

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

CULLIGAN SOFT WATER COMPANY; CECIL R. HALL; C&D OF ROCHESTER, LLC; DRIESSEN WATER, INC.; MICHAEL A. BANNISTER; T&B ENTERPRISES, INC.; CALIFORNIA WATER & FILTER, INC.; SHAR SHER I, INC.; WATER QUALITY IMPROVEMENT, INC.; CULLIGAN SOUTHWEST, INC.; CAREY WATER CONDITIONING, INC.; MICHAEL CAREY; ERIC B. CLARKE; CULLIGAN WATER CONDITIONING (BARRIE) LIMITED; ARTHUR H. COOKSEY, JR.; CORBETT'S WATER CONDITIONING, INC.; GLEN CRAVEN; QUALITY WATER WORKS, INC.; DONALD R. DAMMEL; MAYER SOFT WATER COMPANY; TIMOTHY FATHEREE AND SUE FATHEREE; CLEAN WATER, INC.; CATHERINE GILBY; CANATXX, INC.; QUALITY WATER ENTERPRISESE, INC.; ROBERT R. HEFFERNAN; CHARLES F. HURST; KARGER ENTERPRISESE, INC.; KEPPLER WATER TREATMENT, INC.; ROBERT KIZMAN AS TRUSTEE OF THE ROBERT AND TRACY KITZMAN TRUST; LADWIG ENTERPRISES, INC.; RICHARD LAMBERT AND MARIANNE CONRAD; LOW COUNTRY WATER CONDITIONING, INC.; JEFFREY L. LARSON; MICHAEL G. MACAULAY; VETTERS, INC.; ROBERT W. MCCOLLUM AND BARBARA N. MCCOLLUM; RICHARD C. MEIER; DONALD E. MEREDITH; MILLER'S WATER CONDITIONING, INC.; CLEANWATER CORPORATION OF AMERICA; JOHN MOLLMAN AS TRUSTEE OF THE MOLLMAN FAMILY TRUST; THE GOOD WATER COMPANY LTD.; E&H PARKS, INC.; MAUMEE VALLEY BOTTLERS, INC.; SCHRY WATER CONDITIONING, INC.; SCHRY WATER TREATMENT, INC.; WINSLOW STENSENG; STEWART WATER CONDITIONING, LTD.; BRET P. TANGLEY; B.A.R. WATER CORPORATION; TRILLI HOLDINGS, INC.; BRUCE VAN CAMP; WALTER C. VOIGT AS TRUSTEE FOR THE WALTER C. VOIGT REVOCABLE FAMILY TRUST; MARIN H2O, INC.; ALLAN C. WINDOVER,

INDEX NO.: 651863/2012

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

JURY TRIAL DEMANDED

Plaintiffs,

vs.

CLAYTON DUBILIER & RICE, LLC; CLAYTON DUBILIER & RICE, INC.; CLAYTON, DUBILIER & RICE FUND VI LIMITED PARTNERSHIP; GEORGE W. TAMKE; DAVID H WASSERMAN; MARK SEALS; MICHAEL J. KACHMER, BRUNO DESCHAMPS; NATHAN K. SLEEPER; MICHAEL J. DURHAM; DANIEL R. FREDRICKSON; THOMAS A. HAYS; JAMES USELTON; ANGELO, GORDON & CO., L.P.; SILVER OAK CAPITAL, L.L.C.; CENTERBRIDGE SPECIAL CREDIT PARTNERS, L.P.; CCP ACQUISITION HOLDING, L.L.C.; CCP CREDIT ACQUISITION HOLDINGS, L.L.C.; CULLIGAN LTD, as nominal defendant; and JOHN DOES 1-50,

Defendants.

Plaintiffs Culligan Soft Water Company; Cecil R. Hall; C&D of Rochester, LLC; Driessen Water, Inc.; Michael A. Bannister; T&B Enterprises, Inc.; California Water & Filter, Inc.; Shar Sher I, Inc.; Water Quality Improvement, Inc.; Culligan Southwest, Inc.; Carey Water Conditioning, Inc.; Michael Carey; Eric B. Clarke; Culligan Water Conditioning (Barrie) Limited; Arthur H. Cooksey, Jr.; Corbett's Water Conditioning, Inc.; Glen Craven; Quality Water Works, Inc.; Donald R. Dammel; Mayer Soft Water Company; Timothy Fatheree and Sue Fatheree; Clean Water, Inc.; Catherine Gilby; Canatxx, Inc.; Quality Water Enterprises, Inc.; Robert R. Heffernan; Charles F. Hurst; Karger Enterprises, Inc.; Keppler Water Treatment, Inc.; Robert Kizman as Trustee of The Robert and Tracy Kitzman Trust; Ladwig Enterprises, Inc.; Richard Lambert And Marianne Conrad; Low Country Water Conditioning, Inc.; Jeffrey L. Larson; Michael G. Macaulay; Veters, Inc.; Robert W. Mccollum and Barbara N. Mccollum; Richard C. Meier; Donald E. Meredith; Miller's Water Conditioning, Inc.; Cleanwater Corporation of America; John Mollman as Trustee of The Mollman Family Trust; The Good Water Company Ltd.; E&H Parks, Inc.; Maumee Valley Bottlers, Inc.; Schry Water

Conditioning, Inc.; Schry Water Treatment, Inc.; Winslow Stenseng; Stewart Water Conditioning, Ltd.; Bret P. Tangle; B.A.R. Water Corporation; Trilli Holdings, Inc.; Bruce Van Camp; Walter C. Voigt as Trustee for The Walter C. Voigt Revocable Family Trust; Marin H2O, Inc.; Allan C. Windover (the "Plaintiffs" or the "Minority Shareholders"), by and through their undersigned attorneys, hereby submit this Verified Shareholder Derivative Complaint (the "Complaint") for the benefit of nominal defendant Culligan Ltd. ("Culligan" or the "Company") against the directors, the controlling shareholder, the voting trustee, and certain lenders and professionals involved with Culligan, seeking to remedy defendants' breaches of fiduciary duties and other wrongdoing which occurred from about 2007 to the present.

NATURE AND SUMMARY OF THE ACTION

1. Culligan is an international water treatment products company headquartered in Rosemont, Illinois. Culligan specializes in water softeners, water filtration systems and bottled water for residential and commercial applications.
2. Culligan was founded over 75 years ago by Emmett Culligan in a blacksmith shop in Northbrook, Illinois. It franchised its first dealership in 1938. Culligan currently maintains offices in 11 countries, dealers and licensees in over 90 countries, including more than 600 dealerships across North America (the "Dealers"). The Dealers are the backbone of the company and make up its principal revenue stream.
3. This case arises from a leveraged buyout of Culligan by the private equity firm, Clayton Dubilier & Rice ("CDR"), and CDR's subsequent actions in stripping Culligan of its assets and burdening Culligan with debt, to the benefit of CDR. After it acquired Culligan, CDR fraudulently conveyed the cash assets of the business to its private equity partners by issuing a repayment of capital and a stock dividend and paying itself exorbitant consulting fees, thereby leaving Culligan heavily in debt, insolvent and unable to pay its debts as they came due.

4. Prior to CDR's acquisition, Culligan was a profitable company, having only \$7 million in debt, and annual cash-flow of around \$140 million. CDR bought Culligan in late 2004, contributing \$200 million, and borrowing \$410 million. The Company's revenues and cash-flow could sustain this debt level. However, in 2006, less than two years after buying Culligan, CDR began a process in which it extracted a significant portion of its initial \$200 million investment, and then refinanced all of Culligan's debt for the purpose of declaring a \$375 million dividend, almost all of which went to CDR either directly or indirectly. Culligan was then saddled with over \$800 million in debt and had no hope of repaying these obligations when the principle became due. CDR, its partners and affiliates also charged tens of millions of dollars in management and consulting fees, director fees and other such compensation. Most of Culligan's operating assets were sold off to make just the interest payments on these massive loans, and fund operations. Currently, Culligan has over \$640 million in principal payments due (or soon to be due), with only a \$130 million in the bank to pay these loans.

5. At the end of the day, CDR pocketed some \$400 million, and left Culligan in financial ruin.

6. The improper payments and dividend raise derivative causes of action by the Company's minority shareholders to recover funds siphoned from the business, based on: (1) the breaches of the fiduciary duties owed by the individual Directors, the controlling shareholder of Culligan, which is a fund controlled and managed by CDR and the voting trustee; (2) violation of statutory law for issuing an illegal dividend; (3) fraudulent conveyances; (4) aiding and abetting the transaction by the lenders and professionals, which facilitated the breaches of fiduciary duty and other wrongful conduct; and (5) unjust enrichment.

7. The derivative suit arises based on the fact that approximately 300 of the

independent Culligan Dealers (the “Dealers”) own stock of Culligan totaling slightly less than eight percent of the Company’s currently outstanding stock. As such, the Dealers owning stock, who are Plaintiffs in this action, are minority shareholders, and may now bring this action to recover the unlawful payments on behalf of Culligan.

THE PARTIES

8. At all times relevant in this Complaint, each Plaintiff was and currently is a shareholder of Culligan Ltd.

9. Plaintiff Culligan Soft Water Service Company is a corporation duly organized and existing under the laws of the state of Minnesota and has its principal place of business in the state of Minnesota at 6030 Culligan Way, Minnetonka, Minnesota.

10. Plaintiff Cecil R. Hall, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Wichita, Kansas.

11. Plaintiff C&D of Rochester, LLC is a corporation duly organized and existing under the laws of the state of Minnesota and has its principal place of business in the state of Minnesota at 1104 State Street South, Waseca, Minnesota. The Principals of C&D of Rochester are the grandchildren of Emmett Culligan.

12. Plaintiff Driessen Water, Inc. is a corporation duly organized and existing under the laws of the state of Minnesota and has its principal place of business in the state of Minnesota at 1104 State Street South, Waseca, Minnesota.

13. Plaintiff Michael A. Bannister, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Tulsa, Oklahoma.

14. Plaintiff T&B Enterprises, Inc. is a corporation duly organized and existing under the laws of the state of Iowa and has its principal place of business in the state of Iowa at 326 North Clark, Carroll, Iowa.

15. Plaintiff California Water & Filter, Inc. is a corporation duly organized and existing under the laws of the state of California and has its principal place of business in the state of California at 1002 West Mariposa, Lindsay, California.

16. Plaintiff Shar Sher I, Inc. is a corporation duly organized and existing under the laws of the state of Texas and has its principal place of business in the state of Texas at 4431 West Crawford Street, Suite 101, Denison, Texas..

17. Plaintiff Water Quality Improvement, Inc. is a corporation duly organized and existing under the laws of the state of Wisconsin and has its principal place of business in the state of Wisconsin at 405 Prospect Avenue, North Fond Du Lac, Wisconsin.

18. Plaintiff Culligan Southwest, Inc. is a corporation duly organized and existing under the laws of the state of Texas and has its principal place of business in the state of Texas at 1034 Austin Street, San Antonio, Texas.

19. Plaintiff Carey Water Conditioning, Inc. is a corporation duly organized and existing under the laws of the state of Michigan and has its principal place of business in the state of Michigan at 3460 Dunkel Road, Lansing, Michigan.

20. Plaintiff Michael Carey, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Daytona Beach, Florida.

21. Plaintiff Eric B. Clarke, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Bellingham, Washington.

22. Plaintiff Culligan Water Conditioning (Barrie) Ltd. is a corporation duly organized and existing under the laws of the Province of Ontario and has its principal place of business in the Province of Ontario at 15 Morrow Road, Barrie, Ontario, Canada.

23. Plaintiff Arthur H. Cooksey, Jr., is an individual and is now, and at all times

mentioned in this Complaint was, a resident of Youngstown, Ohio.

24. Plaintiff Corbett's Water Conditioning, Inc. is a corporation duly organized and existing under the laws of the state of Nebraska and has its principal place of business in the state of Nebraska at 2220 West 11th Street, Crete, Nebraska.

25. Plaintiff Glen Craven, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Red Wing, Minnesota.

26. Plaintiff Quality Water Works, Inc. is a corporation duly organized and existing under the laws of the state of Montana and has its principal place of business in the state of Montana at 2243 Highway 93 South, Kalispell, Montana.

27. Plaintiff Mountain Desert Water, LLC, is a corporation duly organized and existing under the laws of the state of Texas and has its principal place of business in the state of Texas at 1003 Omar Street, Anthony Texas.

28. Plaintiff Mayer Soft Water Co., is a corporation duly organized and existing under the laws of the state of Minnesota and has its principal place of business in the state of Minnesota at 203 South Front Street, St. Peter, Minnesota.

29. Plaintiffs Timothy Fatheree and Sue Fatheree, are individuals and are now, and at all times mentioned in this Complaint were, residents of Pampa, Texas.

30. Plaintiff Clean Water, Inc. is a corporation duly organized and existing under the laws of the state of Indiana and has its principal place of business in the state of Indiana at 403 West North Street, Kendallville, Indiana.

31. Plaintiff Catherine Gilby, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Beaumont, Texas.

32. Plaintiff CANATXX, Inc. is a corporation duly organized and existing under the

laws of the state of Texas and has its principal place of business in the state of Texas 2010 NW First Avenue, Amarillo, Texas.

33. Plaintiff Quality Water Enterprises, Inc. is a corporation duly organized and existing under the laws of the state of California and has its principal place of business in the state of California at 625 West Market Street, Salinas, California.

34. Plaintiff Robert R. Heffernan, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Madison, Wisconsin.

35. Plaintiff Charles F. Hurst, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Grover Beach, California.

36. Plaintiff Karger Enterprises, Inc. is a corporation duly organized and existing under the laws of the state of Ohio and has its principal place of business in the state of Ohio at 350 West Main Street, Mansfield, Ohio.

37. Plaintiff Keppler Water Treatment, Inc. is a corporation duly organized and existing under the laws of the state of New York and has its principal place of business in the state of New York at 31 Lewis Road, Akron, New York.

38. Plaintiff Robert Kitzman, Trustee of the Robert and Tracy Kitzman Trust, and at all times mentioned in this Complaint was, a resident of Morro Bay, California.

39. Plaintiff Ladwig Enterprises, Inc. is a corporation duly organized and existing under the laws of the state of Michigan and has its principal place of business in the state of Michigan at 3522 Scheele Drive, Jackson, Michigan.

40. Plaintiffs Richard Lambert and Marianne Conrad, are individuals and are now, and at all times mentioned in this Complaint were, residents of Modesto, California.

41. Plaintiff Low Country Water Conditioning, Inc. is a corporation duly organized

and existing under the laws of the state of South Carolina and has its principal place of business in the state of South Carolina at 20B Cardinal Road, Hilton Head Island, South Carolina.

42. Plaintiff Jeffrey L. Larson, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Rockford, Illinois.

43. Plaintiff Michael G. Macaulay, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Temple, Texas.

44. Plaintiff Vetter's, Inc. is a corporation duly organized and existing under the laws of the state of Iowa and has its principal place of business in the state of Iowa at 3414 Merchant Street, Coralville, Iowa.

45. Plaintiff Robert W. McCollum and Barbara N. McCollum, are individuals and are now, and at all times mentioned in this Complaint were, residents of Piney Flats, Tennessee.

46. Plaintiff Richard C. Meier, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Janesville, Wisconsin.

47. Plaintiff Donald E. Meredith, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Union Grove, Wisconsin.

48. Plaintiff Miller's Water Conditioning, Inc. is a corporation duly organized and existing under the laws of the state of Iowa and has its principal place of business in the state of Iowa at 1021 Holton Drive, LeMars, Iowa.

49. Plaintiff Cleanwater Corporation of America is a corporation duly organized and existing under the laws of the state of Michigan and has its principal place of business in the state of Michigan at 3099 Main Street, Marlette, Michigan.

50. Plaintiff John Mollman, Trustee of the Mollman Family Trust, and at all times mentioned in this Complaint was, a resident of Oklahoma City, Oklahoma.

51. Plaintiff The Good Water Company Ltd. is a corporation duly organized and existing under the laws of the Province of Ontario and has its principal place of business in the Province of Ontario at 163 College Street West, Belleville, Ontario, Canada.

52. Plaintiff E&H Parks, Inc. is a corporation duly organized and existing under the laws of the state of Indiana and has its principal place of business in the state of Indiana at 1328 West Main Street, Lebanon, Indiana.

53. Plaintiff Maumee Valley Bottlers, Inc. is a corporation duly organized and existing under the laws of the state of Ohio and has its principal place of business in the state of Ohio at 550 Independence Drive, Napoleon, Ohio.

54. Plaintiff Schry Water Conditioning, Inc. is a corporation duly organized and existing under the laws of the state of Pennsylvania and has its principal place of business in the state of Pennsylvania at 200 Portersville Road, Ellwood City, Pennsylvania.

55. Plaintiff Schry Water Treatment, Inc. is a corporation duly organized and existing under the laws of the state of Pennsylvania and has its principal place of business in the state of Pennsylvania at 1749 Wilson Avenue, Indiana, Pennsylvania.

56. Plaintiff Winslow Stenseng, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Harlingen, Texas.

57. Plaintiff Stewart Water Conditioning, Ltd. is a corporation duly organized and existing under the laws of the Province of Manitoba and has its principal place of business in the Province of Manitoba at 1200 Sargent Avenue, Winnipeg, Manitoba, Canada.

58. Plaintiff Bret P. Tangley, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Eau Claire, Wisconsin.

59. Plaintiff B.A.R. Water Corporation is a corporation duly organized and existing

under the laws of the state of Michigan and has its principal place of business in the state of Michigan at 7080 Red Arrow Highway, Coloma, Michigan.

60. Plaintiff Trilli Holdings, Inc. is a corporation duly organized and existing under the laws of the state of Pennsylvania and has its principal place of business in the state of Pennsylvania at Star Junction, Pennsylvania.

61. Plaintiff Bruce Van Camp, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Boise, Idaho.

62. Plaintiff Walter C. Voigt as Trustee of Walter C. Voigt Revocable Family Trust, and at all times mentioned in this Complaint was, a resident of Fresno, California.

63. Plaintiff Marin H2O, Inc. is a corporation duly organized and existing under the laws of the state of California and has its principal place of business in the state of California at 40 Paul Drive, San Rafael, California.

64. Plaintiff Allan C. Windover, is an individual and is now, and at all times mentioned in this Complaint was, a resident of Poestenkill, New York.

65. Nominal Defendant Culligan Ltd., on whose behalf this derivative action is brought, is a corporation organized and existing under the laws of Bermuda but has offices at 375 Park Avenue, New York, New York. Upon information and belief, Plaintiffs allege that Culligan has been managed and directed, and has conducted its business from New York and it has no contacts with Bermuda, but for the fact Bermuda is its state of incorporation. Its directors primarily conduct its business from New York, New York. Culligan's sole asset is its ownership of 100% of the equity of Culligan Investments, S.à.r.l. a Luxembourg société à responsabilité limitée ("Culligan Investments"). In turn, Culligan Investments owns all of the equity, directly or indirectly, in all of the other Culligan entities.

66. Defendant Clayton Dubilier & Rice, Inc. is a Delaware corporation, with its principle place of business at 375 Park Avenue, New York, New York. Upon information and belief, Plaintiffs allege that Defendant Clayton Dubilier & Rice, LLC, a Delaware limited liability company, with its principle place of business at 375 Park Avenue, New York, New York, is the successor in interest of Clayton Dubilier & Rice, Inc., and hereby name it in that capacity and individually (hereinafter collectively referred to as ("CDR")). CDR is the Voting Trustee of a Voting Trust and in that capacity votes shares of Culligan stock.

67. Defendant Clayton, Dubilier & Rice Fund VI Limited Partnership is a Cayman Islands partnership, with its principle place of business at 375 Park Avenue, New York, New York. This defendant partnership owns 90% of the Culligan shares of stock and is owned, managed and controlled by CDR ("CDR Fund VI" or the "Controlling Shareholder").

68. Defendant George W. Tamke is an individual and is now, and at all times mentioned in this Complaint was, a resident of New York, New York. Tamke is the Chairman, a Director and a shareholder of Culligan, and a partner of CDR.

69. Defendant David H. Wasserman is an individual and is now, and at all times mentioned in this Complaint was, a resident of Reston, Virginia. Wasserman is the Deputy Chairman, a Director and a shareholder of Culligan, and a partner of CDR.

70. Defendant Mark Seals is an individual and is now, and at all times mentioned in this Complaint was, a resident of Chicago, Illinois. Seals is the Chief Executive Officer and a shareholder of Culligan. Seals was a Director of Culligan at all relevant times, but is no longer a Director.

71. Defendant Michael J. Kachmer is an individual and is now, and at all relevant times was, a resident of Wheaton, Illinois. Kachmer is the Chief Operating Officer, a Director

and a shareholder of Culligan. Kachmer was a Director of Culligan at all times relevant, but is no longer a Director.

72. Defendant Bruno Deschamps is an individual and is now, and at all times mentioned in this Complaint was, a resident of New York, New York. Deschamps is a Director and a shareholder of Culligan.

73. Defendant Nathan K. Sleeper is an individual and is now, and at all times mentioned in this Complaint was, a resident of New York, New York. Sleeper is a Director and a shareholder of Culligan, and a partner of CDR.

74. Defendant Michael J. Durham is an individual and is now, and at all times mentioned in this Complaint was, a resident of McHenry, Illinois. Durham is a Director and a shareholder of Culligan.

75. Defendant Daniel R. Fredrickson is an individual and is now, and at all times mentioned in this Complaint was, a resident of Matherville, Illinois. Fredrickson is a Director and a shareholder of Culligan.

76. Defendant Thomas A. Hays is an individual and is now, and at all times mentioned in this Complaint was, a resident of New York, New York. Hays is a Director and a shareholder of Culligan.

77. Defendant James Uselton is an individual and is now, and at all times mentioned in this Complaint was, a resident of New York, New York. Uselton is a Director and a shareholder of Culligan.

78. Defendants Messrs. Tamke, Wasserman, Seals, Kachmer, Deschamps, Sleeper, Durham, Fredrickson, Hays and Uselton are collectively referred to as the "Director Defendants."

79. Defendant Angelo, Gordon & Co., L.P., is a Cayman Islands partnership, with its

principle place of business at 245 Park Avenue, New York, New York. Commencing in approximately 2010, Angelo, Gordon & Co., L.P. purchased portions of Culligan's debt.

80. Defendant Silver Oak Capital, L.L.C., is a Delaware limited liability company, with its principle place of business in the state of New York, in the county of New York. Commencing in approximately 2010, Silver Oak Capital, L.L.C. purchased portions of Culligan's debt.

81. Defendant Centerbridge Special Credit Partners, L.P., is a Delaware partnership, with its principle place of business in the state of New York, in the county of New York. Commencing in approximately 2010, Centerbridge Special Credit Partners, L.P. purchased portions of Culligan's debt.

82. Defendant CCP Credit Acquisition Holdings, L.L.C., is a Delaware limited liability company, with its principle place of business in the state of New York, in the county of New York. Commencing in approximately 2010, CCP Credit Acquisition Holdings, L.L.C. purchased portions of Culligan's debt.

83. Defendant CCP Acquisition Holding, L.L.C., is a Delaware limited liability company, with its principle place of business in the state of New York, in the county of New York. Commencing in approximately 2010, CCP Acquisition Holding, L.L.C. purchased portions of Culligan's debt.

84. Plaintiffs are currently unaware of the true names of the lenders involved in the 2007 Recap Loans. Plaintiffs therefore sue said Defendants by their fictitious names as John Doe 1 through John Doe 50, inclusive (the "2007 Recap Lenders"). Plaintiff will seek leave of court to amend this Complaint when said Defendants' names are ascertained.

85. Likewise, Plaintiffs are currently unaware of the true names of the Professionals

involved in the 2007 Recap. Upon information and belief, Plaintiffs allege that Culligan was advised by investment banks, financial advisors, attorneys, and /or accountants with respect to the 2007 Recap. Plaintiffs therefore sue said Defendants by their fictitious names as John Doe 51 - John Doe 75, inclusive (the "2007 Recap Professionals"). Plaintiffs will seek leave of court to amend this Complaint when said Defendants' names are ascertained.

JURISDICTION AND VENUE

86. This Court has subject matter jurisdiction of this action pursuant to N.Y. Const. art. VI §7 and N.Y. Jud. Law §140-b.

87. This Court has personal jurisdiction of defendants Culligan, CDR, Angelo, Centerbridge, Silver Oak, CCP Credit, and CCP Acquisition pursuant to CPLR 301 because each of these defendants is present in the State of New York and pursuant to CPLR 302(a)(1) because the causes of action pleaded herein arise from the transaction of business by each of these defendants within the State of New York.

88. This Court has personal jurisdiction of defendants Tamke, Deschamps, Sleeper, Hays and Uselton pursuant to CPLR 301 because each individual is a resident of the State of New York and pursuant to CPLR 302(a)(1) because the causes of action pleaded herein arise from the transaction of business by each of these individual defendants within the State of New York, as directors of Culligan. This Court has personal jurisdiction of defendants Wasserman, Seals, Kachmer, Durham, and Fredrickson pursuant to CPLR 302(a)(1) because the causes of action pleaded herein arise from the transaction of business by each of these individual defendants within the State of New York as officers or directors of Culligan and/or partners or advisors of CDR, and upon information and belief, Plaintiffs allege that, each of these individual defendants has travelled to New York in furtherance of the complained of acts.

89. Venue is proper in New York County pursuant to CPLR 503(a) because several

parties, including CDR, have their principal offices in New York County and therefore are deemed to reside there. Venue is also proper pursuant to CPLR 503(c) because the transactions and occurrences at issue in this case arose in New York County.

BACKGROUND

The History Behind the Dealers (Plaintiffs) Becoming Minority Shareholders

90. When CDR acquired Culligan, Culligan was involved in litigation with its franchisee Dealers involving numerous disputes relating to their franchise agreements.

91. In 2005, the litigation was resolved by a negotiated settlement, in which Culligan agreed, among other things, to a new form franchise agreement with its North American Independent Dealers.

92. An indispensable component of the settlement was creating an alignment of interests between the Dealers and their franchisor. In order to reach this alignment, Culligan allowed the Dealers to acquire shares in Culligan (ten percent of the outstanding shares at the time, diluted after management incentives to just under eight percent currently). Culligan also agreed to limit the prices it could charge the Dealers for its products, and to restructure other terms of the franchise.

93. In exchange, the Dealers agreed to pay Culligan a royalty based on their gross sales. Prior to this new agreement, Culligan received no royalties from its Dealers. Instead of a royalty based franchise system, Culligan's revenue was previously derived primarily from the margin on sales of product that it manufactured and sold to its Dealers. By agreeing that Culligan would limit the amount it could charge for its products but would also give the Dealers an ownership interest in Culligan, the parties intended to achieve an alignment of interests for both sides. Each side would benefit from the other maximizing its profits. This would allow Culligan and the Dealers to benefit from the other's success, and would encourage each side to

work corroboratively for each other's benefit. Absent this alignment, there would have been no settlement.

94. Absent a settlement, the Dealers intended to leave Culligan and form a new water company on their own. This is possible because the Culligan Franchise Agreements allow the Dealers to terminate the agreements upon 90-days notice, with or without cause. Acquiring an interest in Culligan induced, and continues to induce, the Dealers to stay a part of the system.

95. The Dealers received shares, but pursuant to the offering were required to place their shares in a voting trust. Plaintiffs remain the beneficiaries of their shares, but pursuant to the Voting Trust Agreement, CDR, as the Voting Trustee, votes all minority shares. CDR also controls CDR Fund VI, which owns the remaining shares of Culligan.

96. Collectively, the Plaintiffs in this lawsuit own more than 800,000 shares of Culligan stock, which represents more than five percent of the outstanding shares of the class and has a fair value that exceeds \$50,000.

Culligan History and its Purchase by CDR

97. Culligan has had some 21 different owners in the span of the last thirty-five years. It has been a public company, a private company, has been held by conglomerates like Beatrice, owned by private equity firms such as KKR, sold to other conglomerates like Vivendi and US Filter.

98. There is only one thing that has remained stable and profitable since the time of Emmett Culligan: The independent Culligan Dealers, whose owners are second, third or fourth generations of the same families. In fact, the principals of one of the named Plaintiffs, Driessen Water, Inc., are Emmett Culligan's Grandchildren. The Dealers and their families have been loyal to Culligan and have supported the Culligan system through myriad ownership and management groups.

99. In 2004, CDR acquired control of Culligan through a leveraged buyout (the "LBO"). In conjunction with acquiring Culligan, CDR created a labyrinth of entities (referred to collectively as the "Culligan Entities"). Indeed, there were and are more than twenty Culligan subsidiaries and affiliates. However, the ownership flowed upwards to Culligan as the ultimate parent, which owns either directly or indirectly, the stock or other ownership rights in the various subsidiaries and affiliates created and controlled by CDR. Consistently, however, the boards of directors of all of these Culligan Entities, including Culligan, the parent company, were (and are) made up of the same general group of people, who are primarily CDR personnel or are controlled by CDR personnel.

100. Prior to CDR's acquisition, Culligan was solvent and profitable. In 2006, after owning Culligan for less than two years, CDR began to strip the Company of its assets. It fired many employees, sold off assets, including Culligan's Northbrook Illinois manufacturing facility, and outsourced its manufacturing process to overseas suppliers. By 2012, it had also sold off nearly all of Culligan's company-owned dealerships, leaving it with few significant assets – the most important of which is the Dealership network and its franchise agreements.

101. CDR also paid itself an excessive management fee of approximately \$15 million for handling the LBO, and a million dollar annual management fee thereafter (the "Management Fees"). Upon information and belief, Plaintiffs allege that significant bonuses, fees and other commissions were paid to CDR and its affiliates as part of the 2007 recapitalization, discussed below.

102. Rather than invest in the Company, pay down debt or do things to enhance the Company's market share or long-term success, CDR caused Culligan and the Culligan Entities to instead leverage the Company even further into debt. In 2006, CDR extracted tens of millions of

dollars from Culligan to repay itself for its initial investment ("Repayment of Capital"). In May of 2007, Culligan effected a recapitalization (the "2007 Recap"). It borrowed more than \$800 million (the "2007 Recap Loans"). Upon information and belief, Plaintiffs allege that it used approximately half of the borrowed money to refinance the existing \$400 +/- million of existing debt, the net result being it borrowed approximately an additional \$450 million.

103. Instead of investing the borrowed money, or otherwise using it for the benefit of the Company, CDR siphoned off an additional \$375 million, by declaring a shareholder dividend (the "Dividend").

104. Upon information and belief, Plaintiffs allege that all of the Repayment of Capital, and over 92% of the Dividend went to CDR Fund VI, CDR, and the individual principals of CDR, who serve as officers and directors of Culligan and each of its myriad subsidiaries and affiliates.

105. In just over two years of ownership, CDR managed to take a company with relatively no debt and \$145 million in cash flow, and turn it into a company saddled with over \$800 million in debt and not enough cash flow to service the ongoing payments, much less the substantial balloon payments which are now upon it. In effect, CDR and its partners used the 2007 Recap Loans and operating cash of the Company to extract their personal investment relating to the acquisition, along with a hefty profit. The result: Culligan was left burdened with a huge amount of debt that it could never hope to repay. The insurmountable burden of debt created when Defendants overleveraged the Company, then paid the Repayment of Capital and issued the Dividend, was so onerous that the Company had no reasonable prospect of surviving.

106. The Dividend, the Repayment of Capital and the excessive Management Fees would not have been paid in the ordinary course of business. The Directors of Culligan and the

Controlling Shareholder, at worst conveyed the assets to intentionally defraud the Company and its creditors, or at best failed to exercise due care in the management of the Company's business, failed to know the Company's condition, and failed to conserve its assets for the payment of its debts. The 2007 Recap Loan, the Repayment of Capital, the Dividend and the excessive Management Fees could not have been grounded on any reasonable business objective, and were instead used in a self-serving scheme to funnel cash from the Lenders to the Company, and then out of the Company to the Directors of Culligan and its Controlling Shareholder, CDR Fund VI, as well as to CDR and its principals, who serve as officers and directors of each of these entities.

107. Upon information and belief, Plaintiffs allege that CDR and the other participants in the 2007 Recap, including Culligan's Board, its Controlling Shareholder, the Lenders, the attorneys, the financial advisors, the valuation consultants, and other professionals knew or should have known of the planned transaction to funnel the loan proceeds out of Culligan, and the financial effect that would result from the payment of the Repayment of Capital and of a \$375 million Dividend, but they nevertheless caused or allowed it to happen.

108. Had CDR not siphoned off Culligan's assets and burdened it with massive additional debt, it would have led to a much different result. Upon information and belief, Plaintiffs allege that Culligan could have serviced its initial debt following the LBO. The initial \$400 million borrowed in the LBO had maturity dates of September 30, 2010 (\$110 million revolving line); September 30, 2011 (\$215 million secured debt); and September 14, 2014 (€85 million unsecured/subordinated debt). The interest rate on the revolver and the secured note was LIBOR + 2.25%; the interest on the Euro note was, Libor + 4.75. At that point, the Company still enjoyed annual operating cash-flow in excess of \$100 million. If nothing changed, Culligan could have fully paid off the principle balance of these notes which would have already matured,

and would be in a position to pay off the Euro notes in a couple of years, with plenty of cash to spare. Said another way, Culligan could have fully amortized and paid all of this LBO debt out of operating cash, and be completely debt free *today*.

The Lenders and Proposed New Debt Restructuring

109. Plaintiffs are currently unaware of the true names of the 2007 Recap Lenders and the 2007 Recap Professionals involved in the 2007 Recap and 2007 Recap loans and have named them above as Doe defendants.

110. One of the key aspects of the restructuring was that many of the covenants required by the original lenders for the LBO were not included in the 2007 Recap and loans acquired therein. Particularly, Plaintiffs allege, upon information and belief, that the loans relating to the initial LBO purchase contained restrictions limiting Culligan's ability to issue dividends. Upon information and belief, Plaintiffs allege that these restrictions on Culligan's ability to issue dividends were removed or not included in the 2007 Recap Loans as part of the scheme to funnel money to the Culligan Directors and CDR.

111. When Culligan effected the 2007 Recap, the Culligan Entities also took on liens or other debt obligations without receiving fair consideration. Many became primary obligors or guarantors of the 2007 Recap Loans and the unsecured Eurobond debt was refinanced and became secured debt without consideration. Upon information and belief, Plaintiffs allege that neither Culligan nor the Culligan Entities who granted the security for the 2007 Recap Loans received fair consideration in exchange for the liens granted to the 2007 Recap Lenders.

112. Upon information and belief, Plaintiffs allege that in or about 2010, hedge funds began buying up Culligan's debt at a deep discount. By May 2012, Plaintiffs believe that defendant Angelo, Gordon & Co. directly or through affiliates, bought approximately 81.7 percent of Culligan's first tier debt at an average rate of 71 cents on the dollar; and that defendant

Centerbridge Partners, L.P. directly or through affiliates, bought approximately 92% percent of Culligan's second tier unsecured debt at an average of 44 cents on the dollar.

113. Defendant Silver Oak Capital, L.L.C., is an affiliate of Angelo, and engaged in the above debt acquisition. Angelo, Gordon & Co. and Silver Oak Capital, LLC are both collectively referred to as "Angelo."

114. Centerbridge Special Credit Partners, L.P., CCP Credit Acquisition Holdings, L.L.C., and CCP Acquisition Holdings, L.L.C., are each affiliates of Centerbridge Partners, L.P., and engaged in the above debt acquisition. These entities are collectively referred to as "Centerbridge."

115. Pursuant to the Offering Memorandum and Disclosure Statement dated May 15, 2012, the Company proposed an out-of-court restructuring, the salient terms of which are:

a. Centerbridge exchanges its second line debt (face value of \$225 million, although acquired at an estimated 40% of that number), for 47% of the equity in Newco, into which 100% of the equity in Culligan Investments, S.ár.l., a Luxembourg company, will be transferred by Culligan.

b. Centerbridge pays \$90 Million in cash, which cash will be used primarily to pay down the first lien debt, the majority of which is currently held by Angelo. In exchange, Centerbridge will receive an additional 51% of Newco's equity.

c. \$100 million of the \$135 million in available operating cash is also used to pay down the first lien debt.

d. The remaining balance of the first lien notes of \$350 million will be split into two new notes of \$175 million each, one due in five years, the other due in six years. Although the face value of the debt has been reduced by almost 50%, the debt service will remain the

same as it was when the balance was \$540 million because the new notes will bear significantly higher interest rates than the current notes (one note has an interest rate of LIBOR + 4.75%; the other, LIBOR + 8.0%).

e. If the proposed transaction is contemplated, current equity holders in Culligan will receive only 2.25% of the equity in Newco. In other words, in the aggregate, the minority shareholders who are the Culligan Dealers will own 0.16% of the stock in Newco as compared to 7.5% of the stock in Culligan.

116. Importantly, under the proposed transaction, unconditional releases of all parties involved in the 2007 Dividend will be effectuated pursuant to the Plan, specifically including the Lenders, CDR, its affiliates, insiders, and professionals.

PREREQUISITES FOR DERIVATIVE ACTION

117. At all relevant times mentioned in this Complaint, including the time of the transaction of which Plaintiffs complain, Plaintiffs are and were each an owner of record or beneficial owner of shares of stock of Culligan.

118. Plaintiffs bring this action derivatively in the right and for the benefit of Culligan to redress Defendants' breaches of their fiduciary duty, their waste of Culligan's corporate assets, their fraudulent conveyances and their other violations of law.

119. Plaintiffs will adequately and fairly represent the interests of Culligan and its shareholders in enforcing and prosecuting Culligan's rights in this derivative action.

120. Although the efforts were and are in any event futile, as discussed below, Plaintiffs nevertheless made substantial efforts to seek redress with Culligan's Board of Directors.

121. Anticipating that Culligan was facing an imminent filing of a petition for relief under the Bankruptcy Code, creditors of Culligan formed an *ad hoc* creditors committee earlier

this year. Some of the creditors forming the committee are Dealers and shareholders of Culligan. On April 20, 2012, by and through its counsel, the *ad hoc* creditors committee began corresponding with Culligan through Culligan's counsel Jack Allen, of Debevoise & Plimpton LLP, inquiring about the improprieties complained of in this Complaint. A copy of the chain of correspondence between Plaintiffs' counsel and Culligan's counsel is annexed hereto as Exhibit A.

122. On May 14, 15, 16, 17, 19 and 21, 2012, numerous Plaintiffs and one non-party shareholder, by and through their attorneys, made formal demands in writing to the Board of Directors of Culligan, requesting that the Board investigate the propriety of the 2007 Recap Loans, the Repayment of Capital, the Dividend and the payment of the Management Fees to CDR. The demand letters further stated that, if Culligan and its Board failed to commence an investigation, Plaintiffs would bring a shareholder derivative action to redress the damage Defendants have caused Culligan. True and correct copies of the demand letters addressed to Culligan's Chairman George Tamke, and the Board and/or Culligan, with one letter copied to Mr. Allen, as counsel to CDR, sent by plaintiffs Richard C. Meier (Complete Water Services, Inc.); Robert W. McCollum and Barbara N. McCollum (McCollum Water Conditioning, LLC d/b/a/ Culligan of Tri Cities); Cecil R. Hall; Keith McCardle¹; Robert Heffernan (Total Water Treatment Systems, Inc.); Paul Moorman; Don Meredith; Cleanwater Corporation of America; Bob Boerner; Rob Kitzman; Dick Lambert; Chris Lane; Jeff Larson; Jeff Vinyard; Mike Hebert; Bret Tangle; and Culligan Soft Water Services Company are annexed hereto as Exhibit B.

123. On May 22, 2012, Mr. Allen, counsel to CDR and Culligan, informed Plaintiffs' counsel in an email message that, the "Company has a scheduled meeting of its board of

¹ Keith McCardle is a shareholder, but is not a named plaintiff.

directors at the end of this week, and the board and counsel will discuss your May 19 demand letter at that time." Since that message, the Director Defendants have not responded Plaintiffs' demands.

124. On or about May 26, 2012, Plaintiffs delivered to the Board of Directors of Defendant Culligan, by and through its attorneys, a draft copy of this Complaint, explaining that it would be filed immediately if the Board failed to take action in response to the demand letters.

125. As of the date this Complaint was filed, the officers, directors and majority shareholders of Culligan did not act upon Plaintiffs' demands.

126. Upon information and belief, Plaintiffs allege that the demand on the Board of Directors was and would in any event be a futile, wasteful and useless act because the Board is incapable of making an impartial decision as to whether to bring suit to redress Plaintiffs' demands.

127. At the time of the alleged acts giving rise to this Complaint, the Board consisted of the following individuals: George Tamke, David Wasserman, Mark Seals, Michael Kachmer, Bruno Deschamps, Nathan Sleeper, Michael Durham, Daniel Fredrickson, Thomas Hays, and James Uselton (the "Director Defendants"). These individuals acted intentionally or recklessly and in bad faith in breaching their fiduciary duties, abusing their control positions at the Company, permitting the mismanagement of Culligan and permitting the waste of its corporate assets by: (i) selling the assets of Culligan, including the Illinois manufacturing facility and the Culligan-owned Dealerships while, at the same time, effecting the 2007 Recap, which caused Culligan to incur an additional \$800 million in debt; (ii) using Culligan's cash assets and the \$800 million to reimburse CDR for its initial \$200 million investment and to finance the payment of a \$375 million Dividend, which benefitted defendant CDR Fund VI, the Controlling

Shareholder controlled by CDR, and all of the Director Defendants who are all shareholders of Culligan, rather than using the \$800 million to benefit the Company itself; and (iii) paying CDR Management Fees in excess of \$15 million at a time when Culligan could not afford such fees.

128. These acts were not the result of informed independent business judgment, but rather, the acts of self-interested individuals acting to protect themselves and their interests at the expense – and to the damage – of Culligan. Each of the Director Defendants knew of and/or directly benefited from the wrongdoing complained of herein.

129. The Board is incapable of making an impartial decision as to whether to bring suit against themselves on behalf of the Company because: (1) a majority (and/or those in control) of the Board is interested in the challenged transactions; (2) the Board did not fully inform themselves about the challenged transactions; and/or (3) the challenged transactions were so egregious that they could not have been the product of sound business judgment of the Director Defendants. The entire Board lacks independence from CDR because CDR controls the majority shareholder, CDR Fund VI, and CDR is the Voting Trustee of the Voting Trust, which controls the votes of all shareholders. Thus, Culligan is a “controlled company” because CDR is in the position to appoint and control all members of the Board as a result of its authority to vote all of the shares of stock of Culligan.

130. Each Director Defendant also benefitted from the complained of acts by directly receiving payments from the Dividend and Repayment of Capital based on their share ownership and in relation to the CDR Directors, by also indirectly receiving payments or benefits via the payments through CDR. Demand would be futile as to all Director Defendants as they each face a substantial likelihood of liability for breach of fiduciary duty, wasting corporate assets and fraudulent conveyances, among other wrongs.

131. Upon information and belief, Plaintiffs allege that all Director Defendants participated in, approved and/or permitted the wrongs alleged herein to have occurred and recklessly and/or negligently disregarded the wrongs complained of herein, and are therefore not disinterested parties.

132. Each of the Director Defendants Tamke, Wasserman and Sleeper has been for over ten years a partner and senior advisor at CDR. Therefore, each of these Director Defendants lacks independence from CDR and making a demand on these three Director Defendants would be futile.

133. Upon information and belief, Plaintiffs allege that Director Defendant Deschamps was a CDR partner or otherwise affiliated with CDR, but left CDR in 2007. Because he was affiliated with CDR, Director Defendant Deschamps lacks independence from CDR and making a demand on him would be futile.

134. Defendant Director Durham also has ties to CDR. Although Mr. Durham is an outside director, he was appointed by CDR, and sits on several boards of companies which CDR controls. This demonstrates that Director Defendant Durham lacks the independence to do what is in the best interests of Culligan because that conflicts directly with CDR's interests, so making a demand on Director Defendant Durham would be futile.

135. Demand would be futile as to Director Defendants Seals and Kachmer because they are no longer on the Board, of Culligan.

136. Upon information and belief, Plaintiffs allege that Defendant Directors Fredrickson, Hays and Uselton are currently on the Board, and regardless of any direct ties to CDR, and relevant to all Directors, they each serve only at the pleasure of CDR. CDR and CDR Fund VI, which is controlled by CDR, vote all shares and elect the Board. Thus, all of the

Directors lack independence from CDR since CDR can remove them at its whim. Therefore, making a demand on Director Defendants Fredrickson, Hays and Uselton, and/or any other of the Director Defendants, would be futile.

137. If Plaintiffs are successful in the action, the recovery will be of substantial benefit to Culligan and its shareholders, and such action is necessary and proper to protect the interests of the Company and its shareholders.

138. Plaintiffs, as minority shareholders in Nominal Defendant Culligan, are therefore compelled to bring this derivative action for the benefit of Nominal Defendant Culligan in order to protect the rights of the Company and its shareholders.

**FIRST CAUSE OF ACTION
(Breach of Fiduciary Duty)
(Derivative Action Against the Director Defendants, the Controlling
Shareholder and CDR, as the Voting Trustee)**

139. Plaintiffs repeat and reallege the allegations set forth in Paragraphs 1-138 as if fully set forth herein.

140. Director Defendants are Directors of Culligan, and were Directors of Culligan at all times relevant to the claims in this Complaint. Upon information and belief, Plaintiffs allege that CDR Fund VI, is and was the majority and Controlling Shareholder of Culligan, owning more than 50% of the shares of Culligan's stock.

141. The Director Defendants and CDR Fund VI each owed Culligan and its shareholders a fiduciary duty.

142. In addition, the Dealers' shares are held in a voting trust, of which CDR is the voting trustee. Thus, CDR owes a fiduciary duty to the minority shareholders and Culligan.

143. As fiduciaries, the Director Defendants, CDR Fund VI, and CDR were required to exercise prudent supervision over management, policies, practices, controls, and financial and

corporate affairs of Culligan.

144. By incurring more than \$450 million in additional debt via the Recap, issuing the Repayment on Capital and the Dividend, and paying CDR millions of dollars in excessive Management Fees, (the "Conveyances"), the Director Defendants, CDR Fund VI, and CDR each breached their fiduciary duties to the Company and its shareholders.

145. In exchange for the Dividends they received, the majority and Controlling Shareholder and the Director Defendants, who are all shareholders, provided no value to Culligan but merely increased the Company's debt and by doing so pushed it over the brink, to where it could not reasonably survive when its massive debts matured.

146. Similarly, upon information and belief, Plaintiffs allege that, the management services provided by CDR did not amount to fair consideration for the millions of dollars in fees paid to CDR. Instead, payment of the Management Fees, like payment of the Dividend and the Repayment of Capital, were acts of self-dealing and were undertaken for the personal gain of the Defendant Directors, the majority shareholder, and controlling shareholder at the expense of Culligan and its minority shareholders. By approving and issuing the Repayment of Capital, the Dividend and paying the excessive Management Fees, said Defendants acted in bad faith and for a dishonest purpose.

147. By authorizing the Recap, and paying the Repayment of Capital, the Dividend and excessive Management Fees, the Defendant Directors also breached their fiduciary duties as Directors of Culligan, in violation of N.Y. Bus. Corp. Law § 717. Plaintiffs, derivatively on behalf of Culligan, are therefore entitled to judgment pursuant to N.Y. Bus. Corp. Law §§ 626 and 720.

148. As a direct and proximate result of the breaches of duties and mismanagement of

Culligan by said Defendants, specifically by approving and issuing the Repayment of Capital, the Dividend, and paying the excessive Management Fees, Culligan has sustained damages in an amount exceeding \$575 million and said Defendants are liable to Culligan.

149. The said Defendants knew that the massive debt load they caused Culligan to incur would render it insolvent and unable to pay loan balances as they matured, and would stifle the Company's growth, reinvestment and business strategies, as represented to its creditors and minority shareholders. By authorizing the 2007 Recap and paying the Repayment of Capital, the Dividend and the excessive Management Fees, the Defendant Directors, the majority and Controlling Shareholder and CDR acted willfully, knowingly, maliciously, wantonly, with gross-negligence and/or with a conscious disregard for the rights of Culligan and its minority shareholders. The conduct of the Defendant Directors and majority and Controlling Shareholder and CDR involved such wanton dishonesty as to imply a criminal indifference to their civil obligations. Accordingly, Plaintiffs, on behalf of Culligan, are entitled to recover punitive damages in an amount to be proven at trial.

150. Plaintiffs, on behalf of Culligan, have no adequate remedy at law.

**SECOND CAUSE OF ACTION
(Illegal Dividend - Against Director Defendants)**

151. Plaintiffs repeat and reallege the allegations set forth in Paragraphs 1-150 as if fully set forth herein.

152. By issuing the Dividend, the Directors violated New York Business Corporation Law §§ 719(a)(1) and 510(a) and (b).

153. Pursuant to New York Business Corporation Law § 719, the Director Defendants are jointly and severally liable to Culligan for the benefit of its creditors and shareholders in an amount that exceeds \$375 million to be proven at trial.

154. As a direct and proximate result of the actions of the Director Defendants in approving and issuing the Dividend Culligan has sustained damages in an amount exceeding \$375 million.

155. Plaintiffs, on behalf of Culligan, have no adequate remedy at law.

THIRD CAUSE OF ACTION
(Fraudulent Conveyance - Against Director Defendants,
the 2007 Recap Lenders, the 2007 Recap Professionals, Angelo and Centerbridge)

156. Plaintiffs repeat and reallege the allegations set forth in Paragraphs 1-155 as if fully set forth herein.

157. When the Director Defendants and Culligan's Controlling Shareholder approved the Repayment of Capital; the Dividend; and the payments to CDR for its excessive Management Fees, the Director Defendants, the Controlling Shareholder, the 2007 Recap Lenders, and the 2007 Recap Professionals advising Culligan either knew or should have known that Culligan was either insolvent or would be rendered insolvent by the Conveyances; and that the Conveyances would and did leave Culligan with unreasonably small capital and unable to pay its debts as they were to come due.

158. The preferential Conveyances of corporate funds to directors, officers, and shareholders of the insolvent Company were made in derogation of rights of general creditors in violation of NY Debtor and Creditor Law §§ 273 and 275.

159. Upon information and belief, Plaintiffs allege that the 2007 Recap Lenders and the 2007 Recap Professionals named as Doe Defendants, had either actual or constructive knowledge that the 2007 Recap Loans would merely pass through the borrower from the Lenders to the shareholders, thereby rendering Culligan and the subsidiaries insolvent, with unreasonably small capital and unable to pay their debts as they were to come due.

160. Upon information and belief, Plaintiffs allege that the Doe Defendants, the 2007

Recap Lenders and the 2007 Recap Professionals were also aware of circumstances that should have led them to inquire further into the circumstances of the 2007 Recap transaction, but they failed to make such inquiry.

161. Upon information and belief, Plaintiffs allege that the Culligan Entities who incurred new debt and/or liens relevant to the 2007 Recap Loans, did not receive adequate consideration for the obligations they incurred.

162. This multilateral transaction may be “collapsed” and treated as phases of a single transaction for analysis under the New York Uniform Fraudulent Conveyance Act.

163. As a direct and proximate result of the Fraudulent Conveyances, Culligan and its creditors and shareholders have suffered damages for which the Defendants are liable.

164. Plaintiffs have no adequate remedy at law.

**FOURTH CAUSE OF ACTION
(Aiding and Abetting Breach of Fiduciary Duty - Against CDR,
Lenders and Professionals)**

165. Plaintiffs repeat and reallege the allegations set forth in Paragraphs 1-164 as if fully set forth herein.

166. Upon information and belief, Plaintiffs allege that CDR, the 2007 Recap Lenders and the 2007 Recap Professionals involved in the various loans and transactions alleged above, aided and abetted the Director Defendants and the Controlling Shareholder in their scheme to siphon more than half a billion dollars out of Culligan – thus aiding and abetting the breaches of fiduciary duty alleged above.

167. Upon information and belief, Plaintiffs allege that CDR, the 2007 Recap Lenders and the 2007 Recap Professionals either knew or should have known that the funds would merely pass through the borrower from the lenders to the shareholders, and knew or should have known that Culligan was either insolvent or would be rendered insolvent by the Conveyances;

and that the Conveyances would and did leave Culligan with unreasonably small capital and unable to pay its debts as they were to come due.

168. Upon information and belief, Plaintiffs allege that CDR, the 2007 Recap Lenders and the 2007 Recap Professionals either knew or should have known the conveying Culligan Entities did not receive fair consideration in exchange for the transfers, and the transfers diminished the value of each of the conveying subsidiaries' estates.

169. As a direct and proximate result of said Defendants' aiding and abetting, Culligan and its shareholders have suffered damages for which the Defendants are liable.

170. Plaintiffs, on behalf of Culligan, have no adequate remedy at law.

**FIFTH CAUSE OF ACTION
(Corporate Waste Against Directors, CDR Fund VI and CDR)**

171. Plaintiffs repeat and reallege the allegations set forth in Paragraphs 1-170 as if fully set forth herein.

172. Plaintiffs allege this cause of action against the Director Defendants, CDR Fund VI and CDR on behalf of Culligan.

173. Each of the Director Defendants, the CDR Fund VI and CDR owed and owes a duty to Culligan to protect its assets from waste or loss. By engaging in the conduct alleged herein, the Director Defendants, the CDR Fund VI and CDR wasted the corporate assets of Culligan.

174. As a direct and proximate result of the abuse of control by the Director Defendants, the CDR Fund VI, and CDR and their actions in breaching their duties to Culligan, Culligan has suffered, and will continue to suffer, damages for which the Director Defendants the CDR Fund VI, and CDR are liable.

175. Plaintiffs, on behalf of Culligan, have no adequate remedy at law.

SIXTH CAUSE OF ACTION
(Unjust Enrichment Against The Director Defendants,
CDR Fund VI, CDR, Angelo and Centerbridge)

176. Plaintiffs repeat and reallege the allegations set forth in Paragraphs 1-175 as if fully set forth herein.

177. By their wrongful acts and omissions, the Director Defendants, CDR Fund VI, CDR, Angelo and Centerbridge were unjustly enriched at the expense of and to the detriment of Culligan.

178. Plaintiffs, as shareholders and representatives of Culligan, seek restitution from the Director Defendants, CDR Fund VI, CDR, Angelo and Centerbridge and each of them, and seeks an order of this Court disgorging all profits, benefits and other compensation received and/or obtained by the Director Defendants, CDR Fund VI, CDR, Angelo and Centerbridge and each of them, as a result of their wrongful conduct and breaches of fiduciary duties.

179. Plaintiffs, on behalf of Culligan, have no adequate remedy at law.

DEMAND FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendants for the following:

1. Against all Defendants and in favor of Culligan for the amount of damages sustained by Culligan as a result of the Defendants' breaches of their fiduciary duties, waste of corporate assets, illegal payment of the Dividend, fraudulent conveyances, unjust enrichment, aiding and abetting of breaches of fiduciary duty, and other wrongs, at least in the aggregate amount of the Repayment of Capital, the Dividend and the Management Fees paid to CDR, to be established by proof at trial, which amount exceeds \$575,000,000;

2. That the Court collapse the entire transaction and hold the 2007 Recap Lenders and the 2007 Recap Professionals involved in the fraudulent conveyances liable for all damages proximately caused;

3. That the Court void all liens held by the 2007 Recap Lenders who participated in the fraudulent conveyances or who should have known of the fraudulent conveyances, as to those lenders and their successors;

4. Equitable relief returning any fraudulent conveyances;

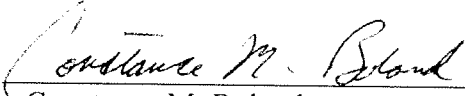
5. Punitive damages against the Director Defendants, the CDR Fund VI and CDR;

6. Plaintiffs' costs and disbursements of this action, including reasonable attorney's fees, accountant's fees, expert's fees, and other costs and expenses incurred in the prosecution of this action, along with prejudgment interest; and,

7. Any other and further relief that the court deems proper.

Dated: New York, New York
May 31, 2012

NIXON PEABODY, LLP

By 
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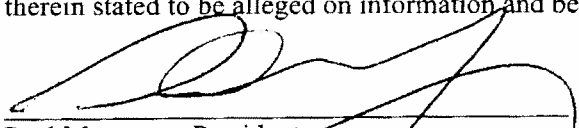
OF COUNSEL:

SINGLER & DILLON, LLP


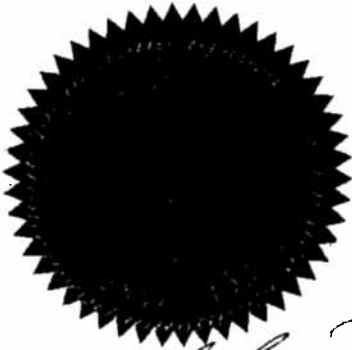
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VERIFICATION

Paul Moorman, President of The Good Water Company, Ltd, being duly sworn, deposes and says: The Good Water Company, Ltd is a plaintiff in the above-entitled action. I have read the foregoing complaint and know the contents thereof. The same are true to my knowledge, except as to matters therein stated to be alleged on information and belief and as to those matters I believe them to be true.



Paul Moorman, President
Good Water Company, Ltd



MATTHEW A. P. PAGE
Barrister & Solicitor
Province of Ontario