Redemption and Repurchase.

(i) Optional Redemption. The Series A First Preferred Shares may be redeemed, in whole or in part, at any time, at the option of the Corporation, upon giving notice of redemption pursuant to Section 2.9(iii), at a redemption price per share equal to (A) the sum of the Redemption Value per share of the Series A First Preferred Shares to be redeemed plus (B) an amount equal to any Dividends accumulated but unpaid thereon (whether or not declared) to but excluding the date of redemption; provided, however, that the Series A First Preferred Shares shall not be redeemed, in whole or in part, at any time any Series B First Preferred Shares of the Corporation remain issued and outstanding. Notwithstanding anything herein to the contrary, at any time the Series A First Preferred Shares are convertible pursuant to Section 2.7(i) the holders of Series A First Preferred Shares may, at their option, elect to exercise any conversion rights for a period of thirty (30) days following the receipt of notice of redemption as provided in Section 2.9(iii) in lieu of the redemption of any Series A First Preferred Shares.

(ii) Repurchase at the Option of the Holder Upon a Change of Control. Upon the occurrence of a Change of Control, each holder of Series A First Preferred Shares shall have the right to require the Corporation to repurchase, by irrevocable written notice to the Corporation, all or any portion of such holder's Series A First Preferred Shares at a purchase price per share equal to the sum of (A) the Redemption Value per share of the Series A First Preferred Shares plus (B) an amount equal to accrued but unpaid Dividends (whether or not declared) on such Series A First Preferred Shares to but excluding the date of repurchase.

No earlier than sixty (60) days and no later than thirty (30) days prior to the occurrence of a Change of Control, the Corporation shall send notice by first-class mail, postage prepaid, addressed to the holders of record of the Series A First Preferred Shares at their respective last addresses appearing on the books of the Corporation stating (A) that a Change of Control is expected to occur, (B) the date that the Change of Control is expected to occur, (C) that all Series A First

Preferred Shares tendered prior to a Business Day no earlier than thirty (30) days nor later than sixty (60) days from the date such notice is mailed shall be accepted for repurchase and (D) the procedures that holders of the Series A First Preferred Shares must follow in order for their Series A First Preferred Shares to be repurchased, including the place or places where certificates for such shares are to be surrendered for payment of the repurchase price. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of Series A First Preferred Shares designated for repurchase shall not affect the validity of the proceedings for the repurchase of any other Series A First Preferred Shares. The repurchase of Series A First Preferred Shares pursuant to this Section 2.9(ii) shall occur simultaneously with the consummation of the Change of Control.

(iii) Notice of Redemption at the Option of the Corporation. Notice of every redemption of Series A First Preferred Shares pursuant to Section 2.9(i) shall be given by first-class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least thirty (30) days and not more than sixty (60) days before the date fixed for redemption. Any notice mailed as provided in this Section 2.9(iii) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of Series A First Preferred Shares designated for redemption shall not affect the validity of the proceedings for the redemption of any other Series A First Preferred Shares. Each notice of redemption given to a holder shall state: (A) the redemption date; (B) the number of the Series A First Preferred Shares to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (C) the redemption price; and (D) the place or places where certificates for such shares are to be surrendered for payment of the redemption price in respect of such shares. Notwithstanding the foregoing, at any time after the Series A First Preferred Shares become convertible pursuant to Section 2.7, the Corporation may not redeem any Series A First Preferred Shares unless such holders have failed to exercise their conversion rights pursuant to Section 2.7(i) for a period of thirty (30) days following receipt of a notice of redemption.

(iv) Partial Redemption. In case of any redemption of part of the Series A First Preferred Shares at the time outstanding pursuant to this Section 2.9, the shares to be redeemed shall be redeemed pro rata. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which the Series A First Preferred Shares shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(v) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Corporation, in trust for the pro rata benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least US $1 billion and selected by the Board, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three (3) years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares. Notwithstanding the foregoing, at any time after the Series A First Preferred Shares become convertible pursuant to Section 2.7, the Corporation may not redeem any Series A First Preferred Shares unless such holders have failed to exercise their conversion rights pursuant to Section 2.7(i) for a period of thirty (30) days following receipt of a notice of redemption.

2.10 Anti-Dilution Provisions.

(i) Adjustments. The Conversion Rate will be subject to adjustment, without duplication, under the following circumstances:

(A) the issuance of Common Shares as a dividend or distribution to all or substantially all holders of Common Shares, or a subdivision or combination of Common Shares or a reclassification of Common Shares into a greater or lesser number of Common Shares, in which event the Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on (1) the Record Date for such dividend or distribution, or (2) the effective date of such subdivision, combination or reclassification;

CR_1 = the new Conversion Rate in effect immediately after the Close of Business on (1) the Record Date for such dividend or

distribution, or (2) the effective date of such subdivision, combination or reclassification;

OS_0 = the number of Common Shares outstanding immediately prior to the Close of Business on (1) the Record Date for such dividend or distribution or (2) the effective date of such subdivision, combination or reclassification; and

OS_1 = the number of Common Shares that would be outstanding immediately after, and solely as a result of, the completion of such event (including, for the avoidance of doubt, a number of Common Shares equal to OS_0 in the event of a dividend or distribution that does not involve the surrender or exchange of Common Shares).

Any adjustment made pursuant to this clause (A) shall be effective immediately prior to the Open of Business on the Trading Day immediately following the Record Date, in the case of a dividend or distribution, or the effective date in the case of a subdivision, combination or reclassification. If any such event is declared but does not occur, the Conversion Rate shall be readjusted, effective as of the date the Board announces that such event shall not occur, to the Conversion Rate that would then be in effect if such event had not been declared.

(B) the dividend, distribution or other issuance to all or substantially all holders of Common Shares of rights (other than a distribution of rights issued pursuant to a shareholders rights plan, to the extent such rights are attached to Common Shares (in which event the provisions of Section 2.10(i)(E) shall apply)), options or warrants entitling them to subscribe for or purchase Common Shares for a period expiring sixty (60) days or less from the date of issuance thereof, at a price per share that is less than the Market Price on the Trading Day immediately preceding the Record Date for such issuance, in which event the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{(OS_0 + X)}{(OS_0 + Y)}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Record Date for such dividend, distribution or issuance;

CR_1 = the new Conversion Rate in effect immediately following the Close of Business on the Record Date for such dividend, distribution or issuance;

OS_0 = the number of Common Shares outstanding immediately prior to the Close of Business on the Record Date for such dividend, distribution or issuance;

X = the total number of Common Shares issuable pursuant to such rights, options or warrants; and

Y = the number of Common Shares equal to the aggregate price payable to exercise such rights, options or warrants divided by the Market Price on the Trading Day immediately preceding the Record Date for such dividend, distribution or issuance.

For purposes of this clause (B), in determining whether any rights, options or warrants entitle the holders to purchase the Common Shares at a price per share that is less than the Market Price on the Trading Day immediately preceding the Record Date for such dividend, distribution or issuance, there shall be taken into account any consideration the Corporation receives for such rights, options or warrants, and any amount payable on exercise thereof, with the value of such consideration, if other than cash, to be the fair market value thereof (as determined in good faith by the Board).

Any adjustment made pursuant to this clause (B) shall become effective immediately prior to the Open of Business on the Trading Day immediately following the Record Date for such dividend, distribution or issuance. In the event that such rights, options or warrants are not so issued, the Conversion Rate shall be readjusted, effective as of the date the Board publicly announces its decision not to issue such rights, options or warrants, to the Conversion Rate that would then be in effect if such dividend, distribution or issuance had not been declared. To the extent that such rights, options or warrants are not exercised prior to their expiration or Common Shares are otherwise not delivered pursuant to such rights, options or warrants upon the exercise of such rights, options or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the adjustments made upon the dividend, distribution or issuance of such rights, options or warrants been made on the basis of the delivery of only the number of Common Shares actually delivered.

(C) the Corporation or one or more of its subsidiaries make purchases of Common Shares pursuant to a tender offer or exchange offer by the Corporation or a subsidiary of the

Corporation for all or any portion of the Common Shares, where the cash and value of any other consideration included in the payment per Common Share validly tendered or exchanged exceeds the Market Price of the Common Shares on the Trading Day prior to the last day (the "**Expiration Date**") on which tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended), in which event the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{(AC + (SP_1 \times OS_1))}{(OS_0 \times SP_1)}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Expiration Date;

CR_1 = the new Conversion Rate in effect immediately after the Close of Business on the Expiration Date;

AC = the fair market value (as determined in good faith by the Board), on the Expiration Date, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the "**Purchased Shares**");

OS_1 = the number of Common Shares outstanding as of the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the "**Expiration Time**"), excluding any Purchased Shares;

OS_0 = the number of Common Shares outstanding immediately before the Expiration Time, including any Purchased Shares; and

SP_1 = the arithmetic average of the VWAP (as defined below) for each of the ten (10) consecutive full Trading Days ending on the Trading Day immediately succeeding the Expiration Date.

Any adjustment made pursuant to this clause (C) shall become effective immediately prior to the Open of Business on the Trading Day immediately following the Expiration Date. In the event that the Corporation or any of its subsidiaries is obligated to purchase Common Shares pursuant to any such tender offer or exchange offer but is permanently prevented by applicable law from effecting any such purchases, or all such purchases are

rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made.

(D) the Corporation shall, by dividend or otherwise, distribute to all or substantially all holders of its Common Shares (subject to an exception for cash in lieu of fractional shares) shares of any class of Equity Securities (other than Common Shares as covered by Section 2.10(i)(A)), evidences of its indebtedness, cash, assets, other property or securities or rights, options or warrants to acquire Equity Securities or other securities, but excluding (A) dividends or distributions referred to in Section 2.10 (i)(A) hereof, (B) rights, options or warrants referred to in Section 2.10(i)(B) hereof or distributed in connection with a shareholder rights plans (in which event the provisions of Section 2.10(i)(E) to the extent applicable shall apply) and (3) regular quarterly dividends or distributions paid exclusively in cash in an amount not to exceed US$0.06 per share, then, in each such case the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{(SP_0 - C)}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Record Date for such dividend or distribution;

CR_1 = the new Conversion Rate in effect immediately after the Close of Business on the Record Date for such dividend or distribution;

SP_0 = the Market Price on the Trading Day immediately preceding the Record Date for such dividend or distribution; and

C = the fair market value (as determined in good faith by the Board) of the portion of Distributed Property distributed with respect to each outstanding Common Share on the Record Date for such dividend or distribution; provided, that, if C is equal to or greater than SP_0, then in lieu of the foregoing adjustment, the Corporation shall distribute to each holder of Series A First Preferred Shares on the date the applicable Distributed Property is distributed to holders of Common Shares, but without requiring such holder to convert its Series A First Preferred Shares the amount of Distributed Property such holder would have received had such holder owned a number of Common Shares equal to the

Conversion Rate on the Record Date fixed for determination for shareholders entitled to receive such distribution.

(E) If the Corporation has a shareholder rights plan in effect with respect to the Common Shares on the Conversion Date, upon conversion of any Series A First Preferred Shares, holders of such shares will receive, in addition to the shares of Common Shares, the rights under such rights plan relating to such Common Shares, unless, prior to the Conversion Date, the rights have (1) become exercisable or (2) separated from the Common Shares (the first of such events to occur being the "**Trigger Event**"), in either of which cases the Conversion Rate will be adjusted, effective automatically at the time of such Trigger Event, as if the Corporation had made a distribution of such rights to all holders of the Common Shares as described in Section 2.10(i)(B) (without giving effect to the sixty (60) day limit on the exercisability of rights, options and warrants ordinarily subject to such Section 2.10(i)(B)), subject to appropriate readjustment in the event of the expiration, termination or redemption of such rights prior to the exercise, deemed exercise or exchange thereof. Notwithstanding the foregoing, to the extent any such shareholder rights are exchanged by the Corporation for Common Shares, the Conversion Rate shall be appropriately readjusted as if such shareholder rights had not been issued, but the Corporation had instead issued the Common Shares issued upon such exchange as a dividend or distribution of Common Shares subject to Section 2.10(i)(A). Notwithstanding the preceding provisions of this paragraph, no adjustment shall be required to be made to the Conversion Rate with respect to any holder of Series A First Preferred Shares which is, or is an "affiliate" or "associate" of, an "acquiring person" under such shareholder rights plans or with respect to any direct or indirect transferee of such holder who receives Series A First Preferred Shares in such transfer after the time such holder becomes, or its affiliate or associate becomes, an "acquiring person."

(F) If the Corporation, at any time or from time to time while any of the Series A First Preferred Shares is outstanding, shall issue Common Shares or any other security convertible into, exercisable or exchangeable for Common Shares (such Common Shares or other security, "**Equity Linked Securities**") (other than (1) an Excluded Issuance, (2) Common Shares issued upon conversion of the Series A First Preferred Shares and (3) rights, options, warrants or other distributions referred to in Sections 2.10(i)(B) and 2.10(i)(D)), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0 + (AC / SP)}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the issuance of such Equity Linked Securities;

CR_1 = the new Conversion Rate in effect immediately after the issuance of such Equity Linked Securities;

AC = the aggregate consideration paid or payable for such Equity Linked Securities;

OS_0 = the number of Common Shares outstanding immediately before the issuance of Equity Linked Securities;

OS_1 = the number of Common Shares outstanding immediately after the issuance of Equity Linked Securities and giving effect to any Common Shares issuable upon conversion, exercise or exchange of such Equity Linked Securities; and

SP = the Market Price on the date of issuance of such Equity Linked Securities.

The adjustment shall become effective immediately after such issuance.

(ii) Calculation of Adjustments. All adjustments to the Conversion Rate shall be calculated by the Corporation to the nearest 1/10,000th of one (1) Common Share (or if there is not a nearest 1/10,000th of a share, to the next lower 1/10,000th of a share). No adjustment to the Conversion Rate will be required unless such adjustment would require an increase or decrease of at least one percent (1%) of the Conversion Rate; provided, however, that any such adjustment that is not required to be made will be carried forward and taken into account in any subsequent adjustment; provided, further, that any such adjustment of less than one percent (1%) that has not been made will be made upon any Conversion Date.

(iii) When No Adjustment Required.

(A) Except as otherwise provided in this Section 2.10 the Conversion Rate will not be adjusted for the issuance of Common Shares or any securities convertible into or exchangeable for Common Shares or carrying the right to purchase any of the foregoing, or for the repurchase of Common Shares.

(B) Except as otherwise provided in this Section 2.10, no adjustment of the Conversion Rate shall be made as a result of the issuance

of, the distribution of separate certificates representing, the exercise or redemption of, or the termination or invalidation of, rights pursuant to any shareholder rights plans.

(C) Notwithstanding the foregoing, no adjustment to the Conversion Rate shall be made:

(1) upon the issuance of any Common Shares or options or rights to purchase such shares pursuant to any present or future employee, director, manager or consultant benefit plan or program of or assumed by the Corporation or any of its Subsidiaries or of any employee agreements or arrangements or programs;

(2) upon the issuance of any Common Shares pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the Issue Date; or

(3) for accrued and unpaid dividends on the Series A First Preferred Shares.

(iv) Successive Adjustments. After an adjustment to the Conversion Rate under this Section 2.10, any subsequent event requiring an adjustment under this Section 2.10 shall cause an adjustment to each such Conversion Rate as so adjusted.

(v) Multiple Adjustments. For the avoidance of doubt, if an event occurs that would trigger an adjustment to the Conversion Rate pursuant to this Section 2.10 under more than one (1) subsection hereof (other than where holders of Series A First Preferred Shares are entitled to elect the applicable adjustment, in which case such election shall control), such event, to the extent fully taken into account in a single adjustment, shall not result in multiple adjustments hereunder; provided, however, that if more than one (1) subsection of this Section 2.10 is applicable to a single event, the subsection shall be applied that produces the largest adjustment.

(vi) Other Adjustments. The Corporation may, but shall not be required to, make such increases in the Conversion Rate, in addition to those required by this Section 2.10, as the Board considers to be advisable in order to avoid or diminish any income tax to any holders of Common Shares resulting from any dividend or distribution of shares or issuance of rights or warrants to purchase or subscribe for shares or from any event treated as such for income tax purposes or for any other reason.

(vii) Notice of Adjustments. Whenever the Conversion Rate is adjusted as provided under this Section 2.10, the Corporation shall as soon as reasonably practicable following the occurrence of an event that requires such adjustment (or if the Corporation is not aware of such occurrence, as soon as reasonably practicable

after becoming so aware) or the date the Corporation makes an adjustment pursuant to Section 2.10(vi):

(A) compute the adjusted applicable Conversion Rate in accordance with this Section 2.10 and prepare and transmit to the Conversion Agent an officer's certificate setting forth the applicable Conversion Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and

(B) provide a written notice to the holders of the Series A First Preferred Shares of the occurrence of such event and a statement in reasonable detail setting forth the method by which the adjustment to the applicable Conversion Rate was determined and setting forth the adjusted applicable Conversion Rate.

(viii) Conversion Agent. The Conversion Agent shall not at any time be under any duty or responsibility to any holder of Series A First Preferred Shares to determine whether any facts exist that may require any adjustment of the applicable Conversion Rate or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed in making the same. The Conversion Agent shall be fully authorized and protected in relying on any officer's certificate delivered pursuant to Section 2.10(vii) and any adjustment contained therein and the Conversion Agent shall not be deemed to have knowledge of any adjustment unless and until it has received such certificate. The Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares, or of any securities or property, that may at the time be issued or delivered with respect to any Series A First Preferred Shares; and the Conversion Agent makes no representation with respect thereto. The Conversion Agent, if other than the Corporation, shall not be responsible for any failure of the Corporation to issue, transfer or deliver any Common Shares pursuant to the conversion of Series A First Preferred Shares or to comply with any of the duties, responsibilities or covenants of the Corporation contained in this Section 2.10.

(ix) Fractional Shares. No fractional Common Shares will be delivered to the holders of Series A First Preferred Shares upon conversion. In lieu of fractional shares otherwise issuable, holders of Series A First Preferred Shares will be entitled to receive an amount in cash equal to the fraction of Common Shares, multiplied by the Closing Price of the Common Shares on the Trading Day immediately preceding the applicable Conversion Date. In order to determine whether the number of Common Shares to be delivered to a holder of Series A First Preferred Shares upon the conversion of such holder's Series A First Preferred Shares will include a fractional share (in lieu of which cash would be paid hereunder), such determination shall be based on the aggregate number of Series A First Preferred Shares of such holder that are being converted on any single Conversion Date.

(x) Reorganization Events. In the event of:

(A) any reclassification, statutory exchange, merger, consolidation or other similar business combination of the Corporation with or into another Person, in each case, pursuant to which the Common Shares (but not the Series A First Preferred Shares) are changed or converted into, or exchanged for, cash, securities or other property of the Corporation or another person;

(B) any sale, transfer, lease or conveyance to another Person of all or substantially all the property and assets of the Corporation, in each case pursuant to which the Common Shares (but not the Series A First Preferred Shares) are converted into cash, securities or other property; or

(C) any statutory exchange of securities of the Corporation with another Person (other than in connection with a merger or acquisition) or reclassification, recapitalization or reorganization of the Common Shares (but not the Series A First Preferred Shares) into other securities,

(each of which is referred to as a "**Reorganization Event**") each Series A First Preferred Share outstanding immediately prior to such Reorganization Event will, without the consent of the holders of Series A First Preferred Shares unless required under Section 2.6(iii) and subject to Section 2.10(xi), remain outstanding but shall become convertible into, out of funds legally available therefor, the number, kind and amount of securities, cash and other property (the "**Exchange Property**") (without any interest on such Exchange Property and without any right to dividends or distribution on such Exchange Property which have a record date that is prior to the applicable Conversion Date) that the holder of such Series A First Preferred Share would have received in such Reorganization Event had such holder converted its Series A First Preferred Shares into the applicable number of Common Shares immediately prior to the effective date of the Reorganization Event, assuming that such holder is not a Person with which the Corporation consolidated or into which the Corporation merged or which merged into the Corporation or to which such sale or transfer was made, as the case may be (any such Person, a "**Constituent Person**"), or an Affiliate of a Constituent Person to the extent such Reorganization Event provides for different treatment of Common Shares held by Affiliates of a Constituent Person and non-Affiliates; provided, that if the kind or amount of securities, cash and other property receivable upon such Reorganization Event is not the same for each Common Share held immediately prior to such Reorganization Event by a Person other than a Constituent Person or an Affiliate thereof, then for the purpose of this Section 2.10(x), the kind and amount of securities, cash and other property receivable upon such Reorganization Event will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Shares.

(xi) Exchange Property Election. In the event that the holders of Common Shares have the opportunity to elect the form of consideration to be received in such Reorganization Event, the Exchange Property that the holders of Series A First

Preferred Shares shall be entitled to receive shall be determined by the holders of a majority of the outstanding Series A First Preferred Shares on or before the earlier of (A) the deadline for elections by holders of Common Shares and (B) two (2) Business Days before the anticipated effective date of such Reorganization Event. The number of units of Exchange Property for each Series A First Preferred Share converted following the effective date of such Reorganization Event shall be determined from among the choices made available to the holders of the Common Shares and based on the per share amount as of the effective date of the Reorganization Event, determined as if the references to "Common Shares" herein were to "units of Exchange Property."

(xii) Successive Reorganization Events. The above provisions of Section 2.10(x) and Section 2.10(xi) shall similarly apply to successive Reorganization Events and the provisions of this Section 2.10 shall apply to any shares in the capital (or in the capital of any other issuer) received by the holders of the Common Shares in any such Reorganization Event.

(xiii) Reorganization Event Notice. The Corporation (or any successor) shall, no less than twenty (20) Business Days prior to the occurrence of any Reorganization Event, provide written notice to the holders of Series A First Preferred Shares of such occurrence of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 2.10.

(xiv) Reorganization Event Agreements. The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless (A) such agreement provides for or does not interfere with or prevent (as applicable) conversion of the Series A First Preferred Shares into the Exchange Property in a manner that is consistent with and gives effect to this Section 2.10, and (B) to the extent that the Corporation is not the surviving corporation in such Reorganization Event or will be dissolved in connection with such Reorganization Event, proper provision shall be made in the agreements governing such Reorganization Event for the conversion of the Series A First Preferred Shares into shares of the Person surviving such Reorganization Event or such other continuing entity in such Reorganization Event, or in the case of a Reorganization Event described in Section 2.10(x)(B), an exchange of Series A First Preferred Shares for the shares of the Person to whom the Corporation's assets are conveyed or transferred, having voting powers, preferences, and relative, participating, optional or other special rights as nearly equal as possible to those provided herein.

(xv) Restriction on Adjustments and Transactions. Notwithstanding the foregoing, if any of the transactions described in this Section 2.10 would result in an adjustment to the Conversion Rate such that the Series A First Preferred Shares would be convertible in the aggregate into more than 19.90% of the Common Shares outstanding on the Issue Date (subject to adjustment as described in this Section 2.10), then the Company shall not effect such transaction without first obtaining the written consent or affirmative vote at a meeting called for that

purpose by holders of Common Shares required by a securities exchange on which the Common Shares are listed or admitted to trading in order to permit the Series A First Preferred Shares to be convertible into such number of Common Shares. Notwithstanding anything herein to the contrary, any right of the Series A First Preferred Shares in these Articles of Amalgamation may be waived by the written consent or affirmative vote at a meeting called for that purpose by holders of at least two-thirds (2/3) of the then outstanding shares of Series A First Preferred Shares, voting separately as a series.

2.11 Reservation of Shares. The Corporation shall at all times when the Series A First Preferred Shares shall be outstanding reserve and keep available, free from preemptive rights, for issuance upon the conversion of Series A First Preferred Shares, such number of its authorized but unissued Common Shares as will from time to time be sufficient to permit the conversion of all outstanding Series A First Preferred Shares. Prior to the delivery of any securities which the Corporation shall be obligated to deliver upon conversion of the Series A First Preferred Shares, the Corporation shall comply with all applicable laws and regulations which require action to be taken by the Corporation.

2.12 Notices. Any and all notices or other communications or deliveries hereunder shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section 2.12 prior to or at the Close of Business on a Business Day and electronic confirmation of receipt is received by the sender, (ii) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a Business Day or later than the Close of Business on any Business Day, (iii) the Business Day following the date of mailing, if sent by a nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be: (i) if to the Corporation, attention: Chief Executive Officer and General Counsel, or (ii) if to a holder of Series A First Preferred Shares, to the address or facsimile number appearing on the Corporation's shareholder records or such other address or facsimile number as such holder may provide to the Corporation in accordance with this Section 2.12. Notwithstanding the foregoing, if the Series A First Preferred Shares are issued in book- entry form through The Depository Trust Corporation or any similar facility, such notices may be given to the holders of the Series A First Preferred Shares in any manner permitted by such facility.

2.13 Certain Definitions. As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

"**Affiliate**" with respect to any person shall have the meaning specified pursuant to part 1.3 of National Instrument 46-106 – *Prospectus and Registrations Exemptions,* promulgated under the *Securities Act* (Ontario); provided, however, that (i) portfolio companies in which any person or any of its Affiliates has an investment shall not be deemed an Affiliate of such person, and (ii) the Corporation, any of its Subsidiaries, or any of the Corporation's other controlled Affiliates, in each case, will not be deemed to be Affiliates of Crestview for purposes of the rights, privileges, restrictions and conditions of the Series A First Preferred Shares. For purposes of this definition, "control" (including, with correlative meaning, the terms "controlled by" and "under common control with") when used in respect of any Person shall have the meaning

specified pursuant to part 1.4 of National Instrument 46-106 – *Prospectus and Registrations Exemptions,* promulgated under the *Securities Act* (Ontario).

"**Beneficially Own**" shall mean to have "beneficial ownership" as such term is defined in the *Canada Business Corporations Act* and shall include, without limitation, any Person that "beneficially owns" securities for the purposes of *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions*, promulgated under the *Securities Act (Ontario)*.

"**Board**" shall mean the Board of Directors of the Corporation.

"**Business Day**" shall mean a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York, New York or Toronto, Ontario generally are authorized or obligated by law, regulation or executive order to close.

"**Change of Control**" shall mean the occurrence of any of the following:

(i) any Person (other than Crestview) shall Beneficially Own, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, shares of the Corporation's Equity Securities entitling such Person to exercise fifty percent (50%) or more of the total voting power of all classes of Voting Shares of the Corporation, which shall not include the Series A First Preferred Shares, other than an acquisition by the Corporation, any of the Corporation's Subsidiaries or any of the Corporation's employee benefit plans (for purposes of this clause (i), "Person" shall include, without limitation, any syndicate or group);

(ii) the Corporation (A) merges or consolidates with or into any other Person, another Person merges with or into the Corporation, or the Corporation conveys, sells, transfers or leases all or substantially all of the Corporation's assets to another Person or (B) engages in any recapitalization, reclassification or other transaction in which all or substantially all of the Common Shares are exchanged for or converted into cash, securities or other property, in each case other than a merger or consolidation:

(1) that does not result in a reclassification, conversion, exchange or cancellation of the Corporation's outstanding Common Shares; or

(2) which is effected solely to change the Corporation's jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding Common Shares solely into common shares of the surviving entity; or

(3) where the Voting Shares outstanding immediately prior to such transaction are converted into or exchanged for Voting Shares of the surviving or transferee Person constituting a

majority of the outstanding Voting Shares of such surviving or transferee Person (immediately after giving effect to such issuance) and no Person has the right to exercise fifty percent (50%) or more of the total voting power of all classes of Voting Shares of the Corporation which, for the avoidance of doubt, shall not include the Series A First Preferred Shares; or

(iii) the Common Shares cease to be listed or quoted on any of the New York Stock Exchange, the Nasdaq Global Select Market, Nasdaq Global Market or the Toronto Stock Exchange (or any of their respective successors); or

(iv) any transaction or series of transactions having substantially the same effect as any of the foregoing.

"**Close of Business**" shall mean 5:00 p.m., New York City time, on any Business Day.

"**Closing Price**" shall mean the price per share of the final trade of the Common Shares on the applicable Trading Day on the principal United States securities exchange on which the Common Shares are listed or admitted to trading.

"**Code**" shall have the meaning ascribed to it in Section 2.8.

"**Common Shares**" shall have the meaning ascribed to it in Section 2.3.

"**Constituent Person**" shall have the meaning ascribe to it in Section 2.10(x).

"**Conversion Agent**" shall have the meaning ascribed to it in Section 2.17.

"**Conversion Date**" shall have the meaning ascribed to it in Section 2.7(iii).

"**Conversion Rate**" shall have the meaning ascribed to it in Section 2.7(ii).

"**Corporation**" shall mean Cott Corporation.

"**Credit Agreement**" shall mean the Credit Agreement, dated as of August 17, 2010, among the Corporation, Cott Beverages Inc., a Georgia corporation, Cliffstar LLC, a Delaware limited liability company, and Cott Beverages Limited, a company organized under the laws of England and Wales, as Borrowers, the other Loan Parties party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., London Branch, as UK Security Trustee, JPMorgan Chase Bank, N.A., as Administrative Agent and Administrative Collateral Agent, and General Electric Capital Corporation, as Co- Collateral Agent (as amended by that certain Amendment No. 1 to Credit Agreement, dated as of April 19, 2012, as further amended by that certain Amendment No. 2 to Credit Agreement, dated as of July 19, 2012, as further amended by that certain Amendment No. 3 to Credit Agreement, dated as of October 22, 2013, as further amended by that certain Amendment No. 4 to Credit Agreement, dated as of May 28, 2014, and as amended on the Issue Date pursuant to that certain Amendment No. 5 but for the avoidance of doubt, without giving effect to any subsequent amendment, restatement, supplement or modification thereof).

"**Crestview**" shall mean Crestview DSW Investors, L.P. and any of its Affiliates, any successor entity and any other investment fund, vehicle or similar entity of which such person or an Affiliate, advisor or manager of such person serves as the general partner, manager or advisor.

"**Distributed Property**" shall have the meaning ascribed to it in Section 2.10(i)(D).

"**Dividend**" shall have the meaning ascribed to it in Section 2.4(i).

"**Dividend Payment Date**" shall have the meaning ascribed to it in Section 2.4(ii).

"**Dividend Period**" shall have the meaning ascribed to it in Section 2.4(ii).

"**Dividend Rate**" shall mean, in each case:

From the Issue Date until the first anniversary of the Issue Date,	9.0% per annum of the Redemption Value of each Series A First Preferred Share.
From the day after the first anniversary of the Issue Date,	10.0% per annum of the Redemption Value of each Series A First Preferred Share.
From the day after the second anniversary of the Issue Date,	11.0% per annum of the Redemption Value of each Series A First Preferred Share.
From the day after the third anniversary of the Issue Date,	12.0% per annum of the Redemption Value of each Series A First Preferred Share.
From the day after the fourth anniversary of the Issue Date,	13.0% per annum of the Redemption Value of each Series A First Preferred Share.
From the day after the fifth anniversary of the Issue Date,	14.0% per annum of the Redemption Value of each Series A First Preferred Share.

"**EBITDA**" shall have the meaning ascribed to it in the Credit Agreement.

"**Equity Linked Securities**" shall have the meaning ascribed to it in Section 2.10(i)(F)

"**Equity Securities**" shall mean any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity securities issued by the Corporation.

"**Exchange Property**" shall have the meaning ascribed to it in Section 2.10(x).

"**Excluded Issuance**" shall mean, any issuances of (i) Equity Securities or options to purchase Equity Securities to employees, directors, managers, officers or consultants of or to the Corporation or any of its Subsidiaries pursuant to an option or incentive compensation or similar plan outstanding as of the date hereof or, subsequent to the date hereof, approved by the Board or a duly authorized committee of the Board, (ii) securities as consideration for any bona fide

merger, joint venture, partnership, consolidation, dissolution, liquidation, tender offer, recapitalization, reorganization, share exchange, business combination or similar transaction or any other direct or indirect acquisition by the Corporation, whereby the Corporation's securities comprise, in whole or in part, the consideration paid by the Corporation in such transaction, (iii) Common Shares issued at a price to the public (i.e., without giving effect to any underwriter or placement agent discounts, commissions or fees or issuer costs, whether or not such issuance is actually a public offering) equal to or greater than the Market Price on the Trading Day immediately preceding the earlier of (x) the date on which the sale or issuance is publicly announced and (y) the date on which the price for such sale or issuance is agreed or fixed, and (iv) Equity Linked Securities issued with an exercise or conversion price equal to or greater than the Market Price on the Trading Day immediately preceding the earlier of (x) the date on which the sale or issuance is publicly announced and (y) the date on which the price for such sale or issuance is agreed or fixed.

"**Expiration Date**" shall have the meaning ascribed to it in Section 2.10(i)(C).

"**Expiration Time**" shall have the meaning ascribed to it in Section 2.10(i)(C).

"**GAAP**" shall mean generally accepted accounting principles in the United States.

"**Indebtedness**" shall have the meaning ascribed to it in the Credit Agreement.

"**Issue Date**" shall mean December 12, 2014.

"**Junior Shares**" shall have the meaning ascribed to it in Section 2.3.

"**Liquidation**" shall have the meaning ascribed to it in Section 2.5(i).

"**Liquidation Preference**" shall have the meaning ascribed to it in Section 2.5(i).

"**Market Price**" shall mean, as of any Trading Day, the lower of (i) the Closing Price and (ii) the trailing fifteen (15) day VWAP of the Common Shares of the Corporation.

"**Open of Business**" shall mean 9:00 a.m., New York City time, on any Business Day.

"**Person**" shall mean any individual, company, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"**Preferred Dividend Default**" shall have the meaning ascribed to it in Section 2.6(iv).

"**Preferred Shares**" shall mean any and all series of preferred shares of the Corporation, including the Series A First Preferred Shares and the Series B First Preferred Shares.

"**Preferred Share Director**" shall have the meaning ascribed to it in Section 2.6(iv).

"**Purchased Shares**" shall have the meaning ascribed to it in Section 2.10(i)(C).

"**Record Date**" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Shares have the right to receive any cash, securities or other property or in which the Common Shares (or other applicable security) are exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of shareholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board or by statute, contract, the constating documents of the Corporation or otherwise and, with respect to the right of a shareholder to vote on any matter at a meeting of shareholders, the date fixed by the Corporation as the record date for the determination of shareholders entitled to vote at the meeting or, if no such record date is established, the date such vote is taken or any written resolution of shareholders is established).

"**Redemption Value**" shall initially mean US $1,000.00 per share of Series A First Preferred Shares, as adjusted pursuant to Section 2.4(iii).

"**Reorganization Event**" shall have the meaning ascribed to it in Section 2.10(x).

"**Restricted Cash**" shall mean (i) any cash or cash equivalents identified on the balance sheet of the Corporation and its Subsidiaries as "restricted" and (ii) any amount to the extent that the distribution thereof to the Corporation or use thereof by the Corporation for the repayment of its consolidated Indebtedness is restricted or prohibited by law or contract.

"**Series A First Preferred Shares**" shall have the meaning ascribed to it in Paragraph 3(b).

"**Series B First Preferred Shares**" shall have the meaning ascribed to it in Paragraph 3(c).

"**Significant Subsidiary**" shall mean any Subsidiary of the Corporation that would be a "Significant Subsidiary" of the Corporation within the meaning of Rule 1-02 under Regulation S-X promulgated by the Securities and Exchange Commission, determined as of the date of the latest audited consolidated financial statements of the Corporation and its consolidated Subsidiaries.

"**Subsidiary**" shall mean any company or corporate entity for which the Corporation owns, directly or indirectly, an amount of the voting securities, other voting rights or voting partnership interests sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, more than fifty percent (50%) of the equity interests of such company or corporate entity).

"**Trading Day**" shall mean any Business Day on which the Common Shares are traded, or able to be traded, on the principal United States securities exchange on which the Common Shares are listed or admitted to trading.

"**Trigger Event**" shall have the meaning ascribed to it in Section 2.10(i)(E).

"**Voting Shares**" shall mean Equity Securities of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances (determined without regard to any classification of directors) to elect one or more members of the Board of the Corporation (without regard to whether or not, at the relevant time, Equity Securities of any

other class or classes (other than Common Shares) shall have or might have voting power by reason of the happening of any contingency).

"**VWAP**" shall mean the volume-weighted average prices for a Common Share or similar equity interest distributed to holders of Common Shares on the principal United States securities exchange on which such Common Share or equity interest trades, as reported by Bloomberg, L.P. (or, if Bloomberg ceases to publish such price, any successor service reasonably chosen by the Corporation) in respect of the period from the open of trading on the relevant Trading Day until the close of trading on such Trading Day (or if such volume-weighted average price is unavailable, the market price of one Common Share or equity interest on such Trading Day determined, using a volume- weighted average method by a nationally recognized investment banking firm (unaffiliated with the Corporation) retained for such purpose by the Corporation).

2.14 Headings. The headings of the paragraphs hereof are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

2.15 Record Holders. To the fullest extent permitted by applicable law, the Corporation may deem and treat the record holder of any Series A First Preferred Share as the true and lawful owner thereof for all purposes, and the Corporation shall not be affected by any notice to the contrary.

2.16 Replacement Certificates. The Corporation shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Corporation of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Corporation.

2.17 Transfer Agent, Conversion Agent, Registrar and Paying Agent. The duly appointed transfer agent, conversion agent (the "**Conversion Agent**"), registrar and paying agent for the Series A First Preferred Shares shall initially be the Corporation. The Corporation may, in its sole discretion, remove the transfer agent in accordance with the agreement between the Corporation and the transfer agent; provided, that the Corporation shall appoint a successor transfer agent who shall accept such appointment prior to the effectiveness of such removal. Upon any such removal or appointment, the Corporation shall send notice thereof by first-class mail, postage prepaid, to the holders of the Series A First Preferred Shares.

3.0 SERIES B NON-CONVERTIBLE FIRST PREFERRED SHARES

3.1 Authorized. The Corporation shall be authorized to issue an unlimited number of Series B First Preferred Shares. Series B First Preferred Shares redeemed, purchased, or otherwise acquired by the Corporation shall be cancelled and not restored to the status of authorized but unissued shares of the series. The number of authorized Series B First Preferred Shares may be increased or decreased by the approval of the holders of a majority of the outstanding Series B First Preferred Shares, voting as a separate series, provided that there shall be no decrease in the number of authorized Series B First Preferred Shares to a number less than the number of such series then issued and outstanding.

3.2 Currency. All payments and distributions on Series B First Preferred Shares or with

respect thereto shall be made in United States currency. All references herein to "$" or "dollars" refer to United States currency.

3.3 Ranking.

(i) The Series B First Preferred Shares shall, with respect to the payment of dividends and upon Liquidation rank senior to each other class or series of shares of the Corporation (other than the Series A First Preferred Shares), whether now outstanding or hereafter issued, including, without limitation, the common shares of the Corporation (the "**Common Shares**"), the Second Preferred Shares and the Second Preferred Shares Series 1 (all such junior shares being referred to hereinafter collectively as "**Junior Shares**").

(ii) The Series B First Preferred Shares shall, with respect to the payment of dividends and rights upon Liquidation rank equally with the Series A First Preferred Shares of the Corporation, whether now outstanding or hereafter issued.

3.4 Dividends.

(i) The holders of Series B First Preferred Shares shall be entitled to receive a quarterly fixed cumulative dividend in an amount equal to the applicable Dividend Rate (as defined herein) then in effect (the "**Dividends**").

(ii) Subject to applicable law, Dividends shall be declared and payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year (unless any such day is not a Business Day, in which event such Dividends shall be payable on the next succeeding Business Day, without accrual to the actual payment date), commencing on January 1, 2015 (each such payment date being a "**Dividend Payment Date**," and the period from the Issue Date of the Series B First Preferred Shares to the first Dividend Payment Date and each such quarterly period thereafter being a "**Dividend Period**"). The amount of Dividends payable on the Series B First Preferred Shares for any period shall be computed on the basis of a 360-day year and the actual number of days elapsed. Subject to Section 3.6(ii)(G)(2) herein, such Dividends shall be paid to holders of Series B First Preferred Shares before any dividends shall be declared, set apart for or paid upon any Junior Shares.

(iii) Dividends, whether or not declared, shall begin to accrue and be cumulative from the Issue Date and shall compound at the relevant rate on each subsequent Dividend Payment Date (i.e., no Dividends shall accrue on another Dividend unless and until any Dividend Payment Date for such other Dividends has passed without such other Dividends having been paid on such date, in which case Dividends will accrue on such unpaid Dividends). If the Corporation does not pay any Dividend in full in cash on any scheduled Dividend Payment Date, such Dividends will accrue at the then applicable Dividend Rate plus an additional two and one half percent (2.5%) per annum of the Redemption Value of each Series B First Preferred Share from such scheduled Dividend Payment Date to the date that all accumulated Dividends on the Series B First Preferred Shares have been paid

in cash in full. Any Dividends accrued and not paid in cash pursuant to this Section 3.4(iii) on each Dividend Payment Date shall be added to the Redemption Value until such Dividends are paid in cash in full. For the avoidance of doubt, Dividends shall accumulate whether or not in any Dividend Period there have been funds of the Corporation legally available for the payment of such Dividends.

(iv) Except as otherwise provided herein, if at any time the Corporation pays less than the total amount of Dividends then accumulated in cash, such cash dividend payment shall be distributed pro rata among the holders of Series B First Preferred Shares based upon the Redemption Value on the Series B First Preferred Shares then held by each such holder. When Dividends are not paid in full in cash, all Dividends paid in cash and any dividends paid in cash on Series A First Preferred Shares shall be paid pro rata so that the amount of Dividends paid in cash and any dividends on Series A First Preferred Shares paid in cash shall in all cases bear to each other the same ratio as accumulated Dividends and accumulated dividends on Series A First Preferred Shares bear to each other.

(v) All Dividends shall be paid in cash or accrued in accordance with Section 3.4(iii).

(vi) Dividends shall be payable to the holders of record of Series B First Preferred Shares as they appear on the register of the Corporation at the Close of Business on the relevant record date, which shall be not more than thirty (30) days nor less than ten (10) days preceding the applicable Dividend Payment Date.

3.5 Liquidation, Dissolution or Winding Up.

(i) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or any return of capital or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs (each, a "**Liquidation**"), the holders of Series B First Preferred Shares shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) legally available therefor, an amount per Series B First Preferred Share equal to the Redemption Value per share, plus an amount equal to any Dividends accumulated but unpaid thereon (whether or not declared) through the date of Liquidation (the "**Liquidation Preference**"). Holders of Series B First Preferred Shares will not be entitled to any other amounts from the Corporation after they have received the full amounts provided for in this Section 3.5(i) and will have no right or claim to any of the Corporation's remaining assets.

(ii) If, in connection with any distribution described in Section 3.5(i) above, the assets of the Corporation or proceeds thereof are not sufficient to pay in full the Liquidation Preference payable on the Series B First Preferred Shares and the corresponding amounts payable on the Series A First Preferred Shares, then such assets, or the proceeds thereof, shall be paid pro rata in accordance with the full respective amounts which would be payable on such shares if all amounts payable thereon were paid in full.

(iii) For purposes of this Section 3.5, the merger or consolidation of the Corporation with or into any other corporation or other entity, or the sale, conveyance, lease or other disposition of all or substantially all of the assets of the Corporation, shall not constitute a Liquidation of the Corporation.

3.6 Voting Rights; Consent Rights.

(i) The holders of Series B First Preferred Shares shall be entitled to notice of all meetings at which holders of Common Shares shall be entitled to vote; provided, however that, notwithstanding any such notice but subject to Section 3.6(ii) and without limiting any class voting rights pursuant to applicable law, the holders of Series B First Preferred Shares shall not be entitled to vote on any matter presented to the holders of Common Shares of the Corporation for their action or consideration.

(ii) In addition to, and not in substitution for, the rights and privileges afforded to the holders of a class of issued shares under applicable law, for so long as any Series B First Preferred Shares remain outstanding, the Corporation shall not and shall not permit any direct or indirect Subsidiary of the Corporation to, without first obtaining the written consent or affirmative vote at a meeting called for that purpose by holders of at least two-thirds (2/3) of the then outstanding shares of Series B First Preferred Shares voting separately as a series, take any of the following actions:

(A) Any change, amendment, alteration or repeal (including, without limitation, as a result of a merger, consolidation, or other similar or extraordinary transaction) of any provisions of the Corporation's Articles of Amalgamation or By-laws that amends, modifies or adversely affects the rights, preferences, privileges, conditions or voting powers of the Series B First Preferred Shares;

(B) Any issuance or reclassification of shares of the Corporation (including, without limitation, as a result of a merger, consolidation, or other similar or extraordinary transaction) that would rank equal or senior to the Series B First Preferred Shares, with respect to the Liquidation of the Corporation or with respect to the declaration or payment of dividends, including, for the avoidance of doubt, the issuance of any Series B First Preferred Shares or Series A First Preferred Shares;

(C) Any voluntary initiation of any Liquidation of the Corporation or any of its Significant Subsidiaries or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary or commencement of a proceeding for bankruptcy, insolvency, receivership or similar action with respect to the Corporation or any of its Significant Subsidiaries or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary;

(D) Any material change to the tax or accounting policies of the Corporation, except any changes required by applicable law or pursuant to GAAP;

(E) Except where holders of another series of First Preferred Shares of the Corporation have the right to appoint directors to the Board pursuant to these Articles of Amalgamation or contractual rights of the initial holders of Series A First Preferred Shares to appoint directors to the Board after conversion of the Series A First Preferred Shares to Common Shares, any increase in the number of members of the Board if such increase would result in the Board having more than eleven (11) members;

(F) Any incurrence, assumption or refinancing of any Indebtedness of the Corporation or any of its Subsidiaries to the extent that, immediately after giving effect to such incurrence, assumption or refinancing, the ratio of (1) the consolidated Indebtedness of the Corporation and its Subsidiaries that would be stated on the balance sheet of the Corporation and its Subsidiaries as of the date of determination (determined on a consolidated basis in accordance with GAAP) minus the lesser of (i) the amount of cash and cash equivalents (except for Restricted Cash) that would be stated on the balance sheet of the Corporation and its Subsidiaries and held by the Corporation and its Subsidiaries as of the date of determination (determined on a consolidated basis in accordance with GAAP) and (ii) $75,000,000 to (2) the EBITDA of the Corporation and its Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred, assumed or refinanced (the "**Reference Period**"), would not be less than a ratio of 5.0-to-1.0 on a pro forma basis (calculated in accordance with GAAP and Regulation S-X promulgated by the United States Securities and Exchange Commission) after giving effect to such incurrence, assumption or refinancing and the use of the proceeds therefrom as if such events had occurred on the first day of the Reference Period, provided, however, in the case of any revolving credit facility, Indebtedness shall be deemed to be incurred on the date that the commitments are entered into and not on the date of subsequent borrowings and shall be deemed to be outstanding continuously until such revolving credit facility is terminated and, for this purpose, the amount of the commitment under the Credit Agreement shall be deemed to be equal to $328,000,000.

(G) Any declaration or payment of any dividend or distribution (or any money made available for a sinking fund for the payment of any dividend or distribution) upon any Junior Shares, or the

redemption of any Junior Shares or any Series A First Preferred Shares, or the purchase for cancellation, payment or acquisition for any consideration (or any money made available for a sinking fund for the redemption) of any Junior Shares or any Series A First Preferred Shares by the Corporation, directly or indirectly; provided, however, that the foregoing limitation shall not apply to:

(1) purchases, redemptions or other acquisitions of Junior Shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, managers or consultants of or to the Corporation or any of its Subsidiaries; or

(2) regular quarterly dividends to holders of Common Shares in an amount not to exceed US$0.06 per share; provided, however, that no dividends shall be declared or paid without a vote of the holders of Series B First Preferred Shares pursuant to this Section 3.6(ii) if one or more quarterly Dividends have not been paid in full in cash on any Dividend Payment Date until such time as all such Dividends have been paid in full in cash; or

(H) Any issuance of Equity Securities by any Subsidiary of the Corporation to any Person other than the Corporation or a direct or indirect wholly-owned Subsidiary of the Corporation, any acquisition of Equity Securities of any Person other than a wholly owned Subsidiary of the Corporation or any of its direct or indirect wholly owned Subsidiaries, or any transfer or other transaction (including, without limitation, as a result of a merger, consolidation, or other similar or extraordinary transaction) resulting in the Corporation or any of its Subsidiaries owning Equity Securities of any Person other than a wholly- owned Subsidiary of the Corporation or any of its direct or indirect wholly-owned Subsidiaries.

3.7 Taxes.

(i) The Corporation shall pay any and all documentary, stamp and similar issue or transfer tax due on the issue of the Series B First Preferred Shares.

(ii) Each holder of Series B First Preferred Shares and the Corporation agree to cooperate with each other in connection with any redemption of part of Series B First Preferred Shares and to use good faith efforts to structure such redemption so that such redemption may be treated as a sale or exchange pursuant to Section 302 of the Internal Revenue Code of 1986, as amended; provided, that nothing in this Section 3.7 shall require the Corporation to purchase any Series B First

Preferred Shares; and provided, further, that the Corporation makes no representation or warranty in this Section 3.7 regarding the tax treatment of any redemption of Series B First Preferred Shares.

3.8 Redemption and Repurchase.

(i) Holder Redemption Election. At any time after the date that is the nine (9) year anniversary of the Issue Date, each holder of outstanding Series B First Preferred Shares shall have the right, but not the obligation, to elect to cause the Corporation to redeem any or all of such holder's outstanding Series B First Preferred Shares by delivery to the Corporation of written notice thereof (the "**Redemption Election**"). Upon receipt of a Redemption Election from a holder of Series B First Preferred Shares, the Corporation shall redeem the number of outstanding Series B First Preferred Shares such holder has elected to redeem pursuant to such Redemption Election at a redemption price per share equal to (A) the sum of the Redemption Value per share of the Series B First Preferred Shares to be redeemed plus (B) an amount equal to any Dividends accumulated but unpaid thereon (whether or not declared) to but excluding the date of redemption.

(ii) Corporation Redemption Election. The Series B First Preferred Shares may be redeemed, in whole or in part, at any time, at the option of the Corporation, upon giving notice of redemption pursuant to Section 3.8(iv), at a redemption price per share equal to (A) the sum of the Redemption Value per share of the Series B First Preferred Shares to be redeemed plus (B) an amount equal to any Dividends accumulated but unpaid thereon (whether or not declared) to but excluding the date of redemption.

(iii) Repurchase at the Option of the Holder Upon a Change of Control. Upon the occurrence of a Change of Control, each holder of Series B First Preferred Shares shall have the right to require the Corporation to repurchase, by irrevocable written notice to the Corporation, all or any portion of such holder's Series B First Preferred Shares at a purchase price per share equal to the sum of (A) the Redemption Value per share of the Series B First Preferred Shares plus (B) an amount equal to accrued but unpaid Dividends (whether or not declared) on such Series B First Preferred Shares to but excluding the date of repurchase.

No earlier than sixty (60) days and no later than thirty (30) days prior to the occurrence of a Change of Control, the Corporation shall send notice by first-class mail, postage prepaid, addressed to the holders of record of the Series B First Preferred Shares at their respective last addresses appearing on the books of the Corporation stating (A) that a Change of Control is expected to occur, (B) the date that the Change of Control is expected to occur, (C) that all Series B First Preferred Shares tendered prior to a Business Day no earlier than thirty (30) days nor later than sixty (60) days from the date such notice is mailed shall be accepted for repurchase and (D) the procedures that holders of the Series B First Preferred Shares must follow in order for their Series B First Preferred Shares to be repurchased, including the place or places where certificates for such shares are to be surrendered for payment of the repurchase price. Any notice mailed as

provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of Series B First Preferred Shares designated for repurchase shall not affect the validity of the proceedings for the repurchase of any other Series B First Preferred Shares. The repurchase of Series B First Preferred Shares pursuant to this Section 3.8(iii) shall occur simultaneously with the consummation of the Change of Control.

(iv) Notice of Redemption at the Option of the Corporation. Notice of every redemption of Series B First Preferred Shares pursuant to Section 3.8(ii) shall be given by first-class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least thirty (30) days and not more than sixty (60) days before the date fixed for redemption. Any notice mailed as provided in this Section 3.8(iv) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of Series B First Preferred Shares designated for redemption shall not affect the validity of the proceedings for the redemption of any other Series B First Preferred Shares. Each notice of redemption given to a holder shall state: (A) the redemption date; (B) the number of the Series B First Preferred Shares to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (C) the redemption price; and (D) the place or places where certificates for such shares are to be surrendered for payment of the redemption price in respect of such shares.

(v) Partial Redemption. In case of any redemption of part of the Series B First Preferred Shares at the time outstanding pursuant to this Section 3.8, the shares to be redeemed shall be redeemed pro rata. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which the Series B First Preferred Shares shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof. Without limiting any remedies that may be available to any holder of Series B First Preferred Shares, at law, in equity or otherwise, if on any date of redemption, the Corporation does not have sufficient funds legally available to redeem all of the outstanding Series B First Preferred Shares to be redeemed on such date in accordance herewith, the Corporation shall redeem only the number of such Series B First Preferred Shares that it has sufficient funds to redeem with such amount to be apportioned on a pro rata basis among the holders of such Series B First Preferred Shares, and the Corporation shall redeem such Series B First Preferred Shares that are not redeemed on such redemption date as soon as practicable after the Corporation has funds legally available therefor.

(vi) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the

redemption have been deposited by the Corporation, in trust for the pro rata benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least US $1 billion and selected by the Board, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three (3) years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

3.9 Notices. Any and all notices or other communications or deliveries hereunder shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section 3.9 prior to or at the Close of Business on a Business Day and electronic confirmation of receipt is received by the sender, (ii) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a Business Day or later than the Close of Business on any Business Day, (iii) the Business Day following the date of mailing, if sent by a nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be: (i) if to the Corporation, attention: Chief Executive Officer and General Counsel, or (ii) if to a holder of Series B First Preferred Shares, to the address or facsimile number appearing on the Corporation's shareholder records or such other address or facsimile number as such holder may provide to the Corporation in accordance with this Section 3.9. Notwithstanding the foregoing, if the Series B First Preferred Shares are issued in book- entry form through The Depository Trust Corporation or any similar facility, such notices may be given to the holders of the Series B First Preferred Shares in any manner permitted by such facility.

3.10 Certain Definitions. As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

"**Affiliate**" with respect to any person shall have the meaning specified pursuant to part 1.3 of National Instrument 46-106 – Prospectus and Registrations Exemptions, promulgated under the Securities Act (Ontario); provided, however, that (i) portfolio companies in which any person or any of its Affiliates has an investment shall not be deemed an Affiliate of such person, and (ii) the Corporation, any of its Subsidiaries, or any of the Corporation's other controlled Affiliates, in each case, will not be deemed to be Affiliates of Crestview for purposes of the rights, privileges, restrictions and conditions of the Series B First Preferred Shares. For purposes of this definition, "control" (including, with correlative meaning, the terms "controlled by" and "under common control with") when used in respect of any Person shall have the meaning

specified pursuant to part 1.4 of National Instrument 46-106 – Prospectus and Registrations Exemptions, promulgated under the Securities Act (Ontario).

"**Beneficially Own**" shall mean to have "beneficial ownership" as such term is defined in the Canada Business Corporations Act and shall include, without limitation, any Person that "beneficially owns" securities for the purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions, promulgated under the Securities Act (Ontario).

"**Board**" shall mean the Board of Directors of the Corporation.

"**Business Day**" shall mean a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York, New York or Toronto, Ontario generally are authorized or obligated by law, regulation or executive order to close.

"**Change of Control**" shall mean the occurrence of any of the following:

(i) any Person (other than Crestview) shall Beneficially Own, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, shares of the Corporation's Equity Securities entitling such Person to exercise fifty percent (50%) or more of the total voting power of all classes of Voting Shares of the Corporation, which shall not include the Series A First Preferred Shares, other than an acquisition by the Corporation, any of the Corporation's Subsidiaries or any of the Corporation's employee benefit plans (for purposes of this clause (i), "Person" shall include, without limitation, any syndicate or group);

(ii) the Corporation (A) merges or consolidates with or into any other Person, another Person merges with or into the Corporation, or the Corporation conveys, sells, transfers or leases all or substantially all of the Corporation's assets to another Person or (B) engages in any recapitalization, reclassification or other transaction in which all or substantially all of the Common Shares are exchanged for or converted into cash, securities or other property, in each case other than a merger or consolidation:

(1) that does not result in a reclassification, conversion, exchange or cancellation of the Corporation's outstanding Common Shares; or

(2) which is effected solely to change the Corporation's jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding Common Shares solely into common shares of the surviving entity; or

(3) where the Voting Shares outstanding immediately prior to such transaction are converted into or exchanged for Voting Shares of the surviving or transferee Person constituting a

majority of the outstanding Voting Shares of such surviving or transferee Person (immediately after giving effect to such issuance) and no Person has the right to exercise fifty percent (50%) or more of the total voting power of all classes of Voting Shares of the Corporation which, for the avoidance of doubt, shall not include the Series A First Preferred Shares; or

(iii) the Common Shares cease to be listed or quoted on any of the New York Stock Exchange, the Nasdaq Global Select Market, Nasdaq Global Market or the Toronto Stock Exchange (or any of their respective successors); or

(iv) any transaction or series of transactions having substantially the same effect as any of the foregoing.

"**Close of Business**" shall mean 5:00 p.m., New York City time, on any Business Day.

"**Common Shares**" shall have the meaning ascribed to it in Section 3.3(i).

"**Corporation**" shall mean Cott Corporation.

"**Credit Agreement**" shall mean the Credit Agreement, dated as of August 17, 2010, among the Corporation, Cott Beverages Inc., a Georgia corporation, Cliffstar LLC, a Delaware limited liability company, and Cott Beverages Limited, a company organized under the laws of England and Wales, as Borrowers, the other Loan Parties party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., London Branch, as UK Security Trustee, JPMorgan Chase Bank, N.A., as Administrative Agent and Administrative Collateral Agent, and General Electric Capital Corporation, as Co- Collateral Agent (as amended by that certain Amendment No. 1 to Credit Agreement, dated as of April 19, 2012, as further amended by that certain Amendment No. 2 to Credit Agreement, dated as of July 19, 2012, as further amended by that certain Amendment No. 3 to Credit Agreement, dated as of October 22, 2013, as further amended by that certain Amendment No. 4 to Credit Agreement, dated as of May 28, 2014, and as amended on the Issue Date pursuant to that certain Amendment No. 5 but for the avoidance of doubt, without giving effect to any subsequent amendment, restatement, supplement or modification thereof).

"**Crestview**" shall mean Crestview DSW Investors, L.P. and any of its Affiliates, any successor entity and any other investment fund, vehicle or similar entity of which such person or an Affiliate, advisor or manager of such person serves as the general partner, manager or advisor.

"**Dividend**" shall have the meaning ascribed to it in Section 3.4(i)

"**Dividend Payment Date**" shall have the meaning ascribed to it in Section 3.4(ii).

"**Dividend Period**" shall have the meaning ascribed to it in Section 3.4(ii).

"**Dividend Rate**" shall mean, in each case:

From the Issue Date until the first anniversary of the Issue Date,	10.0% per annum of the Redemption Value of each Series B First Preferred Share.
From the day after the first anniversary of the Issue Date,	11.0% per annum of the Redemption Value of each Series B First Preferred Share.
From the day after the second anniversary of the Issue Date,	12.0% per annum of the Redemption Value of each Series B First Preferred Share.
From the day after the third anniversary of the Issue Date,	13.0% per annum of the Redemption Value of each Series B First Preferred Share.
From the day after the fourth anniversary of the Issue Date,	14.0% per annum of the Redemption Value of each Series B First Preferred Share.
From the day after the fifth anniversary of the Issue Date,	15.0% per annum of the Redemption Value of each Series B First Preferred Share.

"**EBITDA**" shall have the meaning ascribed to it in the Credit Agreement.

"**Equity Securities**" shall mean any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity securities issued by the Corporation.

"**GAAP**" shall mean generally accepted accounting principles in the United States.

"**Indebtedness**" shall have the meaning ascribed to it in the Credit Agreement.

"**Issue Date**" shall mean December 12, 2014.

"**Junior Shares**" shall have the meaning ascribed to it in Section 3.3(i).

"**Liquidation**" shall have the meaning ascribed to it in Section 3.5(i).

"**Liquidation Preference**" shall have the meaning ascribed to it in Section 3.5(i).

"**Person**" shall mean any individual, company, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"**Preferred Shares**" shall mean any and all series of preferred shares of the Corporation, including the Series A First Preferred Shares and the Series B First Preferred Shares.

"**Redemption Value**" shall initially mean US $1,000.00 per share of Series B First Preferred Shares, as adjusted pursuant to Section 3.4(iii).

"**Reference Period**" shall have the meaning ascribed to it in Section 3.6(ii)(F).

"**Restricted Cash**" shall mean (i) any cash or cash equivalents identified on the balance sheet of the Corporation and its Subsidiaries as "restricted" and (ii) any amount to the extent that the distribution thereof to the Corporation or use thereof by the Corporation for the repayment of its consolidated Indebtedness is restricted or prohibited by law or contract.

"**Series A First Preferred Shares**" shall have the meaning ascribed to it in Paragraph 3(b).

"**Series B First Preferred Shares**" shall have the meaning ascribed to it in Paragraph 3(c).

"**Significant Subsidiary**" shall mean any Subsidiary of the Corporation that would be a "Significant Subsidiary" of the Corporation within the meaning of Rule 1-02 under Regulation S-X promulgated by the Securities and Exchange Commission, determined as of the date of the latest audited consolidated financial statements of the Corporation and its consolidated Subsidiaries.

"**Subsidiary**" shall mean any company or corporate entity for which the Corporation owns, directly or indirectly, an amount of the voting securities, other voting rights or voting partnership interests sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, more than fifty percent (50%) of the equity interests of such company or corporate entity).

"**Voting Shares**" shall mean Equity Securities of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances (determined without regard to any classification of directors) to elect one or more members of the Board of the Corporation (without regard to whether or not, at the relevant time, Equity Securities of any other class or classes (other than Common Shares) shall have or might have voting power by reason of the happening of any contingency).

3.11 Headings. The headings of the paragraphs hereof are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

3.12 Record Holders. To the fullest extent permitted by applicable law, the Corporation may deem and treat the record holder of any Series B First Preferred Share as the true and lawful owner thereof for all purposes, and the Corporation shall not be affected by any notice to the contrary.

3.13 Replacement Certificates. The Corporation shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Corporation of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Corporation.

3.14 Transfer Agent, Registrar and Paying Agent. The duly appointed transfer agent, registrar and paying agent for the Series B First Preferred Shares shall initially be the Corporation. The Corporation may, in its sole discretion, remove the transfer agent in accordance with the agreement between the Corporation and the transfer agent; provided, that the Corporation shall

appoint a successor transfer agent who shall accept such appointment prior to the effectiveness of such removal. Upon any such removal or appointment, the Corporation shall send notice thereof by first class mail, postage prepaid, to the holders of the Series B First Preferred Shares.

4.0 SECOND PREFERRED SHARES

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

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

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

(i) provisions, if any, with respect to the rights of the holders of the Second Preferred Shares of such series to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting;

(ii) whether any dividends shall be payable on the Second Preferred Shares of such series and, if dividends are to be payable thereon, the rate, amount or method of calculation of preferential dividends, whether fixed or fluctuating, whether cumulative or non-cumulative, whether such dividends are payable in money or by the issue of fully paid shares of the Corporation, the currency or currencies of payment, the date or dates and places of payment of preferential dividends and the date or dates from which such preferential dividends shall accrue;

(iii) the rights of the Corporation, if any, to purchase or redeem the Second Preferred Shares of such series, and the purchase or redemption price or the method of calculating the same, and the terms and conditions of any such purchase or redemption;

(iv) provisions, if any, with respect to the rights of the holders of the Second Preferred Shares of such series to tender such shares to the Corporation for purchase by the Corporation and to oblige the Corporation to make such purchases;

(v) the conversion rights, if any;

(vi) the terms and conditions of any share purchase plan or sinking fund with respect to the Second Preferred Shares of such series; and

(vii) the restrictions, if any, respecting payment of dividends on the Common Shares or on any other shares of the Corporation ranking junior to the Second Preferred Shares;

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

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

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

so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

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

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

4.7 The provisions contained in Sections 4.1 to 4.6 inclusive, and in this Section 4.7 may be repealed or amended in whole or in part by articles of amendment and the issue of a certificate of amendment in respect thereof, but only with the prior approval of the holders of the Second Preferred Shares given as hereinafter specified in addition to any other approval required under the *Canada Business Corporations Act*.

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

business for which the adjourned meeting is called or the text of any resolution to be submitted to the adjourned meeting, and (ii) as required by the *Canada Business Corporations Act*, if the original meeting was adjourned by one or more adjournments for an aggregate of thirty (30) days or more. The formalities to be observed with respect to the giving of notice of any such original meeting or adjourned meeting or any other meeting of the holders of Second Preferred Shares and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders or in the laws governing the Corporation.

If the repeal or amendment of the provisions hereinbefore contained affects the rights of the holders of Second Preferred Shares of any series in a manner different from that in which the rights of the holders of Second Preferred Shares of any other series are affected, then such repeal or amendment shall, in addition to being approved by the holders of the Second Preferred Shares as hereinabove set forth, be approved by the holders of the Second Preferred Shares of such series so affected, and the provisions of this Section 4.7 shall apply, *mutatis mutandis*, with respect to the giving of such approval.

Any meeting of the holders of the outstanding Second Preferred Shares may be held at any time and for any purpose, without notice, if all holders of Second Preferred Shares entitled to vote at the meeting waive notice of the meeting in writing. For the purpose of waiver of notice, the words "in writing" shall, without limitation, include the sending of a telegram, telex, cable or any other form of written communication by a shareholder. Any holder of Second Preferred Shares may waive notice of any meeting either before or after the meeting is held.

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

At any meeting of the holders of Second Preferred Shares without distinction as to series, each holder of Second Preferred Shares shall be entitled to 1/25 of a vote for each $1 (with the Canadian dollar and the United States dollar being deemed to be at par for the purposes of this Section 4.7) paid up on each Second Preferred Share held by him. At any meeting of the holders of Second Preferred Shares of any particular series, each holder shall be entitled to one (1) vote in respect of each Second Preferred Share of such series held by him.

5.0 SECOND PREFERRED SHARES SERIES 1

The first series of Second Preferred Shares, designated as Convertible Participating Voting Second Preferred Shares Series 1 (the "**Second Preferred Shares Series 1**"), shall consist of an unlimited number of shares. The Second Preferred Shares Series 1 shall, in addition to the rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class (collectively, the "**Second Preferred Shares Class Provisions**") carry and be subject to the following rights, privileges, restrictions and conditions (collectively, the "Second Preferred Shares"):

5.1 Defined Terms The following words and phrases whenever used in the Second Preferred Shares Series 1 Provisions shall have the following meanings, unless there be something in the context otherwise inconsistent therewith:

"**Adjusted Conversion Value**" means $7.75 less:

(i) upon conversion occurring at the option of the Corporation;

(ii) after a Change-in-Control Transaction; or

(iii) after the exercise by the holders of their conversion privilege provided herein following delivery by the Corporation of the notice of redemption contemplated by Section 5.1,

in each case, prior to the Fourth Anniversary Date, the Adjustment Amount;

"**Adjusted Redemption Price**" means:

(i) until the Fourth Anniversary Date, an amount equal to the sum of (A) $10.00 per Second Preferred Share Series 1, plus (B) the Redemption Premium per Second Preferred Share Series 1, plus (C) an amount equal to the Adjustment Amount multiplied by the number of common shares into which such Second Preferred Share Series 1 would be convertible (assuming conversion at the option of the holders); and

(ii) from and after the Fourth Anniversary Date, an amount equal to the sum of (A) $10.00 per Second Preferred Share Series 1, plus (B) the Redemption Premium per Second Preferred Share Series 1, plus (C) any accrued but unpaid dividends thereon;

"**Adjustment Amount**" in respect of each Second Preferred Share Series 1 means, at the time of the applicable event giving rise to the calculation of the Adjustment Amount (the "**Applicable Time**"), an amount equal to (i) the U.S. Dollar Equivalent of the dividend paid per common share in the most recently completed fiscal quarter of the Corporation (calculated on the date of payment of the dividend) multiplied by (ii) a number which is the sum of the number of Common Shares into which 4,000,000 Second Preferred Shares Series 1 would be convertible (assuming conversion prior to the Fourth Anniversary Date at the option of the Corporation) on each successive Adjustment Date set forth in the table contained in Section 5.15(ii)(A) following the Applicable Time until the Fourth Anniversary Date, divided by 5,161,290.3;

"**business day**" means a day other than a Saturday, a Sunday or any other day on which principal commercial banks are not permitted to be open in Toronto, Ontario;

"**Canadian Dollar Equivalent**" means, on any day, with respect to any amount in United States dollars, the equivalent amount in Canadian dollars, converted at the Bank of Canada's noon rate of exchange for that day;

"**Change-in-Control Transaction**" means a transaction or series of related transactions as a result of which any person other than Thomas H. Lee Company, and its shareholders, officers, directors, affiliates, and entities controlled or administered by any of the foregoing acquire shares carrying, in the aggregate, more than 50% of the votes attaching to all voting shares in the capital of the Corporation;

"**Closing Price**" with respect to any securities on any Trading Day shall mean the closing sale price on such day or, in case no such sale takes place on such Trading Day, the average of the reported closing bid and asked prices, in each case on the Recognized Exchange on which the highest volume of trading in such securities took place on that day or, if no trading in such securities took place on that day, on the prior Trading Day on which trading took place;

"**Common Shares**" shall mean common shares of the Corporation as such shares were constituted on the date of issuance of the Second Preferred Shares Series 1 and shares of any other class resulting from any reclassification or change of such shares;

"**Common Equivalent Redemption Price**" means, as of any date, an amount per Second Preferred Share Series 1 equal to the amount which would have been distributable with respect to the number of common shares into which such Second Preferred Share Series 1 would be convertible as of such date had the Corporation been liquidated as of such date. Such Common Equivalent Redemption Price shall be based on the value of the Corporation on a liquidated basis and shall be as agreed upon by the Corporation and holders of the Second Preferred Shares Series 1 or, absent such agreement, within fifteen (15) days following the date on which the applicable event which gives rise to the valuation occurs, as determined by an independent appraiser selected by the Corporation, the fees and expenses of which appraiser shall be borne by the Corporation;

"**Conversion Basis**" has the meaning ascribed to it in Section 5.12(i);

"**Conversion Factor**" has the meaning ascribed to it in Section 5.15(i);

"**Current Market Value**" means the U.S. Dollar Equivalent of the Closing Price of the common shares on the Recognized Exchange determined on the last Trading Day prior to the issuance of common shares (or other event in connection with which Current Market Value is to be determined) or, if no trading in the common shares took place on that day, on the prior Trading Day on which trading took place;

"**Dividend Payment Date**" means the first business day following the first day of each of the first and third fiscal quarters in each fiscal year of the Corporation commencing on or about six months following the Fourth Anniversary Date;

"**Fourth Anniversary Date**" means July 7, 2002;

"**Liquidation Premium**" means, at any time, an amount per Second Preferred Share Series 1 equal to the Conversion Factor less $10.00;

"**Maximum Common Share Number**" means 7,688,508 Common Shares, or such greater number of Common Shares as may be permitted to be issued by all applicable regulatory authorities;

"**Public Offering**" means a sale of Common Shares in the capital of the Corporation (or securities exchangeable for or convertible into such Common Shares) pursuant to a prospectus filed under applicable securities laws and underwritten by one or more independent underwriters, where the aggregate proceeds to the Corporation are at least U.S.$25,000,000, and not more than 25% of the shares are sold to any one purchaser or affiliated group of purchasers, other than underwriters;

"**Recognized Exchange**" means any recognized stock exchange on which the common shares are listed from time to time, and on which the highest aggregate volume of trading in the common shares has taken place over the applicable period or on the applicable day, including, without limitation, the NASDAQ National Market, The Toronto Stock Exchange and The Montreal Exchange;

"**Redemption Premium**" means, on any date, an amount per Second Preferred Share Series 1 equal to the Conversion Factor less $10.00;

"**Surviving Person**" means the continuing or surviving person of a merger, consolidation or other continuation with the Corporation;

"**Trading Day**" means, if the applicable security is listed or admitted for trading on a recognized stock exchange on which the common shares are listed from time to time, a day on which trades may be made thereon; and

"**U.S. Dollar Equivalent**" means, on any day, with respect to any amount in Canadian dollars, the equivalent amount in United States dollars, converted at the Bank of Canada's noon rate of exchange for that day.

5.2 Currency. All amounts payable pursuant hereto shall be payable in lawful money of the United States of America.

5.3 Non-Business Day. If any day on which any payment is to be made or action taken hereunder in connection with the Second Preferred Shares Series 1 is not a business day, then such payment shall be made or action taken on the next succeeding day that is a business day.

5.4 Herein, hereto, etc. The words "herein", "hereto", "hereof" and similar words refer, unless the context clearly indicates the contrary, to the whole of the Second Preferred Shares Class Provisions and not to any particular section, clause or paragraph thereof.

5.5 Number and Gender. Words importing the singular number only shall include the plural and vice versa, words importing the use of any gender shall include all genders, and words importing persons shall include firms and corporations and vice versa.

5.6 Adjustments. Without limiting or duplicating the effect of Section 5.15(ii)(C), all numbers of shares and dollar amounts used herein shall be adjusted appropriately to reflect any

stock split, consolidation, combination, stock dividend or other form of recapitalization or restructuring occurring after the date hereof.

5.7 Actions by Holders. Any action required or permitted to be taken hereunder by holders of Second Preferred Shares Series 1, including, without limitation, election to choose between or among alternative forms of payment, shall be deemed to be valid if approved or taken by holders of in excess of fifty percent (50%) in number of such shares then outstanding, and shall be binding upon all holders of Second Preferred Shares Series 1. In connection with the exercise by the holders of the option contemplated by Section 5.11, if no approval is obtained in the manner contemplated by this Section 5.7 within the thirty day period provided for in Section 5.11, the holders shall be deemed to have elected to receive the Adjusted Redemption Price.

5.8 Dividends.

(i) Cash and Other Dividends

(A) If and whenever the Corporation shall at any time or from time to time declare and pay a cash dividend on its outstanding common shares, then the holders of Second Preferred Shares Series 1 shall be entitled to receive from the Corporation, with respect to each Second Preferred Share Series 1 held, a preferential dividend equal in amount to one-half of the same dividend to be received by a holder of the number of common shares into which such Second Preferred Share Series 1 is convertible on the record date for such dividend (assuming conversion at the option of the holder), out of which any applicable withholding taxes will be withheld. Any such dividend shall be paid on the Second Preferred Shares Series 1 at the same time such dividend shall be paid on the common shares.

(B) The Corporation shall declare and pay any dividend to the holders of the Second Preferred Shares Series 1 contemplated by Sections 5.16 and 5.25(iii), out of which dividend amount applicable withholding taxes will be withheld.

(ii) Paid-in-Kind Dividends. In addition to the dividends provided for in Section 5.8(i), the holders of Second Preferred Shares Series 1 shall, from and after the Fourth Anniversary Date, be entitled to receive a cumulative preferential non-cash paid-in-kind dividend payable in additional Second Preferred Shares Series 1. Such dividend shall be payable on each Dividend Payment Date to the holders of record at the close of business on the third business day immediately preceding such Dividend Payment Date, and shall be at the rate of two and one-half percent (2½ %) for each six (6) months, compounded semi-annually, with daily accrual. With respect to the first dividend payable after the Fourth Anniversary Date, such dividend shall be paid on the number of Second Preferred Shares Series 1 outstanding on such Fourth Anniversary Date, and such dividends payable thereafter shall be paid on the number of such Second Preferred Shares Series 1

outstanding on the immediately preceding Dividend Payment Date. Notwithstanding the foregoing:

(A) none of the dividends contemplated by this Section 5.8(ii) shall be payable until the holders of Second Preferred Shares Series 1 provide reasonably satisfactory evidence to the Corporation that the holders have paid or made provision for the payment, within the applicable statutory time periods, of any applicable withholding taxes exigible in connection therewith; and

(B) any dividends contemplated by this Section 5.8(ii) which are not permitted to be paid by virtue of the maximum number of common shares into which the Second Preferred Shares Series 1 may be converted exceeding the Maximum Common Share Number shall be paid in cash at the rate of two and one-half (2½ %) for each six (6) months, compounded semi-annually, with daily accrual, based on the Adjusted Redemption Price, out of which any applicable withholding taxes will be withheld.

(iii) No Additional Dividends. The holders of the Second Preferred Shares Series 1 shall not be entitled to any dividends other than or in excess of the dividends provided for in this Section 5.8.

5.9 Liquidation, Dissolution Or Winding-Up. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs (in any case, a "**Liquidation Event**"), each holder of the Second Preferred Shares Series 1 in accordance with the Second Preferred Shares Class Provisions shall be entitled to receive the greater of:

(i) an amount equal to the sum of: (A) $10.00 per share, plus (B) the Liquidation Premium per share, plus (C) if the Liquidation Event occurs after the Fourth Anniversary Date, any accrued but unpaid dividend, before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the common shares or to the holders of any other shares ranking junior to the Second Preferred Shares Series 1 in any respect, out of which aggregate amount any applicable withholding taxes will be withheld; or

(ii) *pari passu* and rateably with the holders of the common shares, the Common Equivalent Redemption Price per share, out of which any applicable withholding taxes will be withheld, and less the amount of any taxes required to be paid by the Corporation pursuant to Part VI.1 of the *Income Tax Act* (Canada) as a result of such payment to such holder.

After payment to the holders of the Second Preferred Shares Series 1 of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

5.10 Voting. So long as any Second Preferred Share Series 1 is outstanding, each holder thereof shall be entitled to vote at all meetings of the shareholders of the Corporation. With respect to any such vote, each holder of Second Preferred Shares Series 1 shall be entitled to the number of votes equal to the number of votes to which a holder of the number of common shares into which such Second Preferred Shares Series 1 are convertible on the record date for such vote is entitled (assuming conversion at the option of the holder).

5.11 Redemption.

(i) Subject to Section 5.11(ii) and the provisions of the *Canada Business Corporations Act*, the Corporation, in the manner provided in the provisions attaching to the Second Preferred Shares as a class may, upon not less than sixty (60) days' prior written notice, redeem all, but not less than all, of the then outstanding Second Preferred Shares Series 1 on payment for each share to be redeemed of an amount per share equal to, at the option of holders of the Second Preferred Shares Series 1 given within thirty days after receipt from the Corporation of its notice of proposed redemption, either:

(A) the Adjusted Redemption Price; or

(B) the Common Equivalent Redemption Price;

in either case out of which such payment any applicable withholding tax shall be withheld. If the holders elect to receive the Common Equivalent Redemption Price, the Corporation may, at its election, pay such amount either in cash or by issuing to such holders a number of Common Shares having a value, based on the average Closing Price over the fifteen (15) consecutive Trading Days immediately preceding the date of redemption, equal to the Common Equivalent Redemption Price.

(ii) Restriction on Redemption. The Corporation shall not be entitled to redeem any of the Second Preferred Shares Series 1 at any time prior to the Fourth Anniversary Date unless the Common Shares shall have traded, at any time since July 7, 1998, on a Recognized Exchange at a simple average Closing Price per share of not less than $13.00 (or, if applicable, the Canadian Dollar Equivalent thereof) during any one hundred and twenty (120) consecutive Trading Days prior to the date of the notice of redemption.

5.12 Right of Conversion

(i) The Second Preferred Shares Series 1 shall, subject as hereinafter provided, be convertible into Common Shares on the following conversion basis (the "**Conversion Basis**"), namely the number of Common Shares for each Second Preferred Share Series 1 converted shall be determined by dividing the Conversion Factor (as defined in Section 5.15) in effect at the time of conversion by the Adjusted Conversion Value.

(ii) The conversion provided for in Section 5.12(i) may be effected by:

(A) any of the holders of Second Preferred Shares Series 1 at any time, and

(B) the Corporation

(1) at any time prior to the Fourth Anniversary Date if the common shares shall have traded at any time, since July 7, 1998, on a Recognized Exchange at a simple average Closing Price per share of not less than $13.00 (or, if applicable, the Canadian Dollar Equivalent thereof) during any one hundred and twenty (120) consecutive Trading Days, and

(2) at any time or from time to time on or after the Fourth Anniversary Date.

5.13 Conversion by Holder.

(i) The conversion privilege herein provided for may be exercised by a holder of Second Preferred Shares Series 1 by notice in writing given to the transfer agent for the Second Preferred Shares Series 1 at any office for the transfer of the Second Preferred Shares Series 1 or to the Corporation at its registered office accompanied by the certificate or certificates representing Second Preferred Shares Series 1 in respect of which the holder thereof desires to exercise such right of conversion. Such notice shall be signed by such holder or his duly authorized attorney or agent and shall specify the number of Second Preferred Shares Series 1 which the holder desires to have converted. The transfer form on the certificate or certificates in question need not be endorsed, except in the circumstances hereinafter contemplated. If less than all the Second Preferred Shares Series 1 represented by a certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Corporation, a new certificate representing the Second Preferred Shares Series 1 comprised in the certificate or certificates surrendered as aforesaid which are not to be converted.

On any conversion of Second Preferred Shares Series 1, the share certificates for common shares of the Corporation resulting therefrom shall be issued in the name of the registered holder of the Second Preferred Shares Series 1 converted or in such name or names as such registered holder may direct in writing (either in the notice referred to above or otherwise); in any such case the transfer form on the back of the certificate in question shall be endorsed by the registered holder of the Second Preferred Shares Series 1 or his duly authorized attorney, with signature guaranteed in a manner satisfactory to the Corporation.

(ii) In the case of any Second Preferred Shares Series 1 which may be called for redemption, the right of conversion thereof shall, notwithstanding anything herein contained, cease and terminate at the close of business on the business day immediately preceding the date fixed for redemption, provided, however, that if

the Corporation shall fail to redeem such Second Preferred Shares Series 1 in accordance with the notice of redemption, the right of conversion shall thereupon be restored.

(iii) Subject as hereinafter provided in this Section 5.13(iii), the right of a holder of Second Preferred Shares Series 1 to convert the same into Common Shares shall be deemed to have been exercised, and the registered holder of such Second Preferred Shares Series 1 (or any person or persons in whose name or names any such registered holder of Second Preferred Shares Series 1 shall have directed certificates representing Common Shares to be issued as provided in Section 5.13(i)) shall be deemed to have become a holder of Common Shares of record of the Corporation for all purposes on the date of surrender of certificates representing the Second Preferred Shares Series 1 to be converted accompanied by notice in writing as provided in Section 5.13(i), notwithstanding any delay in the delivery of certificates representing the Common Shares into which such Second Preferred Shares Series 1 have been converted.

5.14 <u>Conversion by Corporation</u>.

(i) In case the Corporation shall desire to exercise the right to cause conversion of the Second Preferred Shares Series 1 pursuant to Section 5.12(i), it shall fix a date for conversion and it shall deliver by hand or mail or cause to be mailed a notice of such conversion at least twenty (20) days prior to the date fixed for conversion to the holders of Second Preferred Shares Series 1 so to be converted at their last addresses as the same appear on the books of the Corporation. Such mailing shall be by ordinary mail. The notice, if delivered or mailed in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to deliver or mail such notice by mail or any defect in the notice to the holder of the Second Preferred Shares Series 1 designated for conversion shall not affect the validity of the proceedings for the conversion of any other shares of Second Preferred Shares Series 1.

Each such notice shall specify the date fixed for conversion, the number of Common Shares into which each Second Preferred Share Series 1 is to be converted, the place or places for surrender of certificates representing such Second Preferred Shares Series 1 and that such Common Shares will be delivered upon presentation and surrender of certificates representing such Second Preferred Shares Series 1. If the notice of conversion is delivered prior to the Fourth Anniversary Date, such notice shall be accompanied by a certificate of an officer of the Corporation certifying that the Common Shares have traded at any time since July 7, 1998, on a Recognized Exchange at a simple average Closing Price per share of not less than $13.00 (or, if applicable, the Canadian Dollar Equivalent thereof) during any consecutive one hundred and twenty (120) Trading Days.

(ii) As promptly as practicable upon receipt of such notice of conversion, each holder of any shares of Second Preferred Shares Series 1 shall surrender the certificate or certificates for such shares of Second Preferred Shares Series 1, duly endorsed, at

a place designated for such surrender along with instructions regarding the name or names (with address) in which the certificate or certificates for Common Shares which shall be issuable on such conversion. Each such share surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the registration of such share of Second Preferred Shares Series 1, be duly endorsed by, or be accompanied by instruments of transfer in form satisfactory to the Corporation duly executed by, the holder or his duly authorized attorney, with signature guaranteed in a manner satisfactory to the Corporation.

As promptly as practicable after satisfaction of the requirements for surrender set forth above, the Corporation shall issue and shall deliver to such holder at the address designated in such instructions a certificate or certificates for the number of full shares issuable upon the conversion of such shares in accordance with the provisions of Sections 5.12 to 5.23 and a cheque or cash in respect of any fractional interest in respect of a common share arising upon such conversion, as provided in Sections 5.12 to 5.23.

Each conversion shall be deemed to have been effected as to any such certificate on the date on which the requirements set forth above in this Section 5.14 (ii) have been satisfied as to such certificate, and the person in whose name any certificate or certificates for Common Shares shall be issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares represented thereby; provided however, that any such surrender on any date when the share transfer books of the Corporation shall be closed shall constitute the person in whose name the certificates are to be issued as the record holder thereof for all purposes on the next succeeding day on which such share transfer books are open, but such conversion shall be at the Conversion Factor in effect on the date upon which such Second Preferred Shares Series 1 shall have been surrendered.

5.15 Conversion Factor.

(i) The initial conversion factor shall be $10.00 (herein called the "**Conversion Factor**") subject to adjustment as provided in this Section 5.15.

(ii) The Conversion Factor shall be adjusted from time to time by the Corporation as follows:

(A) Subject to Sections 5.15(ii)(B), (C) and (D), the Conversion Factor shall be adjusted semi-annually at the rate of 2.5% for each six (6) month period, compounded semi-annually with daily accrual, until the Fourth Anniversary Date, as follows:

Adjustment Date	Conversion Factor
January 7, 1999	\$10.25
July 7, 1999	\$10.51
January 7, 2000	\$10.77

Adjustment Date	Conversion Factor
July 7, 2000	$11.04
January 7, 2001	$11.31
July 7, 2001	$11.60
January 7, 2002	$11.89
Fourth Anniversary Date	$12.18

For greater certainty, from and after the Fourth Anniversary Date, the Conversion Factor shall be $12.18.

(B) If conversion occurs prior to the Fourth Anniversary Date, either, (1) at the option of the Corporation pursuant to Section 5.12(ii)(B), (2) within ninety (90) days following a Change-in-Control Transaction, or (3) following receipt from the Corporation of a notice of redemption pursuant to Section 5.11, the Conversion Factor shall be $12.18, as adjusted by Sections 5.15(ii)(C) and (D);

(C) If and whenever the outstanding Common Shares shall be subdivided into a greater number of Common Shares or a stock dividend is declared in respect of Common Shares, the Conversion Factor in effect at the opening of business on the day following the day upon which such subdivision or stock dividend becomes effective shall be proportionately increased, and conversely, in case the outstanding Common Shares shall be combined into a smaller number of Common Shares, the Conversion Factor in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision, stock dividend or combination becomes effective;

(D) If and whenever the Corporation issues Common Shares (other than (1) pursuant to the exercise of employee stock options, (2) as consideration in connection with acquisitions approved by the Corporation's board of directors, or (3) in a Public Offering) at a gross sale or offering price which is less than 100% of the Current Market Value thereof, the Conversion Factor shall be adjusted to the result obtained by multiplying the Conversion Basis in effect immediately prior to the date of such issuance by a fraction:

(1) the numerator of which shall be the number of common shares outstanding immediately after such issuance; and

(2) the denominator of which shall be the sum of:

(I) the number of common shares outstanding immediately prior to such issuance; and

(II) the number of shares equal to the quotient obtained by dividing

x. the aggregate consideration received pursuant to such issuance by

y. the Current Market Value per common share

and by multiplying the number thereby determined by $7.75.

(iii) Notwithstanding Section 5.15(ii), no adjustment in the Conversion Factor shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 5.15(iii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 5.15 shall be made by the Corporation and shall be made to the nearest cent or to the nearest one one-hundredth of a share, as the case may be.

No adjustment need be made for rights to purchase Common Shares pursuant to a Corporation plan for reinvestment of dividends or interest.

(iv) In any case in which this Section 5.15 provides that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any Second Preferred Share Series 1 converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event over and above the common shares issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount in cash in lieu of any fraction pursuant to Section 5.21.

5.16 Effect of Reclassification.

(i) In the event of any reclassification or change of outstanding Common Shares (other than a change as a result of a subdivision or combination) (a "**Reclassification**"), each Second Preferred Share Series 1 then outstanding shall thereafter be convertible into the kind and amount of shares and other securities or properties receivable upon such reclassification or change by a holder of a number of Common Shares issuable upon conversion of such Second Preferred Share Series 1, provided that such Second Preferred Shares Series 1 shall not be convertible into any property that would cause such Second Preferred Share

Series 1 to be a "short term preferred share" (as defined by the *Income Tax Act* (Canada)). If, pursuant hereto, any property would otherwise be distributable which would cause such Second Preferred Share Series 1 to be a "short term preferred share", such property shall be paid as a dividend-in-kind on the day immediately prior to conversion.

(ii) Notwithstanding anything contained herein to the contrary, the Corporation will not effect any Reclassification unless, prior to the consummation hereof, (A) the Surviving Person thereof shall assume, by written instrument mailed to each holder of Second Preferred Shares Series 1 if such shares are held by fifty (50) or fewer holders or groups of affiliated holders or to each transfer agent for the Second Preferred Shares Series 1 if such shares are held by a greater number of holders, the obligation to deliver such holder such shares or other securities or properties or pay a dividend of such other properties with respect to or in exchange for common shares to which, in accordance with the foregoing provisions, such holder is entitled, and (B) proper provision is made to ensure that the holder of Second Preferred Shares Series 1 will be entitled to receive the benefits afforded by this Section 5.16. Such written instrument should provide for adjustments which shall be as nearly as equivalent as may be practicable to the adjustments provided for in this Section 5.16.

The above provisions of this section shall similarly apply to successive reclassifications and changes.

(iii) If at any time or from time to time the Corporation takes any action that would result in a Reclassification, the Corporation shall cause to be mailed to each holder of Second Preferred Shares Series 1 at his address appearing on the books of the Corporation, as promptly as possible but in any event at least fifteen (15) days prior to the applicable date hereinafter specified, a notice stating the date on which such Reclassification is expected to become effective or occur and the date as of which it is expected that holders of record of Common Shares shall be entitled to exchange their Common Shares for securities or other property deliverable upon such Reclassification. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such Reclassification. Neither the failure to give such notice nor any defect therein shall affect the legality or validity of such Reclassification.

(iv) If this Section 5.16 applies to any event or occurrence, the adjustments provided for in Section 5.15 shall not apply to such event or occurrence.

5.17 <u>Transfer or Similar Taxes on Shares Issued</u>. The issue of share certificates on conversions of Second Preferred Shares Series 1 shall be made without charge to the converting holder of Second Preferred Shares Series 1 for any security transfer or similar tax in respect of the issue thereof. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issue and delivery of shares in any name other than that of the holder of any Second Preferred Shares Series 1 converted, and the Corporation shall not be required to issue or deliver any such share certificate unless and until the person or persons requesting the issue thereof shall have paid to the Corporation the amount

of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

5.18 Shares to be Fully Paid. The Corporation covenants that all Common Shares which may be issued upon conversion of Second Preferred Shares Series 1 will, upon issue, be fully paid and non-assessable by the Corporation and free from all transfer or similar taxes as described in Section 5.17, liens and charges with respect to the issue thereof.

5.19 Reports as to Adjustments. Upon any adjustment of the Conversion Factor then in effect and any increase or decrease in the number of Common Shares issuable upon the operation of the conversion set forth in Sections 5.12 to 5.23, then, and in each such case, the Corporation shall promptly deliver to the transfer agent for the Second Preferred Shares Series 1 and the transfer agent for the Common Shares, a certificate signed by an officer of the Corporation setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the Conversion Factor then in effect following such adjustment and the increased or decreased number of shares issuable upon the conversion set forth in Sections 5.12 to 5.23. The Corporation shall also promptly after the making of such adjustment cause its independent public accountants to give written notice to the registered holders of the Second Preferred Shares Series 1 at the address of each holder as shown on the books of the Corporation maintained by the transfer agent thereof, which notice shall state the Conversion Factor then in effect, as adjusted, and the increased or decreased number of shares issuable upon the exercise of the right of conversion granted by Sections 5.12 to 5.23, and shall set forth in reasonable detail the method of calculation of each with a brief statement of the facts requiring such adjustment. Where appropriate, such notice to holders of the Second Preferred Shares Series 1 may be given in advance and included as part of the notice required under the provisions of Section 5.14.

5.20 Entitlement to Dividends. A holder of Second Preferred Shares Series 1 on the record date for any dividend declared payable on such share will be entitled to such dividend notwithstanding that such share is converted after such record date and before the payment date of such dividend, and the registered holder of any Common Share resulting from any conversion shall be entitled to rank equally with the registered holders of all other Common Shares in respect of all dividends declared payable to holders of Common Shares of record on any date after the date of conversion. Subject as aforesaid, no payment or adjustment will be made on account of any dividend, accrued or otherwise, on the Second Preferred Shares Series 1 converted or the Common Shares resulting from any conversion.

5.21 Avoidance of Fractional Shares. In any case where a fraction of a Common Share or Convertible Preferred Share Series 1 would otherwise be issuable hereunder, whether on conversion of one or more Second Preferred Shares Series 1, as a payment of a dividend or otherwise, the Corporation shall adjust such fractional interest by rounding up or down to the nearest whole share.

5.22 Postponement of Issuance of Shares upon Conversion. In any case where the application of the foregoing provisions results in an increase in the Conversion Factor taking effect immediately after the record date for a specific event, if any Second Preferred Shares Series 1 are converted after that record date and prior to completion of the event, the Corporation may postpone the issuance to the holder of the additional Common Shares to which he is entitled by reason of the increase in the Conversion Factor but such additional Common Shares shall be so issued and delivered to that holder upon completion of the event and the Corporation shall, in the interim, deliver to the holder an appropriate instrument evidencing his right to receive such additional Common Shares.

5.23 Certain Covenants. Any registered holder of Second Preferred Shares Series 1 may proceed to protect and enforce its rights and the rights of such holders by any available remedy by proceeding at law or in equity to protect and enforce any such rights, whether for the specific enforcement of any provision herein or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

5.24 Conflict. In the event of any conflict or inconsistency between any of the Second Preferred Shares Series 1 Provisions and the Second Preferred Shares Class Provisions, such conflict or inconsistency shall be resolved in favour of the Second Preferred Shares Class Provisions.

5.25 Restrictions. Notwithstanding anything contained in these Second Preferred Shares Series 1 Provisions:

(i) the Corporation shall not, without the consent of the holders of the Second Preferred Shares Series 1, issue any equity security, or any security which may be converted into or exchanged for an equity security of the Corporation, in either case where such equity security has liquidation, voting, dividend or redemption rights, terms or privileges which are in priority to those attaching to the Second Preferred Shares Series 1;

(ii) the Corporation shall not pay any non-cash paid-in-kind dividends to the holders of the Second Preferred Shares Series 1 to the extent that the maximum aggregate number of Common Shares into which all of the holders' Second Preferred Shares Series 1 from time to time outstanding are convertible (assuming the maximum conversion rate), including the Second Preferred Shares Series 1 issuable on the payment of such dividend, would exceed the Maximum Common Share Number;

(iii) the outstanding Second Preferred Shares Series 1 shall not, at any time, be converted into a number of Common Shares which exceeds the Maximum Common Share Number, and any adjustment resulting from such prohibition shall be satisfied by the Corporation declaring and paying, immediately prior to conversion, a dividend in cash, out of which adjustment applicable withholding taxes shall be withheld; and

(iv) the Corporation shall not issue Common Shares in a transaction requiring adjustment of the Conversion Factor as contemplated by Section 5.15(ii)(D) to the extent that as a result of such adjustment the common shares into which the

outstanding Second Preferred Shares Series 1 would be convertible (assuming the maximum conversion rate) would exceed the Maximum Common Share Number.

5.26 Amendments. Sections 5.1 to 5.27 inclusive, of the Second Preferred Shares Series 1 Provisions may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Second Preferred Shares Series 1 given as hereinafter specified, in addition to any other approval required by the *Canada Business Corporations Act*.

5.27 Sanction by Holders of Second Preferred Shares Series 1. The sanction of holders of the Second Preferred Shares Series 1 as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Second Preferred Shares Series 1 may be given and shall be deemed to have been sufficiently given if given by the holders of the Second Preferred Shares Series 1 in the manner provided in the Second Preferred Shares Series 1 Provisions with respect to the sanction of the holders of any series of the Second Preferred Shares and the said provisions shall apply *mutatis mutandis*.

6.0 COMMON SHARES

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

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

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

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

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

(i) effect an exchange, reclassification or cancellation of all or part of the Common Shares;

(ii) create a new class of shares equal or superior to the Common Shares; or

(iii) increase any maximum number of authorized shares of any class of shares having rights or privileges equal or superior to the Common Shares,

without in any of such cases the holders of the Common Shares being entitled to vote separately thereon as a class; provided, however, that the holders of common shares shall always be entitled to vote in any of such cases in accordance with Section 6.1 hereof.

SCHEDULE "B" TO THE ARTICLES OF AMALGAMATION
OF
COTT CORPORATION
CORPORATION COTT

7. Other provisions, if any

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

(a) borrow money upon the credit of the Corporation and limit or increase the amount to be borrowed;

(b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness, guarantees or securities of the Corporation, whether secured or unsecured;

(c) to the extent permitted by the *Canada Business Corporations Act*, give guarantees on behalf of the Corporation to secure performance of any obligation of any person or give, directly or indirectly, financial assistance to any person on behalf of the Corporation by means of a loan, guarantee or otherwise;

(d) mortgage, hypothecate, pledge or otherwise, the real or personal, movable or immovable property of the Corporation, currently owned or subsequently acquired, including book debts, rights, powers, franchises and undertakings, to secure any present or future debt obligations or any money borrowed or other debt, liability or obligation of the Corporation, including any bonds, debentures, notes, create a security interest in all or any of debenture stock, other evidences of indebtedness, guarantees or securities of the Corporation which it is by law entitled to issue; and

(e) delegate to one or more of the directors or officers of the Corporation all or any of the powers conferred by the foregoing provisions to such extent and in such manner as the Board of Directors shall determine at the time of each such delegation.

For the purposes of the *Special Corporate Powers Act* of the Province of Quebec and without in any way limiting the powers conferred upon the Corporation and its directors by Section 189 of the *Canada Business Corporations Act*, the Corporation, may for the purpose of securing any bonds, debentures or debenture stock which it is by law entitled to issue, hypothecate, mortgage or pledge, and cede and transfer, any property, movable or immovable, present or future, which it may own.

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

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

DESCRIPTION OF COTT COMMON SHARES

Cott Corporation ("Cott" or the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: common shares, no par value per shares. Pursuant to its articles of amalgamation, as amended (its "articles"), Cott is authorized to issue:

- an unlimited number of common shares, no par value per share;
- an unlimited number of first preferred shares issuable in series;
- an unlimited number of first series of first preferred shares designated as Series A Convertible First Preferred Shares;
- an unlimited number of second series of first preferred shares designated as Series B Non-Convertible First Preferred Shares;
- an unlimited number of second preferred shares issuable in series; and
- an unlimited number of first series of second preferred shares designated as convertible, participating voting Second Preferred Shares, Series 1 (the first preferred shares, Series A Convertible First Preferred Shares, Series B
  Non-Convertible First Preferred Shares, second preferred shares and Second Preferred Shares, Series 1 are collectively referred to as the "preferred shares").

The following summary describes the material terms of Cott's common shares but is not complete and is qualified by reference to Cott's articles, and the second amended and restated by-law no. 2002-1 of Cott, as amended (the "2002-1 by-laws") and by-law no. 2002-2 of Cott (the "2002-2 by-laws" and together with 2002-1 bylaws, its "by-laws"), as each may be amended from time to time and filed as exhibits to Cott's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

Common Shares

The holders of Cott common shares are entitled to one vote per share on all matters to be voted on by the common shareowners. The holders of Cott common shares are not entitled to cumulative voting in the election of directors. Therefore, holders of a majority of the shares voting for the election of directors can elect all directors. Subject to preferences of any outstanding shares of preferred stock, the holders of Cott common shares are entitled to receive ratably any dividends Cott's board of directors may declare out of funds legally available for the payment of dividends. If Cott is liquidated, dissolved or wound up, the holders of Cott common shares are entitled to share pro rata in all assets remaining after payment of, or provision for, liabilities and liquidation preferences of any outstanding shares of preferred stock. Holders of Cott common shares have no pre-emptive rights or rights to convert their common shares into any other securities. There are no redemption or sinking fund provisions applicable to the common shares. All outstanding common shares are fully paid and non-assessable.

Preferred Shares

Pursuant to its articles, Cott's board of directors has the authority, without further action by the stockholders, to issue an unlimited number of both convertible and non-convertible preferred shares, which it issued in 2014 to finance a portion of the purchase price for an acquisition. All outstanding preferred shares were redeemed in 2015 for cash, and Cott has no plans to reissue those securities.

Pre-emptive Rights

Under Canadian law, a stockholder is not entitled to pre-emptive rights to subscribe for additional issuances of common stock or any other class or series of common stock or any security convertible into such stock in proportion to the shares that are owned unless there is a provision to the contrary in the articles of amalgamation. Cott's articles do not provide that Cott shareowners are entitled to pre-emptive rights.

Anti-Takeover Effects of Certain Provisions of Cott's Articles and Cott's By-laws

Provisions of Cott's articles, Cott's by-laws, Cott's shareholder rights plan and Canadian law could have the effect of delaying or preventing a third party from acquiring Cott, even if the acquisition would benefit Cott's shareowners. These provisions may delay, defer or prevent a tender offer or exchange offer or takeover attempt of Cott that a shareowner might consider in the shareowner's best interest, including those attempts that might result in a premium over the market price for the shares held by Cott shareowners. These provisions are intended to enhance the likelihood of continuity and stability in the composition of Cott's board of directors and in the policies formulated by the board of directors and to reduce vulnerability to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of Cott's outstanding shares, or an unsolicited proposal for Cott's restructuring or sale of all or part of Cott's business.

Unlimited Authorized but Unissued Common Shares and Preferred Shares

Unlimited authorized but unissued common shares and preferred shares are available for Cott's board of directors to issue without shareowner approval. As noted above, the board of directors, without shareowner approval, has the authority under Cott's articles to issue preferred shares with rights superior to the rights of the holders of common shares. As a result, preferred shares could be issued quickly, adversely affect the rights of holders of common shares and be issued with terms calculated to delay or prevent a change of control or make removal of management more difficult. Cott may use the unlimited authorized common shares or preferred shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of Cott's unlimited authorized but unissued common shares and preferred shares could render more difficult or discourage an attempt to obtain control of Cott by means of a proxy contest, tender offer or exchange offer, merger or other transaction.

Shareowner Action; Special Meetings of Shareowners

Cott's articles and by-laws provide that no action shall be taken by the shareowners except at an annual or special meeting of the shareowners called in accordance with Cott's by-laws or by written resolution signed by all shareowners entitled to vote on such resolution at a meeting of the shareowners, subject to a written statement with respect to the subject matter of the resolution submitted by a director or Cott's auditor in accordance with Canadian law.

Cott's articles also provide that special meetings of Cott's shareowners may be called only by Cott's board of directors, the chairman of the board of directors, the chairman of the executive committee or the president. However, the Canada Business Corporations Act (the "CBCA") provides that shareowners of not less than five percent of the issued shares of a corporation that carry the right to vote at a meeting sought to be held may requisition the directors to call a meeting of the shareowners for the purposes stated in such requisition. Upon receiving the requisition, the board of directors shall call a meeting of shareowners, unless (1) the board of directors have set a record date or called for a shareowners' meeting and notice of this date has been given in accordance with the CBCA, or (2) the business of the meeting stated in the requisition clearly appears (a) to have as its primary purpose the enforcement of a personal claim or redress of a personal grievance against the corporation or its directors, officers or security holders or (b) not to relate in a significant way to the business or affairs of the corporation.

Shareholder Rights Plan

Cott is party to a shareholder rights plan agreement, pursuant to which one common share purchase right was issued for each outstanding Cott common share. Upon the occurrence of a transaction or event resulting in the beneficial ownership of 20% or more of the outstanding Cott common shares by one person, other than Cott or a subsidiary of Cott, and subject to certain other exceptions, purchase rights beneficially owned by such acquiring person or its affiliates will become void and the purchase rights (other than those beneficially owned by the acquiring person and its affiliates) entitle the holder to purchase, at a predetermined exercise price, that number of common shares having an aggregate market price equal to twice the exercise price, subject to adjustment in certain circumstances.

The shareholder rights plan must be reconfirmed at every third annual meeting of Cott's shareowners following the 2018 Annual and Special Meeting of Shareowners or will otherwise terminate on the date of such third annual meeting. Notwithstanding the foregoing, the purchase rights will terminate on the close of business on May 1, 2028.

Advance Notice Requirements for Shareowner Proposals and Director Nominations

Cott's by-laws provide that shareowners seeking to nominate candidates for election as directors at a meeting of shareowners must provide Cott with timely written notice of their proposal. Cott's by-laws also specify requirements as to the form and content of a shareowner's notice. These provisions may preclude shareowners from making nominations for directors at an annual meeting of shareowner.

Amendment to Cott's Articles and Cott's By-laws

Under the CBCA, an amendment to the articles of amalgamation generally requires the approval of not less than two-thirds of the votes cast by shareowners who voted in respect of that resolution. The

CBCA further provides that, unless the articles, by-laws or a unanimous shareowner agreement otherwise provide, the directors may, by resolution, make, amend or repeal any by-laws that regulate the business or affairs of the corporation. When the directors amend or repeal a by-law, they are required to submit the change to the shareowners at the next meeting. Shareowners may confirm, reject, or amend the by-laws amendment or repeal by a resolution passed by a majority of the votes cast by the shareowners who voted in respect of that resolution.

Canadian Law

The CBCA does not contain a comparable provision to Section 203 of the DGCL's anti-takeover law. However, certain Canadian securities regulatory authorities, including the Ontario Securities Commission, have addressed related party transactions in Multilateral Instrument 61-101—*Take-Over Bids and Special Transactions*, or "MI 61-101." In a related party transaction, an issuer acquires or transfers an asset or treasury securities, or assumes or transfers a liability, from or to a related party in one or any combination of transactions. A related party is defined in the policies to include directors, senior officers and holders of at least 10% of the issuer's voting securities. MI 61-101 requires detailed disclosure in the proxy material sent to security holders in connection with a related party transaction. In addition, subject to certain exceptions, the policies require the proxy material to include a formal valuation of the subject matter of the related party transaction and any non-cash consideration and a summary of the valuation. The policies also require, subject to certain exceptions, that the shareowners of the issuer, other than the related party and its affiliates, separately approve the transaction.

Certain identified information, marked by [***], has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

DATED 14 FEBRUARY 2019

AIMIA FOODS LIMITED (1)

and

STEVEN KITCHING (2)

CONTRACT OF EMPLOYMENT

DATE OF AGREEMENT **14 February 2019**

PARTIES

(1) **AIMIA FOODS LIMITED** (Company Number 01542173) whose registered office is at Penny Lane, Haydock, Merseyside, WA11 0QZ (the **"Company"**)

(2) **STEVEN KITCHING** of [***] (**"You"**)

IT IS AGREED THAT:

1 DEFINITIONS AND INTERPRETATION

1.1 In this agreement the following words and phrases shall have the following meaning:

"Group" means the Company, its subsidiaries, any holding company of the Company and any subsidiary of such holding company (all as defined in section 1159 of the Companies Act 2006) and any associated company (which expression shall mean any other company of which the Company or its holding company or any subsidiary of the Company or its holding company beneficially holds not less than 20% of the equity share capital) and any reference to **"Group Company"** shall be construed accordingly.

"Intellectual Property Rights" means any copyrights, rights in designs, registered designs, trademarks, service marks, the goodwill in any trademarks, rights in confidential information, rights in and to any inventions, patents, design patents, utility patents and the right to apply for and be granted any of these rights and the right to claim priority from any such application.

1.2 Any reference to a statutory provision includes all re-enactments and modifications of that provision and any regulations made under it or them.

1.3 The headings in this agreement are for convenience only. They do not form part of this agreement and do not affect its interpretation.

2 COMMENCEMENT

Your employment under this agreement will begin on the date of this agreement. For statutory purposes your period of continuous employment commenced on 14 July 2008.

3 JOB TITLE/DUTIES

3.1 Your job title is Executive Chair, Route Based Services and Chairman, UK. You will report to Tom Harrington (CEO of Cott Corporation).

3.2 You acknowledge and agree that you will at all times during your employment (including during any period of suspension or while on garden leave in accordance with clause 17.3), be subject to a duty of goodwill, trust, confidence, exclusive service, faith and fidelity to the Company. These duties include, without limitation, the obligation throughout the duration of this agreement:

(a) not to compete with any Group Company;

(b) not to make preparations (during such hours as you should be providing services under this agreement) to compete with any Group Company after this agreement has terminated;

(c) not to solicit in competition with any Group Company any customer or customers of any Group Company;

(d) not to entertain invitations to provide services either in a personal capacity or on behalf of any third party from actual or prospective customers of any Group Company where such invitations relate to services which could be provided by any Group Company;

(e) not to offer employment elsewhere to employees of any Group Company;

(f) not to copy or memorise Confidential Information (as defined in clause 13) or trade secrets of any Group Company with a view to using or disclosing such information for a purpose other than for the benefit of any Group Company;

(g) not without the prior written consent of the Company engage in any form of business or employment other than your employment with the Group whether inside or outside your normal hours of work. In the event permission is granted for you to engage in other employment outside your normal hours of work, you are required to notify the Company of the hours worked each week and to discontinue it if an actual or potential conflict of interest between that activity and your work for the Company arises; and

(h) not to encourage, procure or assist any third party to do anything which, if done by you, would be a breach of (a) to (f) above.

4 TRAVEL

4.1 You may be required to travel on Company business. This may involve travelling outside normal business hours and at weekends and bank or public holidays should the need arise. Reasonable expenses will be paid for such travel as detailed in clause 7.

4.2 For the purposes of Part 1 of the Employment Rights Act 1996, it is not expected that you will be required to work outside the United Kingdom for more than one month at a time.

5 REMUNERATION

You will be paid £166,000 (**"Salary"**) gross per annum for the performance of your duties which will be paid monthly in arrears by BACS on or before the last working day of each month. Your Salary accrues daily and will be credited directly to your bank account, less tax and employee National Insurance contributions.

6 BONUS TARGET

6.1 The amount of your bonus target is 75% of your Salary.

6.2 Please note that the bonus plan is entirely discretionary, and the Company reserves in its absolute discretion the right to terminate or amend it or any other bonus plan that may be established.

7 BUSINESS EXPENSES

You will be reimbursed for all reasonable travelling, hotel and other business expenses incurred by you in or about the proper performance of your duties and properly authorised by the CEO. You must produce evidence of your expenses in the form required by the Company from time to time and you must claim your expenses in the manner specified by the Company from time to time. The Company reserves the right to refuse to reimburse expenses for which no satisfactory evidence has been produced.

8 PENSION SCHEME

You have provided the Company with a certificate from HMRC, which confirms that you are protected for tax purposes under HMRC’s Fixed Protection 2014 requirements. Accordingly, the Company has not automatically enrolled you in its pension scheme and as such, you have no pension with the Company.

9 CAR ALLOWANCE

The Company will provide you with an annual car allowance of £12,000 to be paid in equal monthly instalments (less tax and employee National Insurance) with your Salary. For the avoidance of doubt, the car allowance is not included in your basic pay and will not count towards other terms and conditions of employment which are related to your basic pay.

10 OTHER BENEFITS

During this agreement you will be eligible to participate at the Company's expense in the Company's:

(a) life assurance scheme; and

(b) private medical expenses insurance scheme (immediate family cover).

11 HOLIDAYS

11.1 You are entitled to 13 working days' paid holiday in each complete holiday year, which is exclusive of bank/public holidays. The rate of pay due in respect of each bank holiday or working day’s paid holiday will consist of the proportion of your Salary that is relative to the normal hours of work of the day in question.

11.2 Entitlement to holidays and holiday pay cannot be carried over to the next holiday year or brought forward except by prior written agreement from the

Company. There is no payment in lieu in respect of any holiday untaken at the end of the holiday year.

11.3 On termination of your employment, your entitlement to accrued holiday pay will be directly in proportion to your service during the holiday year in which the termination took place. If on termination of employment you have taken holidays in excess of the holidays equivalent to the proportion of the holiday year in which you have been employed by the Company up to the date of termination, the Company will be entitled to deduct from any sums payable to you a sum in respect of each day's holiday taken in excess of such entitlement.

12 INCAPACITY

12.1 Information relating to the Company's sickness procedure and your entitlement to sick pay can be found in the Staff Handbook. Any Company sick pay paid in addition to Statutory Sick Pay is paid at the absolute discretion of the Company.

12.2 If you are absent by reason of sickness, injury or other incapacity, you agree at the request of the Company to undergo one or more medical examinations performed by a doctor appointed and paid for by the Company. You authorise the Company to have unconditional access to any report produced as a result of such examination and to any relevant medical information held on you by your own doctor.

13 CONFIDENTIALITY

13.1 During your employment, you will be exposed to information about the business, technology, processes, products, plans, financial or other information or data of the Group and that of the Group's suppliers and customers which may amount to a trade secret, be confidential or commercially sensitive and which if misused or disclosed could cause significant harm to the Group. Such information, whether communicated to you in writing, on computer disk or in any other medium (and whether or not it is marked as confidential), is referred to in this agreement as "Confidential Information" and includes without limitation:

(a) details of how the Group prices its products or services including any discounts or non-standard terms offered to any clients;

(b) the Group's Intellectual Property Rights;

(c) information relating to the Group's suppliers and the terms and conditions (including any prices and discounts) agreed with them;

(d) information relating to the Group's clients or customers and the terms and conditions (including any prices and discounts) agreed with them;

(e) research and development projects of the Group;

(f) the Group's marketing and sales strategies and plans;

(g) potential acquisitions and disposals by the Group;

(h) the Group's financial and sales performance;

(i) any processes, inventions, designs, know-how, discoveries, technical specifications and other technical information relating to the creation, production or supply of any past, present or future product or service of the Group; and

(j) any other categories of confidential information that we want to protect and which we notify to you in writing as being confidential or which by its nature or the surrounding circumstances is clearly confidential.

13.2 You will not during the term of this agreement or following its termination use, disclose or permit to be used or disclosed (except in connection with the performance of your duties or as required by law) any Confidential Information.

13.3 The restrictions contained in this clause do not apply to:

(a) any disclosure authorised by the Company or required in the ordinary and proper course of your employment or as required by the order of a court of competent jurisdiction or an appropriate regulatory authority or otherwise required by obligation of public law;

(b) any information that you can demonstrate was known to you prior to the commencement of your employment by any Group Company;

(c) any information which is already in, or comes into, the public domain other than through your unauthorised disclosure or breach of confidence; or

(d) any information being a protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

13.4 The provisions of this clause 13 shall survive any termination of this agreement and shall remain in force in relation to any item of Confidential Information for so long as it is still properly regarded by the Company as being confidential.

14 INTELLECTUAL PROPERTY

14.1 You will promptly disclose in writing to us full details of any works of any nature which you make (alone or with others) during the course of your employment with us.

14.2 Subject to sections 39 – 42 of the Patents Act 1977, all Intellectual Property Rights existing (or which may in the future exist) in any works created by you during the course of your employment or by using materials, tools, information or opportunities made available to you through your employment shall belong to us and you hereby assign all such Intellectual Property Rights to us, free from all encumbrances.

14.3 Subject to sections 39 – 42 of the Patents Act 1977, if required by us to do so, whether during or after the termination of your employment, you will sign any documents and do anything necessary to give effect to this clause 14.

14.4 You hereby waive, on a worldwide basis, in favour of us all your rights pursuant to sections 77 - 89 inclusive of the Copyright Designs and Patent Act 1988 in any works you may create during the course of your employment.

14.5 You hereby appoint the Company to be your attorney in your name and on your behalf to execute or complete any document or do any such thing and generally to use your name for the purposes of giving to us (or our nominee or successors) the full benefit of the provisions of this clause 14.

14.6 The provisions of this clause 14 shall remain in full force and effect following any termination of this agreement for any reason, whether such termination is lawful or not.

15 RESTRICTIVE COVENANTS

15.1 You agree that you will comply with the post-termination obligations set out in Schedule 1 of this agreement.

15.2 You will not, either during your employment or at any time after its termination, knowingly make any untrue or misleading statement in relation to any Group Company and you should not from the date your employment is terminated represent yourself as still being employed by or connected with any Group Company unless the particulars are specifically agreed in writing with the Company.

15.3 If you apply for or are offered new employment or a new appointment or engagement before entering into any related contract, you agree to bring the terms of Schedule 1 of this agreement to the attention of a third party proposing directly or indirectly to employ, engage or appoint you.

16 DISCIPLINARY AND GRIEVANCE PROCEDURES

16.1 The Company's disciplinary and grievance procedures are set out in the Staff Handbook. Those procedures do not form part of your contract of employment.

16.2 If you have any grievance relating to your employment, you should raise it in the first instance with the CEO, in accordance with the Company's grievance procedure.

16.3 If you are dissatisfied with any disciplinary decision taken against you, you may appeal to the CEO within 5 working days.

17 TERMINATION

17.1 The period of written notice required to be given by you or by the Company to terminate your employment shall be 9 months'.

17.2 The Company reserves the right to dismiss you without notice or payment in lieu of notice if it has reasonable grounds to believe you are guilty of gross misconduct or gross negligence or if there are other substantial grounds justifying your immediate dismissal including any significant breach of your contractual obligations.

17.3 During any period of notice, and provided that the Company continues to pay your Salary and all benefits to which you are contractually entitled (or to pay a sum in lieu of the value of such benefits) until the termination of your employment, you agree that the Company is entitled at its absolute discretion to place you on garden leave. During any such period of garden leave you must not, except as authorised by the Company:

(a) attend any premises of any Group Company during the remaining period of your notice (or any part of such period); and

(b) make contact (including socially) with any employees, agents, suppliers or customers or clients of any Group Company except as directed by the Company during the remaining period of your notice (or any part of such period).

17.4 In addition to clause 17.3, during any period of garden leave, the Company may require you to:

(a) not carry out your duties or exercise your responsibilities under this agreement during the remaining period of your notice period (or any part of such period);

(b) return to the Company all documents, computer disks, laptop computers, Blackberry, mobile telephone, iPhones or similar devices and other property (including summaries, extracts or copies) belonging to the Company (or any Group Company or to its or their clients or customers;

(c) carry out exceptional duties or special projects outside the normal scope of your duties and responsibilities.

17.5 Whether or not either party has served notice to terminate this agreement under clause 17.1, the Company may, at its absolute discretion, terminate your employment at any time by notifying you in writing that it is exercising its right under this clause 17.5 to dismiss you with immediate effect and that it will be making a payment to you in line with the provisions of this clause 17.5 and of clause 17.6. Such a payment will be equivalent to your basic annual salary and contractual benefits (subject to deduction of tax and National Insurance contributions) which would have been payable during your notice period or any unexpired balance thereof.

17.6 We reserve the right to pay any sums due under clause 17.5 in equal monthly instalments during what would have been the unexpired portion of your contractual notice period.

17.7 If we terminate your employment without the written notification referred to in clause 17.5 then you will have no contractual entitlement to the pay in lieu of notice referred to in that clause.

18 DEDUCTIONS

For the purposes of the Employment Rights Act 1996, you authorise the Company at any time during the continuance of this agreement and in any event on termination howsoever arising, to deduct from your remuneration (which for this purpose includes Salary, pay in lieu of notice, commission, bonus, holiday pay and sick pay) all debts owed by you to any Group Company, including but without limitation the balance outstanding of any loans (and interest where appropriate) advanced by the Company to you, the cost of repairing any damage or loss to the Company's property caused by you

and any loss suffered by the Company as a result of any neglect or breach of duty by you.

19 DATA PROTECTION

19.1 The Company places the highest importance on compliance with all applicable data protection laws in force from time to time, including but not limited to the General Data Protection Regulation as enacted into UK law ("Data Protection Laws").

19.2 The Company shall hold and process personal data (including special categories of personal data) relating to you in manual and automated filing systems. Details about how and why the Company generally processes employee personal data (including your personal data) are set out in the Company's staff privacy notice, the current version of which is available from HR. By entering into this agreement, you confirm that you have read and understood the Company's staff privacy notice.

19.3 It is important that all Company employees take appropriate steps to protect personal data and use it lawfully. Accordingly, you shall treat all personal data relating to any person, whether within or outside the Company, which you acquire in the proper course of your employment in effect as if it were confidential information of the Company and shall not do or omit to do anything that would put the Company in breach of Data Protection Laws. You also confirm that you will comply with the Company's current data protection policy and other Company policies relating to the security and use of personal data, copies of which are available from HR. A failure to comply with these policies may be dealt with under the Company's disciplinary procedure and, in deliberate or very serious cases of data misuse, may be treated as gross misconduct potentially leading to summary dismissal.

19.4 You agree to keep the Company informed of any changes to your personal data.

20 COLLECTIVE AGREEMENTS

There are no collective agreements with trade unions that directly affect the terms and conditions of your employment.

21 NOTICES

21.1 Any notice to be given under this agreement to you may be given to you personally or sent to you by pre-paid first class letter addressed to you at your last known place of residence. Any notice to be given to the Company should be addressed to the Chief Executive Officer of Cott Corporation with a copy to the Vice President, General Counsel and Company Secretary and may be served by leaving it at or sending it by pre-paid first class letter to him at our registered office for the time being.

21.2 Any such notice will be deemed to have been received: if delivered personally, at the time the notice is left at the address or given to the addressee; or in the case of pre-paid first class post, at 9am on the second business day after posting.

22 ENTIRE AGREEMENT

This agreement constitutes the entire agreement between the parties and cancels and is in substitution for all previous letters of engagement, agreements, representations, offers and arrangements (whether oral or in writing) relating to your employment, all of which shall be deemed to have been terminated by mutual consent with effect from the date on which your employment commenced.

23 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person (including your spouse or civil partner or dependants) other than a party to this agreement has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce the terms of this agreement.

24 SEVERANCE

If any provision or part of this agreement is held to be invalid or unenforceable:

(a) such provision shall be deemed deleted and severed from this agreement;

(b) amendments to this agreement may be made by the addition or deletion of wording as appropriate to replace the invalid part or provision with such provision that retains the closest possible effect to the invalid provision or part and is both valid and enforceable; and

(c) the validity and enforceability of the other provisions of this agreement shall not be affected.

25 GOVERNING LAW AND JURISDICTION

25.1 This agreement will be governed by and construed in accordance with the law of England and Wales.

25.2 The parties submit to the exclusive jurisdiction of the courts of England and Wales in connection with any claim, dispute or matter arising out of or relating to this agreement.

25.3 Any delay by the Company in exercising any of its rights under this agreement will not constitute a waiver of such rights.

Schedule 1

Post-Termination Obligations

1.1 You undertake that you will not without the Company's prior written approval, whether by yourself or on behalf of any other person, firm or company whether directly or indirectly:

(a) during the period of 12 months following the termination of your employment solicit or seek to obtain orders for Restricted Services and/or Restricted Products from any Restricted Customer;

(b) during the period of 12 months following the termination of your employment provide any Restricted Services and/or Restricted Products to any Restricted Customer;

(c) during the period of 12 months following the termination of your employment persuade or attempt to persuade any Restricted Employee to terminate their employment with the Company whether or not that employee is thereby in breach of their own contract with the Company;

(d) during the period of 12 months following the termination of your employment be engaged, concerned or interested, whether as a principal, shareholder, partner, employee, or agent or otherwise, in (or otherwise within the Restricted Territory carry on or be engaged or concerned or interested in, or provide technical, commercial or professional advice to) any business which supplies Restricted Products and/or Restricted Services in competition with any Group Company.

1.2 For the purposes of clause 1.1 the following words and phrases shall have the following meanings:

(a) "Restricted Customer" means any person, firm or company who is or was a client or customer of the Company for the sale or supply of Restricted Services and/or Restricted Products or in the habit of dealing with the Company for the sale or supply of Restricted Services and/or Restricted Products during the last 12 months of your employment.

(b) "Restricted Employee" means any person employed by the Company at the date on which your employment is terminated who is a senior manager, senior new business person or executive or is of the same or similar grade to you.

(c) "Restricted Products" means products of the same kind or of a materially similar kind as those provided by the Company during the 12 months immediately prior to the termination of your employment.

(d) "Restricted Services" means services of the same kind or of a materially similar kind as those provided by the Company during the 12 months immediately prior to the termination of your employment.

(e) "Restricted Territory" means the UK.

1.3 Each of these covenants is independent and severable from the other covenants and enforceable accordingly. If any covenant is unenforceable for any reason but would be enforceable if part of the wording was deleted, it will apply with such deletions as may be necessary to make it valid and enforceable.

1.4 The duration of these restrictive covenants is reduced by an amount equal to the time that we place you on garden leave.

IN WITNESS of which this agreement has been executed and, on the date set out above, delivered as a deed.

EXECUTED as a deed by **AIMIA FOODS LIMITED** acting by
a director in the presence of:

Director

Signature : **/s/ Claire Duffy**

Name : **Claire Duffy**

Witness

Signature : **/s/ Matthew Vernon**

Name : **Matthew Vernon**

SIGNED as a deed by **STEVEN KITCHING** in the presence of:

Signature : **/s/ Steven Kitching**

Name : **Steven Kitching**

EXHIBIT 21.1

LIST OF SUBSIDIARIES OF COTT CORPORATION

	Name of Subsidiary	Jurisdiction of Incorporation or Organization	Direct or Indirect Percentage of Ownership
1	Aimia Foods EBT Company Limited	United Kingdom	100%
2	Aimia Foods Group Limited	United Kingdom	100%
3	Aimia Foods Holdings Limited	United Kingdom	100%
4	Aimia Foods Limited	United Kingdom	100%
5	Aquaterra Corporation	Canada	100%
6	Café Espresso Italia Ltd	Israel	100%
7	Carbon Netherlands B.V.	Netherlands	100%
8	Chateau d'Eau SAS	France	100%
9	Chateaud’eau Sarl	France	100%
10	Clearwater Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság	Hungary	100%
11	Cott (Barbados) IBC Ltd.	Barbados	100%
12	Cott Beverages Netherlands B.V.	Netherlands	100%
13	Cott Cayman	Cayman Islands	100%
14	Cott Europe Trading Limited	United Kingdom	100%
15	Cott Holdings Inc.	Delaware	100%
16	Cott Limited	United Kingdom	100%
17	Cott Retail Brands Limited	United Kingdom	100%
18	Cott Switzerland GmbH	Switzerland	100%
19	Cott UK Acquisition Limited	United Kingdom	100%
20	Cott Ventures UK Limited	United Kingdom	100%
21	Decantae Mineral Water Limited	United Kingdom	100%
22	Dispensing Coffee Club (IAI-2003) Ltd	Israel	100%
23	DS Customer Care, LLC	Delaware	100%
24	DS Services of America, Inc.	Delaware	100%
25	Eden Centro Especial De Empleo S.L.U.	Spain	100%
26	Eden Distrybucja Sp. Zoo	Poland	100%
27	Eden Springs (Denmark) AS	Denmark	100%
28	Eden Springs (Deutschland) GmbH	Germany	100%
29	Eden Springs (Europe) S.A.	Switzerland	100%
30	Eden Springs (Norway) AS	Norway	100%
31	Eden Springs (Sweden) AB	Sweden	100%
32	Eden Springs (Switzerland) SA	Switzerland	100%
33	Eden Springs Espana S.A.U	Spain	100%
34	Eden Springs Estonia OÜ	Estonia	100%
35	Eden Springs Hellas SA	Greece	99.995%
36	Eden Springs i Porla Brunn AB	Sweden	100%
37	Eden Springs International S.A.	Switzerland	100%
38	Eden Springs Latvia SIA	Latvia	100%

39	Eden Springs Limited Liability Company	Russia	100%
40	Eden Springs Nederland B.V.	Netherlands	100%
41	Eden Springs OY Finland	Finland	100%
42	Eden Springs Portugal S.A.	Portugal	100%
43	Eden Springs Scandinavia AB	Sweden	100%
44	Eden Springs sp. z o.o.	Poland	100%
45	Eden Springs UK Ltd	United Kingdom	100%
46	Eden Water and Coffee Deutschland GmbH	Germany	100%
47	Fore Acquisition Corporation	Delaware	100%
48	Fore Merger LLC	Delaware	100%
49	Garraways Ltd	United Kingdom	100%
50	Hydropure Distribution Ltd	United Kingdom	100%
51	John Farrer & Company (Kendal) Limited	United Kingdom	100%
52	Kafevend Group Ltd	United Kingdom	100%
53	Kafevend Holdings Ltd	United Kingdom	100%
54	Mey Eden Ltd	Israel	100%
55	Mountain Valley Holdings LLC	Delaware	100%
56	Mountain Valley Logistics, LLC	Arkansas	100%
57	Mountain Valley Springs Company LLC	Arkansas	100%
58	Old WCS (Bottlers) Limited	United Kingdom	100%
59	Pauza Coffee Services Ltd	Israel	100%
60	Pure Choice Watercoolers Ltd	United Kingdom	100%
61	S. & D. Coffee, Inc.	North Carolina	100%
62	Selda Distribuciones Iberia, S.L.U.	Spain	100%
63	SEMD, Société des eaux minérales de Dorénaz SA	Switzerland	100%
64	SIA << OCS Services >>	Latvia	100%
65	Stockpack Limited	United Kingdom	100%
66	Tea UK Limited	United Kingdom	100%
67	The Interesting Drinks Company Limited	United Kingdom	76%
68	The Shakespeare Coffee Company Ltd	United Kingdom	100%
69	Total Water Solutions Limited	United Kingdom	100%
70	TWS Bidco 1 Limited	United Kingdom	100%
71	UAB Eden Springs Lietuva	Lithuania	100%
72	Water Coolers (Scotland) Limited	United Kingdom	100%

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S‑8 (No. 333-224772, 333-204286, 333-204285, 333-188735 and 333-166507) and Form S-3 (No. 333-204287) of Cott Corporation of our report dated February 26, 2020 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10‑K.

/s/ PricewaterhouseCoopers LLP
Tampa, Florida
February 26, 2020

EXHIBIT 31.1

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

I, Thomas J. Harrington, certify that:

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

/s/ Thomas J. Harrington

Thomas J. Harrington
Chief Executive Officer
Dated: February 26, 2020

EXHIBIT 31.2

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

I, Jay Wells, certify that:

1. I have reviewed this annual report on Form 10-K of Cott Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jay Wells

Jay Wells
Chief Financial and Administrative Officer
Dated: February 26, 2020

EXHIBIT 32.1

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

The undersigned, Thomas J. Harrington, Chief Executive Officer of Cott Corporation (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the year ended December 28, 2019 (the "Report").

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 26th day of February, 2020.

/s/ Thomas J. Harrington

Thomas J. Harrington
Chief Executive Officer

EXHIBIT 32.2

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

The undersigned, Jay Wells, Chief Financial and Administrative Officer of Cott Corporation (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the year ended December 28, 2019 (the "Report").

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 26th day of February, 2020.

/s/ Jay Wells

Jay Wells
Chief Financial and Administrative Officer