

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

\_\_\_\_\_, Individually and On  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

MUELLER WATER PRODUCTS, INC.,  
GREGORY E. HYLAND, J. SCOTT  
HALL, EVAN L. HART, and MARIETTA  
EDMUNDS ZAKAS,

Defendants.

Case No.

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Plaintiff \_\_\_\_\_ (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Mueller Water Products, Inc. (“Mueller Water Products” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Mueller Water Products; and (c) review of other publicly available information concerning Mueller Water Products.

### **NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of persons and entities that acquired Mueller Water Products securities between May 9, 2016 and August 6, 2018, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Mueller Water Products operates in two business segments: Infrastructure and Technologies. Infrastructure, formerly known as Mueller Co., manufactures valves for water and gas systems, fire hydrants, and a broad line of pipe repair products. Technologies, formerly known as Mueller Technologies, offers residential and commercial water metering, water leak detection, and pipe condition assessment products.

3. On April 27, 2017, in connection with its second quarter 2017 financial results, the Company disclosed that certain of Technologies’ radio products produced between 2011 and 2014 had been failing prematurely, resulting in a \$9.8 million warranty charge.

4. On this news, the Company’s share price fell \$1.43 per share, more than 11%, to close at \$11.25 per share on April 28, 2017, on unusually heavy trading volume.

5. On August 6, 2018, in connection with its third quarter 2018 financial results, the Company reported a \$14.1 million warranty charge.

6. On this news, the Company’s share price fell \$0.74 per share, or 6%, to close at \$11.58 per share on August 7, 2018, on unusually heavy trading volume.

7. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company lacked adequate testing for product quality; (2) that certain products with radio components were susceptible to fail prematurely; (3) that, as a result, the Company was reasonably likely to incur increased expenses, including warranty costs; (4) that these costs would materially impact the Company's financial statements; (5) that the Company lacked adequate internal controls over warranty costs and estimates; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

8. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

9. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

11. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District.

12. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

## PARTIES

13. Plaintiff \_\_\_\_\_, as set forth in the accompanying certification, incorporated by reference herein, purchased Mueller Water Products securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

14. Defendant Mueller Water Products is incorporated under the laws of Delaware with its principal executive offices located in Atlanta, Georgia. Mueller Water Products' common stock trades on the New York Stock Exchange ("NYSE") under the symbol "MWA."

15. Defendant Gregory E. Hyland ("Hyland") was the President and Chief Executive Officer ("CEO") of the Company from January 2006 to January 22, 2017.

16. Defendant J. Scott Hall ("Hall") has been the President and CEO of the Company since January 23, 2017.

17. Defendant Evan L. Hart ("Hart") was the Chief Financial Officer ("CFO") of the Company from July 2008 to December 31, 2017.

18. Defendant Marietta Edmunds Zakas ("Zakas") has been the CFO of the Company since January 2018.

19. Defendants Hyland, Hall, Hart, and Zakas, (collectively the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

20. Mueller Water Products operates in two business segments: Infrastructure and Technologies. Infrastructure, formerly known as Mueller Co., manufactures valves for water and gas systems, fire hydrants, and a broad line of pipe repair products. Technologies, formerly known as Mueller Technologies, offers residential and commercial water metering, water leak detection, and pipe condition assessment products.

### **Materially False and Misleading Statements Issued During the Class Period**

21. The Class Period begins on May 9, 2016. On that day, the Company filed a quarterly report on Form 10-Q for the quarter ended March 31, 2016 (the “2Q16 10-Q”), in which it reported \$283.6 million net sales, including \$15.0 million net sales in its Technologies segment.

22. The 2Q16 10-Q incorporated by reference risks that had been disclosed in the Company’s Form 10-K for the period ended September 30, 2015. Regarding product defects, the Company stated:

***The long-term success of our newer technologies - such as smart metering and leak detection and pipe condition assessment - which are key to the Mueller Technologies businesses, depends on market acceptance and our ability to manage the risks associated with the introduction of new products and systems.***

Our newer technologies comprise smart metering and leak detection and pipe condition assessment products and services. These technologies are principally associated with our Mueller Systems and Echologics businesses, respectively. Our investments in smart metering have primarily focused on the market for AMI and have been based on our belief that water utilities will transition over time from traditional manual-read meters to automatically-read meters. . . .

In addition, the success of our new products and systems will depend on our ability to manage the risks associated with their introduction, including the risk that new products and systems may have quality or other defects or deficiencies in their early stages that result in their failure to satisfy performance and reliability requirements. Our success will depend in part on our ability to manage these risks, including costs associated with manufacturing, installation, maintenance and warranties. These challenges can be costly and technologically challenging, and we cannot determine in advance the ultimate effect they may have. Failure to

successfully manage these challenges could result in lost revenue, significant warranty and other expenses, and harm to our reputation.

23. On August 3, 2016, the Company issued a press release to announce its third quarter 2016 financial results. Therein, the Company reported \$310.1 million in net sales and stated, in relevant part:

*Mueller Technologies*

Net sales for the 2016 third quarter increased 8.3 percent to \$26.0 million compared with \$24.0 million for the 2015 third quarter. This increase was primarily due to \$9.3 million in higher shipment volumes of AMI products, which was substantially offset by an \$8.0 million decrease in sales of AMR products.

Operating loss improved \$2.0 million to \$1.5 million for the 2016 third quarter as compared with \$3.5 million for the 2015 third quarter primarily due to the increase in net sales and the improved product mix.

24. On November 2, 2016, the Company announced its fourth quarter and full year 2016 financial results and reported \$302.5 million net sales for the quarter. For its Technologies segment, the Company reported \$25.5 million net sales and \$0.9 million operating loss for the quarter.

25. On February 2, 2017, the Company issued a press release to announce its first quarter 2017 financial results. Therein, the Company reported \$167.2 million in net sales and stated, in relevant part:

*Mueller Technologies*

Net sales for the 2017 first quarter increased 13.6 percent to \$20.9 million, as compared with \$18.4 million for the 2016 first quarter. Increased net sales resulted primarily from higher AMI shipments, which grew 40 percent year-over-year.

Adjusted operating loss for the 2017 first quarter was \$2.2 million, as compared with \$3.3 million for the 2016 first quarter. This improvement in operating results was due to higher AMI shipments and decreased selling, general and administrative expenses.

26. The above statements identified in ¶¶21-25 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the

Company lacked adequate testing for product quality; (2) that certain products with radio components were susceptible to fail prematurely; (3) that, as a result, the Company was reasonably likely to incur increased expenses, including warranty costs; (4) that these costs would materially impact the Company's financial statements; (5) that the Company lacked adequate internal controls over warranty costs and estimates; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

27. The truth began to emerge on April 27, 2017 when the Company disclosed that certain of Technologies' radio products produced between 2011 and 2014 had been failing prematurely. In connection with its second quarter 2017 financial results, the Company stated, in relevant part:

*Mueller Technologies*

Mueller Technologies net sales in the 2017 second quarter increased 20.7 percent to \$18.1 million, as compared with \$15.0 million for the 2016 second quarter. AMI shipments, which increased 40 percent in the quarter year-over-year, were the primary driver of the increase.

We recently became aware that some radio products produced between 2011 and 2014 were failing at a higher-than-expected rate. Consequently, we refined our estimates and increased the warranty reserve. We have also carefully examined our product processes and accelerated lifecycle testing data with respect to radios manufactured after the period referenced above and expect our warranty experience to be in line with industry standards.

GAAP operating loss of \$13.7 million in the 2017 second quarter included the discrete \$9.8 million warranty charge mentioned above, compared with an operating loss of \$4.9 million in the prior year. Adjusted operating loss improved by \$1.1 million to \$3.8 million, as compared with \$4.9 million for the 2016 second quarter due to higher shipment volumes.

28. On this news, the Company's share price fell \$1.43 per share, more than 11%, to close at \$11.25 per share on April 28, 2017, on unusually heavy trading volume.

29. On August 3, 2017, the Company announced its third quarter 2017 financial results, and reported \$232.2 million net sales. For its Technologies segment, the Company reported \$24.6 million net sales and \$1.6 million operating loss.

30. On November 1, 2017, the Company announced its fourth quarter and full year

2017 financial results, and reported \$226.9 million net sales overall. For its Technologies segment, the Company reported \$22.5 million net sales and \$2.8 million operating loss.

31. On February 1, 2018, the Company announced its first quarter 2018 financial results, and reported \$178.3 million net sales. For its Technologies segment, the Company reported \$18.2 million net sales and \$4.6 million adjusted operating loss.

32. On May 7, 2018, the Company announced its second quarter 2018 financial results, and reported \$233.2 million net sales. For its Technologies segment, the Company reported \$22.1 million net sales and \$3.9 million adjusted operating loss.

33. The above statements identified in ¶¶27, 29-32 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company lacked adequate testing for product quality; (2) that certain products with radio components were susceptible to fail prematurely; (3) that, as a result, the Company was reasonably likely to incur increased expenses, including warranty costs; (4) that these costs would materially impact the Company's financial statements; (5) that the Company lacked adequate internal controls over warranty costs and estimates; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

#### **Disclosures at the End of the Class Period**

34. On August 6, 2018, in connection with its third quarter 2018 financial results, the Company reported a \$14.1 million warranty charge. In a press release, the Company stated, in relevant part:

##### *Technologies*

Net sales for the 2018 third quarter increased \$1.5 million, or 6.1 percent, to \$26.1 million, as compared with \$24.6 million in the 2017 third quarter, due to higher volumes.

During the quarter, we completed a new study of our historical warranty experience. As a result of this new information, we recorded a warranty charge of \$14.1 million during the quarter.

Operating loss was \$16.1 million in the 2018 third quarter, which includes the \$14.1 million warranty charge mentioned above, and was \$1.6 million in the prior year quarter.

35. On this news, the Company's share price fell \$0.74 per share, or 6%, to close at \$11.58 per share on August 7, 2018, on unusually heavy trading volume.

### **CLASS ACTION ALLEGATIONS**

36. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that acquired Mueller Water Products securities between May 9, 2016 and August 6, 2018, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

37. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Mueller Water Products' common shares actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class. Millions of Mueller Water Products common stock were traded publicly during the Class Period on the NYSE. Record owners and other members of the Class may be identified from records maintained by Mueller Water Products or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

38. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

39. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

40. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the

questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Mueller Water Products; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

41. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

#### **UNDISCLOSED ADVERSE FACTS**

42. The market for Mueller Water Products' securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Mueller Water Products' securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Mueller Water Products' securities relying upon the integrity of the market price of the Company's securities and market information relating to Mueller Water Products, and have been damaged thereby.

43. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Mueller Water Products' securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information

and/or misrepresented the truth about Mueller Water Products' business, operations, and prospects as alleged herein.

44. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Mueller Water Products' financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

#### **LOSS CAUSATION**

45. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

46. During the Class Period, Plaintiff and the Class purchased Mueller Water Products' securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

#### **SCIENTER ALLEGATIONS**

47. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the

federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding Mueller Water Products, their control over, and/or receipt and/or modification of Mueller Water Products' allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Mueller Water Products, participated in the fraudulent scheme alleged herein.

**APPLICABILITY OF PRESUMPTION OF RELIANCE  
(FRAUD-ON-THE-MARKET DOCTRINE)**

48. The market for Mueller Water Products' securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Mueller Water Products' securities traded at artificially inflated prices during the Class Period. On December 9, 2016, the Company's share price closed at a Class Period high of \$14.05 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of Mueller Water Products' securities and market information relating to Mueller Water Products, and have been damaged thereby.

49. During the Class Period, the artificial inflation of Mueller Water Products' shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Mueller Water Products' business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Mueller Water Products and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

50. At all relevant times, the market for Mueller Water Products' securities was an efficient market for the following reasons, among others:

(a) Mueller Water Products shares met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, Mueller Water Products filed periodic public reports with the SEC and/or the NYSE;

(c) Mueller Water Products regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) Mueller Water Products was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

51. As a result of the foregoing, the market for Mueller Water Products' securities promptly digested current information regarding Mueller Water Products from all publicly available sources and reflected such information in Mueller Water Products' share price. Under these circumstances, all purchasers of Mueller Water Products' securities during the Class Period suffered similar injury through their purchase of Mueller Water Products' securities at artificially inflated prices and a presumption of reliance applies.

52. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the

sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

### **NO SAFE HARBOR**

53. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Mueller Water Products who knew that the statement was false when made.

### **FIRST CLAIM** **Violation of Section 10(b) of The Exchange Act and** **Rule 10b-5 Promulgated Thereunder** **Against All Defendants**

54. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

55. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Mueller Water Products’ securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

56. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Mueller Water Products' securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

57. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Mueller Water Products' financial well-being and prospects, as specified herein.

58. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Mueller Water Products' value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Mueller Water Products and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

59. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans,

projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

60. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Mueller Water Products' financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

61. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Mueller Water Products' securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Mueller Water Products' securities during the Class Period at artificially high prices and were damaged thereby.

62. At the time of said misrepresentations and/or omissions, Plaintiff and other

members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Mueller Water Products was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Mueller Water Products securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

63. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

64. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

**SECOND CLAIM**  
**Violation of Section 20(a) of The Exchange Act**  
**Against the Individual Defendants**

65. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

66. Individual Defendants acted as controlling persons of Mueller Water Products within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

67. In particular, Individual Defendants had direct and supervisory involvement in the

day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

68. As set forth above, Mueller Water Products and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

#### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.