

**Mueller Water Products**

Where Intelligence  
Meets Infrastructure®

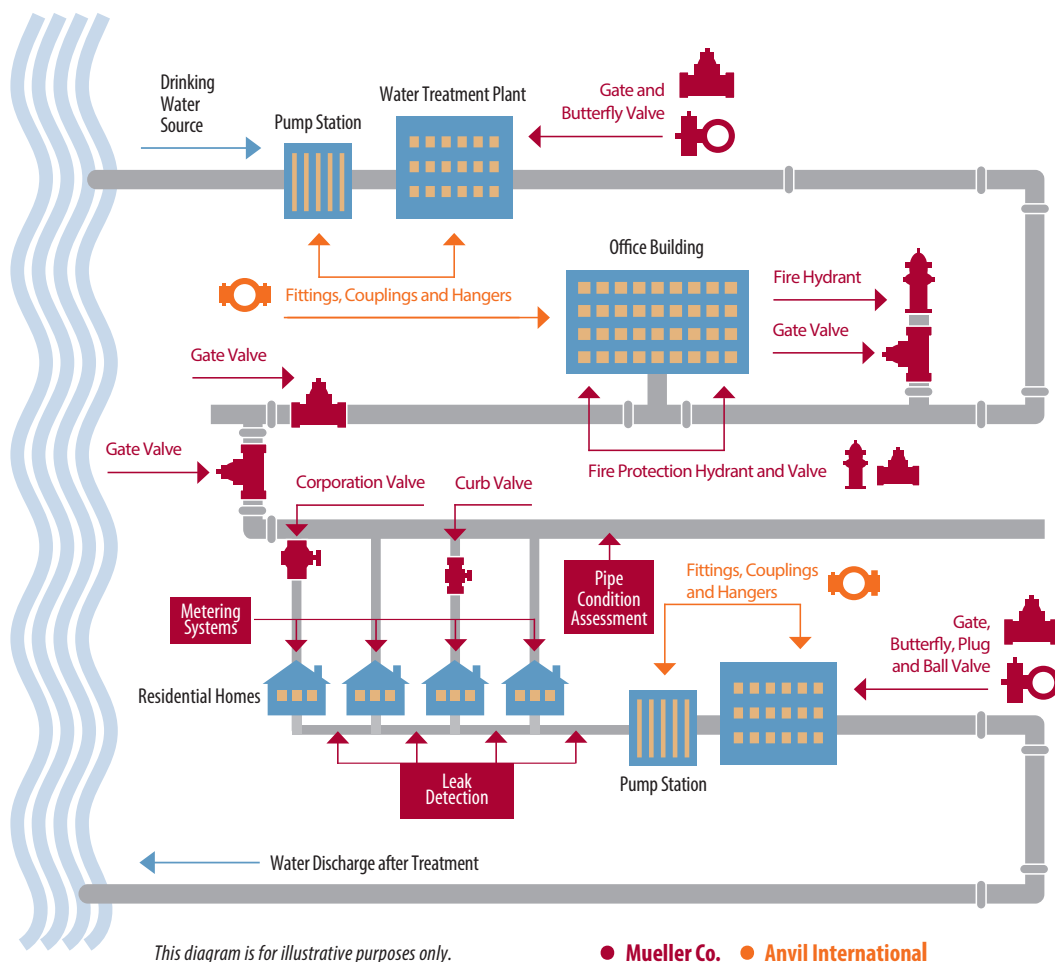
2014 ANNUAL REPORT



# Overview

Mueller Water Products, Inc. (NYSE:MWA) is a leading manufacturer and marketer of products and services used in the transmission, distribution and measurement of water in North America. Our broad product and service portfolio includes engineered valves, fire hydrants, metering products and systems, leak detection and pipe condition assessment. We help municipalities increase operational efficiencies, improve customer service and prioritize capital spending, demonstrating why Mueller Water Products is Where Intelligence Meets Infrastructure®. The piping component systems produced by Anvil help build connections that last in commercial, industrial and oil & gas applications. Visit us at [www.muellerwaterproducts.com](http://www.muellerwaterproducts.com).

## Complete Water Transmission Solutions



# Chairman's Letter

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**GREG HYLAND** | Chairman, President and Chief Executive Officer

December 19, 2014

## **To My Fellow Stockholders:**

Mueller Water Products' 2014 annual report highlights a year in which we strengthened our financial position, improved our operational efficiencies and expanded the products and services we offer our customers, all of which have helped us build upon our position as the most recognized brand in the North American water infrastructure market. We are proud of our achievements over the past year, and I am pleased to share them with you.

Our stronger financial position is evidenced by increases in net sales, adjusted net income, adjusted EBITDA margin and free cash flow, as well as a reduction in our debt. Our net debt leverage at the end of 2014 was at its lowest level in the Company's history. These financial improvements have enabled us to continue investing in technology, new product development and process improvements.

The Mueller and Anvil brands are recognized for quality, reliability and service. We believe that the progress and investments we made in 2014 will enable us to extend our brand leadership, continue to grow our businesses and increase stockholder value in 2015.

## **Fiscal 2014 Business Review**

2014 net sales of \$1,184.7 million grew 5.7 percent from 2013 net sales of \$1,120.8 million. Our adjusted EBITDA margin for 2014 improved 140 basis points to 15.5 percent from 14.1 percent in 2013. Adjusted net income increased to \$48.9 million, or \$0.30 per diluted share, from \$28.1 million, or \$0.18 per diluted share in 2013. We also generated free cash flow of \$110.7 million, an increase of \$33.1 million from the \$77.6 million generated in 2013.

We have focused on reducing our debt in recent years. Since 2008, we have reduced our total debt by \$550 million. Our net debt leverage at the end of 2014 declined to 2.1x, from 3.0x at the end of 2013 and from 4.2x at the end of 2012.

Subsequent to the end of the year, we took the opportunity to refinance our long-term debt and entered into a new \$500 million senior secured term loan that matures in 2021. With this refinancing, we reduced our total debt outstanding and improved our financial flexibility, and we expect to lower our annual interest expense going forward.

We benefited from improvements in our primary end markets in 2014. The residential construction market - in particular raw land development - grew over the past year. We also believe that municipalities are in better fiscal shape than they have been over the last several years, driven in part by improved tax receipts which reached seasonally adjusted highs in 2014. These two factors helped to contribute to a 17 percent increase in domestic demand for Mueller Co.'s valves, hydrants and brass products in 2014.

After a few years of sluggish performance, we saw some positive activity in the non-residential construction market in 2014, which we believe could be the beginning of a recovery in Anvil's primary end market. We were also pleased with the growth Anvil's business experienced from the energy market in 2014.

## Our Strategy

Mueller remains the most recognized brand in the North American water infrastructure market, with one of the largest installed bases of fire hydrants and iron gate valves in the United States. We believe our quality and leadership positions provide the platform to increase the value we offer municipalities through enhanced products and services, improved customer service and the means by which to operate more efficiently.

Our business strategy is to capitalize on the large, attractive and growing water infrastructure markets. Specifically, we will:

- Maintain our leadership positions with customers and end users by leveraging our strong brands, large installed base, leading specification positions and extensive distribution network. We will also focus on maintaining high customer service levels and developing and introducing value-added products and services.
- Continue to enhance operational excellence by investing in technologically advanced manufacturing processes and expanding the use of Lean manufacturing and Six Sigma business improvement methodologies, all with the objective of safely capturing higher levels of quality, service and operational efficiency.
- Develop, acquire and invest in businesses and technologies that expand our existing portfolio of businesses or that allow us to enter new markets, including international markets. Through internal development and acquisitions, we will continue to invest in technology, intellectual capital and product development to enhance or expand our existing offerings.

## Intelligent Water Technology

Leveraging the Mueller brand to help us maintain our position as the preeminent brand in the North American water infrastructure market is key to successfully implementing our growth strategy and guides our product development.

One specific area that we believe holds considerable promise is helping utilities actively diagnose, monitor and control the delivery of safe, clean drinking water to their customers, which we call Intelligent Water Technology (IWT). IWT provides water utilities with the information they need to make fact-based, data-driven decisions concerning their existing water infrastructure needs, including reduction of non-revenue water and prioritization of capital spending.

We expanded our IWT portfolio in 2014 with the introduction of fixed leak detection monitoring technology that is capable of continuously monitoring transmission and distribution pipelines for leaks 24 hours a day, determining the location of leaks and alerting the utility before the leaks become catastrophic failures. We also introduced a new remote pressure monitoring system that alerts water utilities when water pressure falls below certain threshold levels or is dangerously high.

Our pipe condition assessment technology, offered under the Echologics® brand, was recognized by *Water Online* as one of the “Top Finds” at the American Water Works Associations’ annual conference. We also received the “2014 Best Smart Water Product Solution” award at the inaugural Smart Water Summit. We received the award in recognition of our entire IWT portfolio which, in addition to our leak detection and pressure monitoring solutions, also includes our advanced metering infrastructure systems with our remote disconnect meter and our pipe condition assessment offerings. Water utility executives representing some of the most progressive water utilities in North America voted for this award. While our IWT products and services are in their early life cycle, we are optimistic about the long-term growth potential.

New product development in 2014 was not limited to IWT. Mueller Co. introduced a new iron gate valve with an industry-leading working pressure of 350psi as well as a lead-free fire hydrant. Also, Henry Pratt extended its product line with the addition of knife gate valves.

## **Our Employees**

Our improved financial performance, the new products we introduced in 2014 and our superior customer relationships are the result of the dedication, hard work and commitment of our employees across the organization.

By embracing our Core Values of *Act with Integrity – Do the Right Thing, Treat Each Other with Respect, Foster a Safe and Environmentally Responsible Culture, Build Relationships, and Promote a Culture of Innovation and Continuous Improvement*, our employees helped us realize our last Core Value – *Deliver Exceptional Results* – for our customers, our stockholders and each other.

On behalf of all stockholders, I thank our employees for their many contributions to our success.

## **Summary**

We are pleased with the progress we made in 2014 in strengthening our financial performance, improving operational efficiencies and expanding the products and services we offer our customers. Our outlook for 2015 is positive, and we believe we can build on the strong results from 2014. We will aim to continue to demonstrate growth with our newer technology products and services and generate improved net sales in those areas of our business. As we continue to assess the marketplace demands for solutions that offer improved operational efficiency, enhanced customer service and value-added information, we are increasingly convinced that we are building the right suite of solutions.

With our proven commitment to improving the way we do business, developing value-added solutions that address the critical needs of water utilities, safely producing quality products and improving customer service levels, we believe we are well-positioned to benefit from these investments.

We know that our customers have a choice of business partners, and we are committed to making it clear that the *Smart Move* is to partner with Mueller Water Products.

I look forward to updating you on our progress throughout the year. In the meantime, thank you for the trust you have invested in us.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Hyland", with a long horizontal flourish extending to the right.

**Gregory E. Hyland**  
Chairman, President  
and Chief Executive Officer

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended September 30, 2014**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number: 001-32892**

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**MUELLER WATER PRODUCTS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

**20-3547095**

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

**1200 Abernathy Road N.E.**

**Suite 1200**

**Atlanta, GA 30328**

(Address of Principal Executive Offices)

Registrant's telephone number: **(770) 206-4200**

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
<b>Common Stock, par value \$0.01</b>	<b>New York Stock Exchange</b>

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.505 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

There were 159,893,168 shares of common stock of the registrant outstanding at November 12, 2014. At March 31, 2014, the aggregate market value of the voting and non-voting common stock held by non-affiliates (assuming only for purposes of this computation that directors and executive officers may be affiliates) was \$1,484 million based on the closing price per share as reported on the New York Stock Exchange.

**DOCUMENTS INCORPORATED BY REFERENCE**

Applicable portions of the Proxy Statement for the Annual Meeting of Stockholders of the Company to be held on January 28, 2015 are incorporated by reference into Part III of this Form 10-K.

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## Introductory Note

In this Annual Report on Form 10-K (this “annual report”), (1) the “Company,” “we,” “us” or “our” refer to Mueller Water Products, Inc. and its subsidiaries, including Mueller Co. and Anvil; (2) “Mueller Co.” refers to our Mueller Co. segment; (3) “Anvil” refers to our Anvil segment and (4) “U.S. Pipe” refers to our former U.S. Pipe segment. With regard to the Company's segments, “we,” “us” or “our” may also refer to the segment being discussed.

On April 1, 2012, we sold the businesses comprising U.S. Pipe. U.S. Pipe's results of operations have been reclassified as discontinued operations, and its assets and liabilities reclassified as held for sale, for all prior periods. Unless the context indicates otherwise, amounts related to U.S. Pipe have been excluded from amounts presented in this annual report.

Certain of the titles and logos of our products referenced in this annual report are part of our intellectual property. Each trade name, trademark or servicemark of any other company appearing in this annual report is the property of its owner.

Unless the context indicates otherwise, whenever we refer in this annual report to a particular year, we mean our fiscal year ended or ending September 30 in that particular calendar year. We manage our business and report operations through two business segments: Mueller Co. and Anvil, based largely on the products sold and the customers served.

## Industry and Market Data

In this annual report, we rely on and refer to information and statistics from third-party sources regarding economic conditions and trends, the demand for our water infrastructure products, flow control and piping component system products and services and the competitive conditions we face in serving our customers and end users. We believe that these sources of information and statistics are reasonably accurate, but we have not independently verified them.

Most of our primary competitors are not publicly traded companies. Only limited current public information is available with respect to the size of our end markets and our relative competitive position. Our statements in this annual report about our end markets and competitive positions are based on our beliefs, studies and judgments concerning industry trends.

## Forward-Looking Statements

This annual report contains certain statements that may be deemed “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that address activities, events or developments that we intend, expect, plan, project, believe or anticipate will or may occur in the future are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding the outlook for general economic conditions, spending by municipalities and the residential and non-residential construction markets and the impacts of these factors on our business and our expected financial performance in 2015. Forward-looking statements are based on certain assumptions and assessments made by us in light of our experience and perception of historical trends, current conditions and expected future developments. Actual results and the timing of events may differ materially from those contemplated by the forward-looking statements due to a number of factors, including regional, national or global political, economic, business, competitive, market and regulatory conditions and the other factors described under the section entitled “RISK FACTORS” in Item 1A of Part I of this annual report.

Undue reliance should not be placed on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements, except as required by law.



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\* All or a portion of the referenced section incorporated by reference from our definitive proxy statement that will be issued in connection with the Annual Meeting of Stockholders to be held on January 28, 2015.

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## PART I

### Item 1. BUSINESS

#### Our Company

Mueller Water Products, Inc. is a Delaware corporation that was incorporated on September 22, 2005 under the name Mueller Holding Company, Inc. It is the surviving corporation of the merger of Mueller Water Products, LLC and Mueller Water Products Co-Issuer, Inc. with and into Mueller Holding Company, Inc. on February 2, 2006. We changed our name to Mueller Water Products, Inc. on February 2, 2006. On June 1, 2006, we completed an initial public offering of 28,750,000 shares of Series A common stock.

On December 14, 2006, Walter Energy, Inc. (“Walter Energy”, formerly Walter Industries, Inc.) distributed to its shareholders 85,844,920 shares of our Series B common stock (the “Spin-off”). On January 28, 2009, each share of Series B common stock was converted into one share of Series A common stock and the Series A designation was discontinued.

On September 23, 2009, we completed a public offering of 37,122,000 shares of common stock.

On April 1, 2012, we sold U.S. Pipe.

Our principal executive offices are located at 1200 Abernathy Road N.E., Suite 1200, Atlanta, Georgia 30328, and our main telephone number at that address is (770) 206-4200.

We are a leading manufacturer and marketer of products and services used in the transmission, distribution and measurement of water in North America. Our products and services are used by municipalities and the residential and non-residential construction industries. Certain of our products have leading positions due to their strong brand recognition and reputation for quality, service and innovation. We believe that we have one of the largest installed bases of iron gate valves and fire hydrants in the United States. Our iron gate valve or fire hydrant products are specified for use in the largest 100 metropolitan areas in the United States. Our large installed base, broad product range and well-known brands have led to long-standing relationships with the key distributors and end users of our products. Our consolidated net sales were \$1,184.7 million in 2014.

We manage our business and report operations through two segments, based largely on the products sold and the customers served: Mueller Co. and Anvil. Segment sales, operating results and additional financial data and commentary are provided in the Segment Analysis section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 15 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Schedules” of this annual report.

#### *Mueller Co.*

Mueller Co. manufactures valves for water and gas systems, including iron gate, butterfly, tapping, check, knife, plug and ball valves, as well as dry-barrel and wet-barrel fire hydrants and a broad line of pipe repair products, such as clamps and couplings used to repair leaks. Mueller Co. also offers residential and commercial water metering products and systems and water leak detection and pipe condition assessment products and services. Mueller Co. had net sales of \$783.3 million in 2014. Sales of Mueller Co. products are driven principally by spending on water and wastewater infrastructure upgrade, repair and replacement, and by construction of new water and wastewater infrastructure, which is typically associated with construction of new residential communities. Mueller Co. products are sold primarily through waterworks distributors. We estimate that approximately 75% of Mueller Co.’s 2014 net sales were for infrastructure upgrade, repair and replacement.

#### *Anvil*

Anvil manufactures and sources a broad range of products, including a variety of fittings, couplings, hangers, valves and related products for use in non-residential construction (including HVAC and fire protection applications), industrial, power and oil & gas end markets. Anvil had net sales of \$401.4 million in 2014. Anvil’s products are sold primarily through distributors who then sell the products to a wide variety of end users. These distributors are serviced primarily through Anvil’s distribution centers.

## **Business Strategy**

Our business strategy is to capitalize on the large, attractive and growing water infrastructure markets. Key elements of this strategy are as follows:

*We will maintain our leadership positions with our customers and end users.*

We will maintain our leadership positions with our customers and end users by leveraging our brands and large installed base; our valve or fire hydrant products' specification in the 100 largest metropolitan areas in the United States; our established and extensive distribution channels; and our broad range of leading water infrastructure, flow control and piping component system products, as well as by developing and introducing additional products and services.

*We will continue to enhance operational excellence.*

We will continue to pursue superior product engineering, design and manufacturing by investing in technologically advanced manufacturing processes. We will also seek opportunities to improve manufacturing efficiency by increasing the use of our manufacturing facility in China and continuing our other cost-reduction and efficiency initiatives. We will continue to expand the use of Lean manufacturing and Six Sigma business improvement methodologies where appropriate to safely capture higher levels of quality, service and operational efficiency. We will also continue to evaluate outsourcing or insourcing certain products wherever doing so will lower our costs while maintaining high quality and service levels.

*We will seek to develop, acquire and invest in businesses and technologies that expand our existing portfolio of businesses or that allow us to enter new markets.*

We will continue to evaluate the development and acquisition of strategic businesses, technologies and product lines with the potential to strengthen our competitive positions, enhance or expand our existing product and service offerings, expand our technological capabilities, provide synergistic opportunities or that allow us to enter new markets. As part of this strategy, we may pursue international opportunities, including acquisitions, joint ventures and partnerships, that allow us to expand product or service offerings or to enter new markets. We will also continue to invest, through acquisition or internal development, in technologies and intellectual capital, and in product development to enhance or expand our existing product and service offerings.

## **Description of Products and Services**

We offer a broad line of water infrastructure, flow control and piping component system products primarily in the United States and Canada. Mueller Co.'s principal products are water and gas valves, fire hydrants, water metering products and systems and leak detection and pipe condition assessment products and services. Anvil offers a broad range of pipe fittings, couplings and hangers. Our products are designed, manufactured and tested in compliance with industry standards, where applicable.

### ***Mueller Co.***

Mueller Co.'s water products are manufactured to meet or exceed American Water Works Association ("AWWA") Standards and, where applicable, certified to NSF/ANSI Standard 61 for potable water conveyance. In addition, Underwriters Laboratory ("UL") and FM Approvals ("FM") have approved many of these products. These products are typically specified by the water utility for use in its system.

*Water and Gas Valves and Related Products.* Mueller Co. manufactures valves for water and gas systems, including iron gate, butterfly, tapping, check, knife, plug and ball valves, and sells these products under a variety of brand names, including Mueller and U.S. Pipe Valve and Hydrant. Water and gas valves and related products, generally made of iron or brass, accounted for \$474.2 million, \$434.1 million and \$401.8 million of our gross sales in 2014, 2013 and 2012, respectively. Our valve products are used to control transmission of potable water, non-potable water or gas. Water valve products typically range in size from ¾ inch to 36 inches in diameter. We also manufacture significantly larger valves as custom order work through our Henry Pratt business unit. Most of these valves are used in water transmission or distribution, water treatment facilities or industrial applications.

We also produce small valves, meter bars and line stopper fittings for use in gas systems. In addition, we manufacture machines and tools for tapping, drilling, extracting, installing and stopping-off, which are designed to work with our water and gas fittings and valves as an integrated system.

*Fire Hydrants.* Mueller Co. manufactures dry-barrel and wet-barrel fire hydrants. Sales of fire hydrants and fire hydrant parts accounted for \$175.0 million, \$161.5 million and \$149.0 million of our gross sales in 2014, 2013 and 2012, respectively. We sell fire hydrants for new water infrastructure development, fire protection systems and water infrastructure repair and replacement projects.

Our fire hydrants consist of an upper barrel and nozzle section and a lower barrel and valve section that connects to a water main. In dry-barrel hydrants, the valve connecting the barrel of the hydrant to the water main is located below ground at or below the frost line, which keeps the hydrant upper barrel dry. We sell dry-barrel fire hydrants under the Mueller and U.S. Pipe Valve and Hydrant brand names in the United States and the Mueller Canada Valve brand name in Canada. We also make wet-barrel hydrants, where the valves are located in the hydrant nozzles and the barrel contains water at all times. Wet-barrel hydrants are made for warm weather climates in locations, such as California and Hawaii, and are sold under the Jones brand name.

Most municipalities have approved a limited number of fire hydrant brands for installation within their systems due to their desire to use the same tools and operating instructions across their systems and to minimize inventories of spare parts. We believe that our large installed base of fire hydrants throughout the United States and Canada and our reputation for superior quality and performance, together with our incumbent specification positions, have contributed to the leading positions of our fire hydrants. Our large installed base also leads to recurring sales of replacement hydrants and hydrant parts.

*Water Technologies and Other Products and Services.* Mueller Co. manufactures and sources a variety of water technology products under the Mueller Systems and Hersey Meters brand names that are designed to help water providers accurately measure and control water usage. These products, which include water meters, advanced metering infrastructure (“AMI”) systems and automated meter reading products, have the capability to measure water usage and other attributes, such as pressure, temperature and quality, ranging from small residential flows to large commercial and industrial applications. Our remote disconnect water meter enables the water flow to be stopped and started remotely. Sales of meters and related products and services accounted for \$97.3 million, \$89.7 million and \$58.5 million of our gross sales in 2014, 2013 and 2012, respectively.

Mueller Co. offers leak detection and pipe condition assessment products and services under the Echologics brand name. In 2014, Echologics introduced a fixed leak detection service that is designed to allow customers to continuously monitor and detect leaks on water transmission mains. Other products include pipe repair products, such as clamps and couplings used to repair leaks and municipal castings, such as manhole covers and street drain grates. We sell these products under the Mueller and Jones brand names.

### ***Anvil***

Anvil products include a variety of fittings, couplings, hangers, valves and related piping component system products for use in non-residential construction (including HVAC and fire protection applications), industrial, power and oil & gas end markets. Anvil's net sales were \$401.4 million, \$391.3 million and \$371.5 million in 2014, 2013 and 2012, respectively, of which \$98.3 million, \$93.1 million and \$84.8 million, respectively, were of products manufactured by third parties. The oil & gas end markets accounted for 19% of Anvil's gross sales in each of 2014, 2013 and 2012.

The majority of Anvil's products are not specified by an architect or an engineer, but are required to be manufactured to industry specifications, which could include material composition, tensile strength and various other requirements. Many products carry the UL, FM or other approval rating.

*Fittings and Couplings.* Anvil manufactures threaded and grooved pipe fittings and couplings. Pipe fittings and couplings join pieces of pipe together. The five primary categories of pipe fittings and couplings that we manufacture are:

- *Cast Iron Fittings.* Cast iron is an economical threaded fittings material and is the standard used in the United States for low pressure applications, such as sprinkler systems and other fire protection systems. We believe that the substantial majority of our cast iron products are used in the fire protection industry, with the remainder used in steam and other HVAC applications.
- *Malleable Iron Fittings and Unions.* Malleable iron is a cast iron that is heat-treated to make it stronger, allowing a thinner wall and a lighter product. Malleable iron is primarily used to join pipe in gas, plumbing and HVAC applications.
- *Grooved Fittings, Couplings and Valves.* Grooved products use a threadless pipe-joining method that does not require welding.
- *Threaded Steel Pipe Couplings.* Threaded steel pipe couplings are used by plumbing and electrical end users to join pipe and conduit and by pipe mills as threaded end protectors.
- *Nipples.* Pipe nipples are used to expand or compress the flow between pipes of different diameters. Our pipe nipple product line is a complementary product offering that is packaged with cast iron fittings for fire protection products, malleable iron fittings for industrial applications and our forged steel products for oil & gas and chemical applications. Pipe nipples are also general plumbing items.

*Hangers.* Anvil manufactures a broad array of pipe hangers and supports. Standard pipe hangers and supports are used in fire protection sprinkler systems and HVAC applications where the objective is to provide rigid support from the building structure. Special order, or engineered, pipe supports are used in power and chemical plants to support piping systems that must withstand thermal, dynamic or seismic movement.

*Other Products.* Anvil distributes other products, including forged steel pipe fittings, hammer unions, bull plugs and swage nipples used to connect pipe in oil & gas applications. Anvil also sells pipe fabrication machines directly to customers in the fire protection industry.

## **Manufacturing**

See “Item 2. PROPERTIES” for a description of our principal manufacturing facilities.

We will continue to expand the use of Lean manufacturing and Six Sigma business improvement methodologies where appropriate to safely capture higher levels of quality, service and operational efficiency.

### ***Mueller Co.***

Mueller Co. operates 11 manufacturing facilities located in the United States, Canada and China. Our manufacturing operations include foundry, machining, fabrication, assembly, testing and painting operations. Not all facilities perform each of these operations. Our existing manufacturing capacity is sufficient for anticipated near-term requirements. We have no current plans to expand capacity.

Mueller Co. foundries use lost foam and green sand casting techniques. We use the lost foam technique for fire hydrant production in our Albertville, Alabama facility and for iron gate valve production in our Chattanooga, Tennessee facility. The lost foam technique has several advantages over the green sand technique for high-volume products, including a reduction in the number of manual finishing operations, lower scrap levels and the ability to reuse some of the materials.

### ***Anvil***

Anvil operates nine manufacturing facilities located in the United States. Our manufacturing operations include foundry, heat treating, machining, fabricating, assembling, testing and painting operations. Not all facilities perform each of these operations. Our foundry operations employ automated vertical and horizontal green sand molding equipment. Our products are made in a high-volume production environment, with extensive use of high-speed computer controlled machines and other automated equipment.

## **Purchased Components and Raw Materials**

Our products are made using various purchased components and several basic raw materials, including scrap steel, sand, resin, brass ingot and steel pipe. Purchased parts and raw materials represented 35% and 16%, respectively, of cost of sales in 2014.

## Patents, Licenses and Trademarks

We have active patents relating to the design of our products and trademarks for our brands and products. We have filed and continue to file, when appropriate, patent applications used in connection with our business and products. Many of the patents for technology underlying the majority of our products have been in the public domain for many years, and we do not believe third-party patents individually or in the aggregate are material to our business. However, we consider the pool of proprietary information, consisting of expertise and trade secrets relating to the design, manufacture and operation of our products to be particularly important and valuable. We generally own the rights to the products that we manufacture and sell, and we are not dependent in any material way upon any license or franchise to operate. See “Item 1A. RISK FACTORS-Any inability to protect our intellectual property or our failure to effectively defend against intellectual property infringement claims could adversely affect our competitive position.”

The table below highlights selected brand names by segment.

	<b>Mueller Co.</b>	<b>Anvil</b>
Canada Valve™	Mi.Data®	Anvil®
Echologics®	Mi.Hydrant™	AnvilStar®
Hersey®	Mi.Net®	Anvil-Strut®
Hydro Gate®	Milliken™	Beck®
Hydro-Guard®	Mueller Systems <sup>SM</sup>	Catawissa™
Jones®	Mueller®	Gruvlok®
LeakFinderRT®	Pratt®	J.B. Smith™
LeakFinderST™	U.S. Pipe Valve and Hydrant™	Merit®
LeakListener®	Centurion®	SPF®
LeakTuner®	Echoshore™	
Mi.Echo™	ePulse™	

## Seasonality

See “Item 1A. RISK FACTORS-Seasonal demand for certain of our products may adversely affect our financial results.” and “Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-Effect of Inflation; Seasonality.”

## Sales, Marketing and Distribution

We sell primarily to distributors. Our distributor relationships are generally non-exclusive, but we attempt to align ourselves with key distributors in the principal markets we serve. We believe that Mueller is the most recognized brand in the U.S. water infrastructure industry.

### *Mueller Co.*

Mueller Co. sells its products primarily through waterworks distributors to a wide variety of end user customers, including municipalities, water and wastewater utilities, gas utilities, and fire protection and construction contractors. Sales of our products are heavily influenced by the specifications for the underlying projects. Approximately 10%, 11% and 13% of Mueller Co.'s net sales were to Canadian customers in 2014, 2013 and 2012, respectively.

At September 30, 2014, Mueller Co. had 121 sales representatives in the field and 101 inside marketing and sales professionals, as well as 114 independent manufacturer's representatives. In addition to calling on distributors, these representatives call on municipalities, water companies and other end users to ensure that the products specified for their projects are our products or comparable to our products. Municipalities often require contractors to use the same products that have been specified by that municipality.

Mueller Co.'s large installed base, broad product range and well-known brands have led to many long-standing relationships with the key distributors in the principal industries we serve. Our distribution network covers all of the major locations for our principal products in the United States and Canada. Although we have long-standing relationships with most of our key distributors, we typically do not have long-term contracts with them, including our two largest distributors, which together accounted for approximately 31% of Mueller Co.'s gross sales in 2014 and 29% in each of 2013 and 2012. The loss of either of these distributors would have a material adverse effect on our business. See “Item 1A. RISK FACTORS-Our business depends on a small group of key distributors for a significant portion of our sales.”

## *Anvil*

Anvil sells its products primarily to distributors who then resell the products to a wide variety of end users, including commercial contractors. At September 30, 2014, Anvil's sales force consisted of 123 sales and customer service representatives and 22 independent sales representatives. Anvil ships products primarily from four regional distribution centers. Approximately 5%, 6% and 7% of Anvil's net sales were to Canadian customers in 2014, 2013 and 2012, respectively.

Anvil generally does not have long-term contracts with its distributors, although it has long-standing relationships with most of its key distributors. Anvil's top five distributors together accounted for approximately 23% of Anvil's gross sales in each of 2014, 2013 and 2012. The loss of any one of these distributors could have a material adverse effect on our business. See "Item 1A. RISK FACTORS-Our business depends on a small group of key distributors for a significant portion of our sales."

## **Backlog**

Backlog is a meaningful indicator for the Henry Pratt and Mueller Systems business units of Mueller Co. Henry Pratt manufactures valves and other parts for large projects that typically require design and build specifications. The delivery lead time for parts used for these projects can be as long as nine months, and we expect that approximately 10% of Henry Pratt's backlog at the end of 2014 will not be shipped until beyond 2015. Mueller Systems manufactures or sources water meter systems that are sometimes ordered in large quantities with delivery dates over several years, and we expect that approximately 25% of Mueller Systems' backlog will not be shipped until beyond 2015. Backlog for Henry Pratt and Mueller Systems is presented below.

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
	(in millions)	
Henry Pratt	\$ 72.4	\$ 62.6
Mueller Systems	9.1	30.7

## **Competition**

The U.S. and Canadian markets for water infrastructure, flow control and piping component system products are very competitive. See "Item 1A. RISK FACTORS. Strong competition could adversely affect prices and demand for our products and services, which would adversely affect our operating results." There are only a few competitors for most of our product and service offerings. Many of our competitors are well-established companies with products that have strong brand recognition. We consider our installed base, product quality, customer service level, brand recognition, innovation, distribution and technical support to be competitive strengths.

The competitive environment for most of Mueller Co.'s valve and hydrant products is mature and many end users are slow to transition to brands other than their historically preferred brand. It is difficult to increase market share in this environment. We believe that Mueller Co. fire hydrants and valves enjoy strong competitive positions based primarily on their installed base, product quality and brand recognition. Our principal competitors for fire hydrants and iron gate valves are McWane, Inc. and American Cast Iron Pipe Company. The primary competitors for our brass products are The Ford Meter Box Company, Inc. and A.Y. McDonald Mfg. Co. Many brass valves are interchangeable among different manufacturers.

The water meter markets in the United States are very competitive. We believe these markets are in the process of transitioning from manually-read meters to automatically-read meters, but many end users are slow to transition to brands other than their historically preferred brand. Although our market position is relatively small, we believe our automatically-read meters and associated technology are well-positioned to gain a greater share of this market. Our principal competitors are Sensus USA Inc., Neptune Technology Group, Inc., Badger Meter, Inc., Aclara LLC and Itron, Inc.

The markets for Anvil's products are highly competitive, price-sensitive and vulnerable to the increased acceptance of products produced in perceived lower-cost countries, such as China and India. We compete primarily on the basis of availability, service, price and breadth of product offerings. Our primary competitors are Ward Manufacturing L.L.C. for cast iron and malleable iron fittings, Victaulic Company and Tyco International Ltd. for ductile grooved fittings and ERICO International Corporation, Cooper Industries plc and Carpenter & Paterson, Inc. for pipe hangers. Historically, our mechanical and industrial customers have been slower to accept products manufactured outside the United States than our fire protection customers.



## Research and Development

Our primary research and development (“R&D”) facilities are located in Chattanooga, Tennessee and Middleborough, Massachusetts for Mueller Co. and in North Kingstown, Rhode Island for Anvil. The primary focus of these operations is to develop new products, improve and refine existing products and obtain and assure compliance with industry approval certifications or standards (such as AWWA, UL, FM, NSF and The Public Health and Safety Company). At September 30, 2014, we employed 97 people dedicated to R&D activities. R&D expenses were \$14.4 million, \$14.8 million and \$12.7 million during 2014, 2013 and 2012, respectively.

## Regulatory and Environmental Matters

Our operations are subject to numerous federal, state and local laws and regulations, both within and outside the United States, in areas such as: competition, government contracts, international trade, labor and employment, tax, licensing, consumer protection, environmental protection, workplace health and safety, and others. These and other laws and regulations impact the manner in which we conduct our business, and changes in legislation or government policies can affect our operations, both favorably and unfavorably. We are not aware of any pending rule or regulation that is likely to have a material adverse effect on our operations. See “Item 1A. RISK FACTORS- Any failure to satisfy environmental, health and safety laws and regulations may adversely affect us.”

## Employees

At September 30, 2014, we employed approximately 4,200 people, of whom 91% work in the United States. At September 30, 2014, 64% of our hourly workforce was represented by collective bargaining agreements.

Our locations with employees covered by such agreements are presented below.

<u>Location</u>	<u>Expiration of current agreement(s)</u>
Albertville, AL	October 2017
Aurora, IL	August 2015
Decatur, IL	June 2016
Tinley Park, IL	April 2018
Columbia, PA	May 2017 and August 2017
Chattanooga, TN	October 2016 and January 2017
Henderson, TN	December 2015
St. Jerome, Canada	November 2017
Simcoe, Canada	November 2018

We believe that relations with our employees, including those represented by collective bargaining agreements, are good.

## Geographic Information

See Note 15 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Schedules”.

## Securities Exchange Act Reports

We file annual and quarterly reports, proxy statements and other information with the U.S. Securities and Exchange Commission (“SEC”). You may read and print materials that we have filed with the SEC from its website at [www.sec.gov](http://www.sec.gov). Our SEC filings may also be viewed and copied at the SEC public reference room located at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the public reference room.

In addition, certain of our SEC filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to them can be viewed and printed free of charge from the investor information section of our website at [www.muellerwaterproducts.com](http://www.muellerwaterproducts.com). Copies of our filings, specified exhibits and corporate governance materials are also available free of charge by writing us using the address on the cover of this annual report.

We are not including the information on our website as a part of, or incorporating it by reference into, this annual report.

## Item 1A. RISK FACTORS

### Risks Relating to Our Business

***Our end markets are subject to risks relating to general economic cycles and conditions, which affect demand for our products and services and may adversely affect our financial results.***

Our primary end markets are municipal water distribution and treatment systems, the non-residential construction industry, the oil & gas industry and new water and wastewater infrastructure associated with new residential construction. Sustained uncertainty about any of these end markets could cause our distributors and end use customers to delay purchasing, or determine not to purchase, our products or services. General economic and other factors, including unemployment levels, energy costs, the state of the credit markets (including municipal bonds, mortgages, home equity loans and consumer credit) and other factors beyond our control, could adversely affect our sales, profitability and cash flows.

***A significant portion of our business depends on spending for water and wastewater infrastructure construction activity.***

A significant portion of our business depends on local, state and federal spending on water and wastewater infrastructure upgrade, repair and replacement. Funds for water and wastewater infrastructure repair and replacement typically come from local taxes, water fees, water rates and the ability of state and local governments to increase taxes, water fees or water rates may be limited. In addition, state and local governments that do not adequately budget for capital expenditures in setting tax rates and water fees may be unable to pay for water infrastructure repair and replacement if they do not have access to other funding sources. It is not unusual for water and wastewater projects to be delayed and rescheduled for a number of reasons, including changes in project priorities and difficulties in complying with environmental and other governmental regulations. In addition, reductions or delays in federal spending related to water or wastewater infrastructure could adversely affect state or local projects and may adversely affect our financial results.

Some state and local governments have placed or may place significant restrictions on the use of water by their constituents. For example, in July 2014, California's Water Resources Control Board approved a regulation designed to increase water conservation in urban settings. These types of water use restrictions may lead to reduced water revenues by private water entities, municipalities or other governmental agencies, which could similarly affect funding decisions for water-related projects.

Poor economic conditions may cause states, municipalities or private water entities to receive lower than anticipated revenues, which may lead to reduced or delayed funding for water infrastructure projects. Even if favorable economic conditions exist, water infrastructure owners may choose not to address deferred infrastructure needs due to a variety of political factors or competing spending priorities.

Low levels of spending for water and wastewater infrastructure construction activity could adversely affect our sales, profitability and cash flows.

***Residential construction activity is important to our business and adverse conditions or sustained uncertainty regarding this market could adversely affect our financial results.***

Because a significant portion of our business depends on new water and wastewater infrastructure spending, which in turn largely depends on residential construction, our financial performance depends significantly on the stability and growth of the residential construction market. This market depends on a variety of factors beyond our control, including household formation, consumer confidence and the availability of mortgage financing, as well as the mix between single and multifamily construction and ultimately the extent to which new construction leads to the development of raw land. Adverse conditions or sustained uncertainty regarding the residential construction market could adversely affect our sales, profitability and cash flows.

***Commercial construction activity is important to our business and adverse conditions or sustained uncertainty regarding commercial development could adversely affect our financial results.***

Like residential construction, commercial construction is important to our business. Accordingly, our business has been significantly and adversely affected by declines in commercial construction activity due to, among other things, tight credit markets and reductions in construction spending. Sustained uncertainty about commercial development could pose a risk to us as market participants may postpone spending until conditions improve, which would adversely affect demand for some of our products. Adverse conditions or sustained uncertainty regarding the commercial construction market could adversely affect our sales, profitability and cash flows.

***Our business depends on a small group of key distributors for a significant portion of our sales.***

We sell our products primarily to distributors and our success depends on these outside parties operating their businesses profitably and effectively. These distributors' profitability and effectiveness can vary significantly from company to company and from region to region within the same company. Further, our largest distributors generally also carry competing products. We may fail to align our operations with successful distributors in any given market.

Distributors in our industry have experienced consolidation in recent years. If such consolidation continues, our distributors could be acquired by other distributors who have better relationships with our competitors. Pricing and profit margin pressure may intensify. Pricing and profit margin pressure or the loss of any one of our key distributors in any market could adversely affect our operating results.

***Strong competition could adversely affect prices and demand for our products and services, which would adversely affect our operating results.***

The U.S. and Canadian markets for water infrastructure, flow control and piping component products are very competitive. While there are only a few competitors for most of our product and service offerings, many of our competitors are well-established companies with strong brand recognition. We compete on the basis of a variety of factors, including the quality, price and innovation of our products, services and service levels. Anvil's products in particular also compete on availability and breadth of product offerings and are sold in fragmented markets with low barriers to entry. Our ability to retain our customers in the face of competition depends on our ability to market our products and services to our customers and end users effectively.

The U.S. markets for water meter products and systems are highly competitive. Our primary competitors benefit from particularly strong market positions and many end users are slow to transition to brands other than their historically preferred brand. Our ability to gain customers in the face of competition depends on our ability to market our products and services to our customers and end users effectively.

In addition to competition from North American companies, we face the threat of competition from outside of North America. The intensity of competition from these companies is affected by fluctuations in the value of the U.S. dollar against their local currencies, the cost to ship competitive products into North America and the availability of trade remedies, if any. Competition may also increase as a result of U.S. competitors shifting their operations to lower-cost countries or otherwise reducing their costs.

Our competitors may reduce the prices of their products or services, improve their quality, improve their functionality or enhance their marketing or sales activities. Any of these potential developments could adversely affect our prices and demand for our products and services.

***Our reliance on vendors for certain products, some of which are single-source or limited source suppliers, could harm our business by adversely affecting product availability, reliability and cost.***

We maintain several single-source or limited-source supplier relationships with manufacturers, including some located in China. If the supply of a critical single- or limited-source product is delayed or curtailed, we may not be able to ship the related products in desired quantities and in a timely manner. Even where multiple sources of supply are available, qualification of the alternative suppliers and establishment of reliable supplies could result in delays and a possible loss of sales, which could harm our operating results.

These relationships reduce our direct control over production. Our reliance on these vendors subjects us to a greater risk of shortages, and reduced control over delivery schedules of products, as well as a greater risk of increases in product costs. In instances where we stock lower levels of product inventories, a disruption in product availability could harm our financial performance and our ability to satisfy customer needs. In addition, defective products from these manufacturers could reduce product reliability and harm our reputation.

***A disruption in our supply chain or other factors impacting the distribution of our products could adversely affect our business.***

A disruption within our logistics or supply chain network, including a work stoppage at any of the freight companies that deliver our products to our customers, could adversely affect our business and result in lost sales or harm to our reputation. Such a disruption could adversely affect our financial performance or financial condition.

***Transportation costs are relatively high for most of our products.***

Transportation costs can be an important factor in a customer's purchasing decision. Many of our products are big, bulky and heavy, which tend to increase transportation costs. We also have relatively few manufacturing sites, which tends to increase transportation distances to our customers and costs. High transportation costs could make our products less competitive compared to similar or alternative products offered by competitors.

We typically depend on rail, barge and trucking systems to deliver our products to customers. While Mueller Co.'s customers typically arrange and pay for transportation from our factory to the point of use, disruption of these transportation services because of weather-related problems, strikes, lock-outs or other events could temporarily impair our ability to supply our products to our customers, thereby adversely affecting our sales, profitability and cash flows.

***The long-term success of our newer technologies - such as smart metering and leak detection and pipe condition assessment products and services - which are key to our Mueller Systems and Echologics 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 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. The market for AMI is relatively new and evolving, and the U.S. markets for water meter products and systems are highly competitive. Water utilities have traditionally been slow adopters of new technology and may not adopt AMI as quickly as we expect, or at all, due, in part, to the substantial upfront cost and investment related to installation of AMI systems and the strong market positions of our primary competitors. Further, some states have adopted laws or regulations making it easier for customers to opt out of smart metering programs once they are adopted. The pace of AMI adoption would be adversely affected if large numbers of customers opt out of these programs. Similarly, the adoption of our leak detection and pipe condition assessment products and services depends on the willingness of our customers to invest in new product and service offerings, and the pace of adoption may be slower than we expect. If the market for AMI develops more slowly than we expect or if our new leak detection and pipe condition assessment products and services fail to gain market acceptance, our opportunity to grow these businesses will be limited.

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. 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.

***Some of our newer technology products and services may prove to be more costly than we expect.***

Because we have begun developing and selling some of our newer technology products and services only recently, our success will depend, in part, on our ability to anticipate and manage a variety of issues associated with new products and services, such as quality problems or other defects that were not anticipated and accurately predicting and controlling costs associated with manufacturing, installation, maintenance and warranties. Our sales, profitability or cash flows may be adversely affected if our newer technology products and services experience reliability, quality or design problems.

***Our business strategy includes developing, acquiring and investing in companies and technologies that broaden our product portfolio or complement our existing business, which could be unsuccessful or consume significant resources and adversely affect our operating results.***

We will continue to evaluate the development or acquisition of strategic businesses, technologies and product lines with the potential to strengthen our industry position, enhance our existing set of product and service offerings, or enter new markets. We may be unable to identify or successfully complete suitable acquisitions in the future and completed acquisitions may not be successful.

Acquisitions and technology investments may involve significant cash expenditures, debt incurrence, operating losses and expenses that could have a material adverse effect on our business, financial condition, results of operations and cash flows. These types of transactions involve numerous other risks, including:

- diversion of management time and attention from existing operations;
- difficulties in integrating acquired businesses, technologies and personnel into our business;
- working with partners or other ownership structures with shared decision-making authority (our interest and the other ownership interests may be inconsistent.);
- difficulties in obtaining and verifying relevant information regarding a business or technology prior to the consummation of the transaction, including the identification and assessment of liabilities, claims or other circumstances, including those relating to intellectual property claims, that could result in litigation or regulatory exposure;
- verifying the financial statements and other business information of an acquired business;
- inability to obtain required regulatory approvals and/or required financing on favorable terms;
- potential loss of key employees, contractual relationships or customers;
- increased operating expenses related to the acquired businesses or technologies;
- the failure of new technologies, products or services to gain market acceptance with acceptable profit margins;
- entering new markets in which we have little or no experience or in which competitors may have stronger market positions;
- dilution of interests of holders of our common shares through the issuance of equity securities or equity-linked securities; and
- inability to achieve expected synergies.

Any acquisitions or investments may ultimately harm our business or financial condition, as they may not be successful and may ultimately result in impairment charges.

***Normal operations at our key manufacturing facilities may be interrupted.***

Some of our key products, including fire hydrants and iron gate valves, are manufactured at single or few manufacturing facilities that depend on critical pieces of heavy equipment that cannot be economically moved to other locations. We are therefore limited in our ability to shift production between locations. The operations at our manufacturing facilities may be interrupted or impaired by various operating risks, including, but not limited to:

- catastrophic events, such as fires, floods, explosions, natural disasters, severe weather or other similar occurrences;
- interruptions in the delivery of raw materials or other manufacturing inputs;
- adverse government regulations;
- equipment breakdowns or failures;
- information systems failures;
- violations of our permit requirements or revocation of permits;
- releases of pollutants and hazardous substances to air, soil, surface water or ground water;
- shortages of equipment or spare parts; and
- labor disputes.

The occurrence of any of these events may impair our production capabilities and adversely affect our sales, profitability and cash flows. For example, in the second quarter of fiscal 2014, Anvil experienced production issues at its facility in Columbia, Pennsylvania. These operation issues adversely impacted our second and third quarters and our full year results.

***Any inability to protect our intellectual property or our failure to effectively defend against intellectual property infringement claims could adversely affect our competitive position.***

Our business depends on our technology and expertise, which were largely developed internally and are not subject to statutory protection. We rely on a combination of patent protection, copyright and trademark laws, trade secrets protection, employee and third-party confidentiality agreements and technical measures to protect our intellectual property rights. The measures that we take to protect our intellectual property rights may not adequately deter infringement, misappropriation or independent development of our technology, and they may not prevent an unauthorized party from obtaining or using information or intellectual property that we regard as proprietary or keep others from using brand names similar to our own. The disclosure, misappropriation or infringement of our intellectual property could harm our competitive position. In addition, our actions to enforce our rights may result in substantial costs and the diversion of management time and other resources. We may also be subject to intellectual property infringement claims from time to time, which may result in additional expenses and diverting resources to respond to these claims. Finally, for those products in our portfolio that rely on patent protection, once a patent has expired the product is generally open to competition. Products under patent protection usually generate significantly higher revenue and earnings than those not protected by patents. If we fail to successfully enforce our intellectual property rights or register new patents, our competitive position could suffer, which could adversely affect our business, financial condition, results of operations and cash flows.

***If we do not successfully maintain our information and technology networks, or if we are unable to maintain the security of our information and technology networks, our operations could be disrupted and unanticipated increases in costs and/or decreases in revenues could result.***

We rely on various information technology systems, some of which are controlled by outside service providers, to manage key aspects of our operations. Therefore, the proper functioning of our information technology systems is important to the successful operation of our business. If critical information technology systems fail, or are otherwise unavailable, our ability to manufacture products, process orders, track credit risk, identify business opportunities, maintain proper levels of inventories, collect accounts receivable, pay expenses and otherwise manage our business would be adversely affected.

We depend on the Internet and our information technology infrastructure for electronic communications among our locations around the world and between our personnel and suppliers and customers. Security breaches of this infrastructure can create system disruptions, shutdowns or unauthorized disclosure of confidential information. If we or our service providers are unable to prevent such breaches, our operations could be disrupted or we may suffer financial, reputational or other harm because of lost or misappropriated information.

***We may fail to effectively manage personal data, which could harm our reputation, result in substantial additional costs and subject us to litigation.***

As we grow our water technology businesses, we continue to accumulate increasing volumes of customer data. In addition, we store personal information in connection with our human resources operations. Our efforts to protect this information may be unsuccessful due to employee errors or malfeasance, technical malfunctions, the actions of third parties (such as cyber attack) or other factors. If we are unable to protect personal data, it could be accessed or disclosed improperly, which could expose us to liability, harm our reputation and deter current and potential users from using our products and services. The regulatory environment related to information security, data collection and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs.

***We are subject to a variety of claims, investigations and litigation that could adversely affect our results of operations and harm our reputation.***

In the normal course of our business, we are subject to claims and lawsuits, including from time to time claims for damages related to product liability and warranties, investigations by governmental agencies, litigation alleging the infringement of intellectual property rights and litigation related to employee matters and commercial disputes. Defending these lawsuits and becoming involved in these investigations may divert our management's attention, and may cause us to incur significant expenses. In addition, we may be required to pay damage awards, penalties or settlements, or become subject to injunctions or other equitable remedies, that could have a material adverse effect on our business, financial condition, results of operations and cash flows. If we were required to participate in a product recall or take other action to address a product liability or other claim, our reputation could be harmed. Moreover, any insurance or indemnification rights that we have may be insufficient or unavailable to protect us against potential loss exposures.

***Any failure to satisfy international trade laws and regulations or to otherwise comply with changes or other trade developments may adversely affect us.***

Our operations require importing and exporting goods and technology between countries on a regular basis. Thus, the sale and shipment of our products and services across international borders, as well as the purchase of components and products from international sources, subject us to extensive trade laws and regulations. Trade laws and regulations are complex, differ by country, and are enforced by a variety of government agencies. Because we are subject to extensive trade laws and regulations in the countries in which we operate, we are subject to the risk that laws and regulations could change in a way that would expose us to additional costs, penalties or liabilities, and our policies and procedures may not always protect us from actions that would violate international trade laws and regulations. For example, in January 2014, the Consolidated Appropriations Act was signed into law, which included provisions requiring the use of American iron and steel products in certain water projects receiving certain federal appropriations. We have incurred costs in connection with ensuring our ability to certify to these requirements, including those associated with enhancing our assembly operations and sourcing practices. As a result of the varying legal and regulatory requirements to which our cross-border activities are subject, we cannot assure you that we always are in compliance with the trade laws and regulations in all respects. Any improper actions could subject us to civil or criminal penalties, including material monetary fines, or other adverse actions, including denial of import or export privileges, and could harm our reputation and our business prospects.

***Any failure to satisfy environmental, health and safety laws and regulations may adversely affect us.***

We are subject to various laws and regulations relating to the protection of the environment and human health and safety and must incur capital and other expenditures to comply with these requirements. Failure to comply with any environmental, health or safety requirements could result in the assessment of damages, the imposition of penalties, suspension of production, changes to equipment or processes or a cessation of operations at our facilities. Because these laws are complex, subject to change and may be applied retroactively, these requirements, in particular as they change in the future, may adversely affect our sales, profitability and cash flows.

We may be required to conduct investigations and perform remedial activities that could require us to incur material costs. Some of our operations involve the use of hazardous substances and the disposal of hazardous wastes. We may incur additional costs to manage these substances and wastes, and we may be subject to claims for damage for personal injury, property damage or damage to natural resources.

***We manage our business as a decentralized organization, which presents risks.***

We have two business segments that operate under a decentralized organizational structure. Our operations have different business practices, information technology systems, accounting policies, internal controls, procedures and compliance programs. Further, we may need to modify existing programs and processes to increase efficiency and operating effectiveness and improve corporate visibility into our decentralized operations. We also regularly update compliance programs and processes to comply with existing laws, new interpretations of existing laws and new laws and we may not implement those modifications effectively. It could take time for any such modifications to be implemented across our operations. During the implementation periods, our decentralized operating approach could result in inconsistent management practices and procedures, which could adversely affect our business. Once achieved, it may also be difficult to maintain operational consistency across our organization.

***We rely on successors to Tyco to indemnify us for certain liabilities and they may become financially unable or fail to comply with the terms of the indemnity.***

Under the terms of the acquisition agreement relating to the August 1999 sale by Tyco of the Mueller Co. and Anvil businesses to the prior owner of these businesses, we are indemnified by certain Tyco entities (“Tyco Indemnitors”) for all liabilities arising in connection with the operation of these businesses prior to their sale by Tyco, including with respect to products manufactured or sold prior to the closing of that transaction, as well as certain environmental liabilities. These indemnities survive indefinitely and are not subject to any dollar limits. In the past, Tyco Indemnitors have made substantial payments and assumed defense of claims in connection with these indemnification obligations. Since 2007, Tyco has engaged in multiple corporate restructurings, split-offs and divestitures. While none of these transactions directly affects the indemnification obligations of Tyco Indemnitors under the 1999 acquisition agreement, the result of these transactions is that the assets of, and control over, Tyco Indemnitors has changed. Should any Tyco Indemnitor become financially unable or fail to comply with the terms of the indemnity, we may be responsible for such obligations or liabilities.

***Our expenditures for pension obligations could be materially higher than we have predicted.***

We provide pension benefits to certain current and former employees. To determine our future payment obligations under the plans, certain rates of return on the plans' assets, growth rates of certain costs and participant longevity have been estimated. The proportion of the assets held by our U.S. pension plan invested in fixed income securities, instead of equity securities, has increased over historical levels. This shift in asset allocation has resulted in a decrease in the estimated rate of return on plan assets for this plan. Assumed discount rates, expected return on plan assets and participant longevity have significant effects on the amounts reported for the pension obligations and pension expense.

The funded status of our pension plans can also be influenced by regulatory requirements, which can change unexpectedly and impose higher costs if funding levels are below certain thresholds. We may increase contributions to our pension plans to avoid or reduce these higher costs.

Significant adverse changes in credit and capital markets or changes in investments could result in discount rates or actual rates of return on plan assets being materially lower than projected and require us to increase pension contributions in future years to meet funding level requirements. Increasing life span of North American participants may increase the estimated cash flows payments and increase the amounts reported for pension obligations, pension contributions and pension expense. If increased funding requirements are particularly significant and sustained, our overall liquidity could be materially reduced, which could cause us, among other things, to reduce investments and capital expenditures, or restructure or refinance our debt.

***Our high fixed costs may make it more difficult for us to respond to economic cycles.***

A significant portion of our cost structure is fixed, including manufacturing overhead, capital equipment and research and development costs. In a prolonged economic downturn, these fixed costs may cause our gross margins to erode and earnings to decline.

***The prices of our purchased components and raw materials can be volatile.***

Our operations require substantial amounts of purchased components and raw materials, such as scrap steel, sand, resin, brass ingot and steel pipe. We generally purchase components and raw materials at current market prices. The cost and availability of these materials are subject to economic forces largely beyond our control, including North American and international demand, foreign currency exchange rates, freight costs and commodity speculation.

We may not be able to pass on the entire cost of price increases for purchased components and raw materials to our customers or offset fully the effects of these higher costs through productivity improvements. In particular, when purchased component or raw material prices increase rapidly or to significantly higher than normal levels, we may not be able to pass cost increases through to our customers on a timely basis, if at all, which would reduce our profitability and cash flows. In addition, if purchased components or raw materials were not available or not available on commercially reasonable terms, that would reduce our sales, profitability and cash flows. Our competitors may secure more reliable sources of purchased components and raw materials or they may obtain these supplies on more favorable terms than we do, which could give them a cost advantage compared to us.

***We may be affected by new governmental legislation and regulations relating to carbon dioxide emissions.***

Many of our manufacturing plants use significant amounts of electricity generated by burning fossil fuels, which releases carbon dioxide. Federal and state courts and administrative agencies are considering the scope and scale of carbon dioxide emission regulation under various laws pertaining to the environment, energy use and development and greenhouse gas emissions. In addition, several states are considering various carbon dioxide registration and reduction programs. The final details and scope of these various legislative, regulatory and policy measures are unclear and their potential impact is still uncertain, so we cannot fully predict the impact on our business.

The potential impacts of climate change on our operations are highly uncertain. The EPA has found that global climate change could increase the severity and possibly the frequency of severe weather patterns. Although the financial impact of these potential changes is not reasonably estimable at this time, our operations in certain locations and those of our customers and suppliers could potentially be adversely affected, which could adversely affect our sales, profitability and cash flows.



***Potential international business opportunities may expose us to additional risks.***

A part of our growth strategy depends on us expanding internationally. Although net sales outside of the United States and Canada account for a small percentage of our total net sales, we expect to increase our level of business activity outside of the United States and Canada. Some countries that present good business opportunities also face political and economic instability and vulnerability to infrastructure and other disruptions. Seeking to expand our business internationally exposes us to additional risks, which include political and economic uncertainties, currency fluctuations, changes in local business conditions and national and international conflicts. A primary risk that we face in connection with our export orders relates to our ability to collect amounts due from customers. We also face the potential risks that arise from staffing, monitoring and managing international operations, including the risk that such activities may divert our resources and management time.

In addition, compliance with the laws and regulations of multiple international jurisdictions increases our cost of doing business. International operations are subject to anti-corruption laws and anti-competition regulations, among others. For example, the U.S. Foreign Corrupt Practices Act and similar non-U.S. anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence foreign government officials and certain others for the purpose of obtaining or retaining business, or obtaining an unfair advantage. Violations of these laws and regulations could result in criminal and civil sanctions, disrupt our business and adversely affect our brands, international expansion efforts, business and operating results.

***Seasonal demand for certain of our products may adversely affect our financial results.***

Sales of some of our products, including iron gate valves and fire hydrants, are seasonal, with lower sales in our first and second fiscal quarters when weather conditions throughout most of North America tend to be cold resulting in lower levels of construction activity. This seasonality in demand has resulted in fluctuations in our sales and operating results. To satisfy demand during expected peak periods, we may incur costs associated with inventory build-up, and our projections as to future needs may not be accurate. Because many of our expenses are fixed, seasonal trends can cause reductions in our profitability and profit margins and deterioration of our financial condition during periods affected by lower production or sales activity.

***Covenants in our debt instruments may adversely affect us and we are exposed to interest rate risk.***

On November 25, 2014, we entered into a new, \$500 million senior secured term loan facility with a seven year term. While the new term loan contains no financial maintenance covenants, it does contain restrictions on indebtedness, disqualified and preferred stock issuances, restricted payments, dividends, asset sales, transactions with affiliates, liens, fundamental changes, negative pledges, line of business changes and amendments to organizational documents. Our asset based lending agreement contains similar restrictions and also requires the maintenance of a certain fixed charge coverage ratio during any period when availability is less than a specified threshold.

In addition, we may be exposed to interest rate risk under our new term loan as well as our asset based lending agreement. Interest on amounts outstanding under these debt instruments are based on LIBOR, which fluctuates. Accordingly, during the term of the new term loan we will be exposed to risks associated with fluctuations in LIBOR and may, from time to time, seek to enter into hedging arrangements or other interest rate management techniques to reduce potential volatility in earnings and cash flows from such fluctuations. As of November 24, 2014, we had not entered into such hedging or other interest rate management techniques. Although we expect LIBOR to fluctuate, we believe significant volatility in LIBOR over the short to medium term is unlikely and while hedging programs and other interest rate management techniques may reduce the impact of interest rate movements, they do not eliminate them. Further, such programs and techniques can be inherently risky and could expose us to additional risks that could adversely affect our financial condition and results of operations.

The term loan specifies a LIBOR floor of 0.75%, and we are not exposed to fluctuations in LIBOR until such time as LIBOR exceeds that floor. At November 25, 2014, 30-day LIBOR was 0.15625%. Each 100 basis point increase in LIBOR above the floor would increase annualized interest expense on the term loan by \$5.0 million.

***Failure to attract, motivate, train and retain qualified personnel, including certain key personnel could adversely affect our business.***

Our ability to expand or maintain our business depends on our ability to hire, train and retain employees with the skills necessary to understand and adapt to the continuously developing needs of our customers. The increasing demand for qualified personnel makes it more difficult for us to attract and retain employees with requisite skill sets, particularly employees with specialized technical and trade experience. Changing demographics and labor work force trends also may result in a loss of knowledge and skills as experienced workers retire. If we fail to attract, motivate, train and retain qualified personnel, or if we experience excessive turnover, we may experience declining sales, manufacturing delays or other inefficiencies, increased recruiting, training and relocation costs and other difficulties, and our business, financial condition, results of operations and cash flows could be materially and adversely affected. Competition for qualified personnel is intense, particularly in several regions of the United States where we manufacture products and particularly within our newer technology businesses. We may not be successful in attracting or retaining qualified personnel, which could negatively impact our business.

In addition, our business depends on the efforts, skills, reputations and business relationships of certain key executive and management personnel. The loss of these personnel could jeopardize our relationships with customers and may adversely affect our business, financial condition, results of operations and cash flows.

***A material weakness in our internal control over financial reporting could lead to errors in our financial statements and a lack of investor confidence and a resulting decline in our stock price.***

In connection with changes to our internal controls over financial reporting during the quarter ended September 30, 2012, management discovered errors in the classification of cash flows as between those from continuing operations and those from discontinued operations. These errors related to the classification of deferred income tax and retirement plan adjustments in determining net cash used in operating activities due to designating our former U.S. Pipe segment as discontinued operations in our consolidated financial statements during the quarter ended March 31, 2012. Specifically, net cash used in operating activities was overstated by \$8.0 million for the six months ended March 31, 2011 and by \$10.0 million for the nine months ended June 30, 2011, as presented in our Quarterly Reports filed on Form 10-Q for the quarterly periods ended March 31, 2012 and June 30, 2012, respectively. Net cash used in discontinued operations was understated by these same amounts for these periods. As a result of these errors, management concluded that as of March 31, 2012 and June 30, 2012 our internal control over financial reporting and our disclosure controls and procedures were not effective. In connection with this determination, management also concluded that we had a material weakness, at those dates, in these controls. We remediated this material weakness during the quarter ended September 30, 2012.

The fact that we have previously identified material weaknesses could lead investors to question the reliability and accuracy of our reported financial information and could adversely impact the market price of our common stock.

***We are subject to “conflict” minerals regulations, which imposes costs on us and could raise reputational and other risks.***

SEC disclosure requirements relating to certain minerals, known as “conflict minerals”, sourced from the Democratic Republic of Congo and surrounding countries, that are necessary to the functionality of a product manufactured, or contracted to be manufactured, mandate, among other things, that we perform due diligence on our supply chain. Our efforts to comply with these requirements has resulted in an increase in expenses and a diversion of management’s time and attention from other business activities. In addition, since our supply chain is complex, we may not be able to sufficiently verify the origins of all metals used in our products and to confirm that they are “conflict free,” which may adversely affect our reputation and/or disqualify us as a manufacturer for certain customers.

## **Risks Relating to Our Relationship with Walter Energy**

***We may have substantial additional liability for federal income tax allegedly owed by Walter Energy.***

Each member of a consolidated group for federal income tax purposes is jointly and severally liable for the federal income tax liability of each other member of the consolidated group for any year in which it is a member of the group at any time during such year. Each member of the Walter Energy consolidated group, which included us (including our subsidiaries) through December 14, 2006, is also jointly and severally liable for pension and benefit funding and termination liabilities of other group members, as well as certain benefit plan taxes. Accordingly, we could be liable under such provisions in the event any such liability is incurred, and not discharged, by any other member of the Walter Energy consolidated group for any period during which we were included in the Walter Energy consolidated group.

A dispute exists with regard to federal income taxes for years 1980 to 1994 and 1999 to 2001 allegedly owed by the Walter Energy consolidated group, which included U.S. Pipe during these periods. As a matter of law, we are jointly and severally liable for any final tax determination, which means that in the event Walter Energy is unable to pay any amounts owed, we would be liable.

***The tax allocation agreement between us and Walter Energy allocates to us certain tax risks associated with the Spin-off.***

Walter Energy effectively controlled all of our tax decisions for periods during which we were a member of the Walter Energy consolidated federal income tax group and certain combined, consolidated or unitary state and local income tax groups. Under the terms of an income tax allocation agreement between us and Walter Energy dated May 26, 2006, we generally compute our tax liability on a stand-alone basis, but Walter Energy has sole authority to respond to and conduct all tax proceedings (including tax audits) relating to our federal income and combined state returns, to file all such returns on our behalf and to determine the amount of our liability to (or entitlement to payment from) Walter Energy for such periods. This arrangement may result in conflicts of interests between us and Walter Energy. In addition, our tax allocation agreement provides that if the Spin-off is determined not to be tax-free pursuant to Section 355 of the Internal Revenue Code of 1986, as amended, we generally will be responsible for any taxes incurred by Walter Energy or its shareholders if such taxes result from certain of our actions or omissions and for a percentage of any such taxes that are not a result of our actions or omissions or Walter Energy's actions or omissions or taxes based on our market value relative to Walter Energy's market value. Additionally, to the extent that Walter Energy was unable to pay taxes, if any, attributable to the Spin-off and for which it is responsible under our tax allocation agreement, we could be liable for those taxes as a result of being a member of the Walter Energy consolidated federal income tax group for 2006, the year in which the Spin-off occurred. We believe Walter Energy's calendar 2006 income tax returns are still open for federal examination.

**Item 2. PROPERTIES**

Our principal properties are listed below.

Location	Activity	Size (sq. ft.)	Owned or leased
Mueller Co.:			
Albertville, AL	Manufacturing	422,000	Leased
Aurora, IL	Manufacturing and distribution	231,000	Owned
Decatur, IL	Manufacturing	467,000	Owned
Hammond, IN	Manufacturing	51,000	Owned
Cleveland, NC	Manufacturing	190,000	Owned
Chattanooga, TN	Manufacturing	525,000	Owned
Chattanooga, TN	Research and development	22,000	Leased
Cleveland, TN	Manufacturing	40,000	Owned
Brownsville, TX	Manufacturing	50,000	Leased
Barrie, Ontario	Distribution	50,000	Leased
St. Jerome, Quebec	Manufacturing	55,000	Owned
Jingmen, China	Manufacturing	154,000	Owned
Anvil:			
Ontario, CA	Distribution	73,000	Leased
Columbia, PA	Manufacturing and distribution	663,000	Owned
Greencastle, PA	Manufacturing	133,000	Owned
Waynesboro, PA	Manufacturing	73,000	Owned
North Kingstown, RI	Manufacturing and research and development	167,000	Leased
Henderson, TN	Manufacturing	180,000	Owned
Houston, TX	Manufacturing and distribution	105,000	Owned
Irving, TX	Distribution	218,000	Leased
Longview, TX	Manufacturing	114,000	Owned
Simcoe, Ontario	Distribution	107,000	Owned
Tinley Park, IL	Distribution	130,000	Leased
Corporate:			
Atlanta, GA	Corporate headquarters	25,000	Leased

We consider our facilities to be well maintained and believe we have sufficient capacity to meet our anticipated needs through 2015. Our leased properties have terms expiring at various dates through January 2024.

**Item 3. LEGAL PROCEEDINGS**

We are involved in various legal proceedings that have arisen in the normal course of operations, including the proceedings summarized below. The effect of the outcome of these matters on our future results of operations cannot be predicted with certainty as any such effect depends on future results of operations and the amount and timing of the resolution of such matters. Other than the litigation described below, we do not believe that any of our outstanding litigation would have a material adverse effect on our business or prospects.

*Environmental.* We are subject to a wide variety of laws and regulations concerning the protection of the environment, both with respect to the operations at many of our properties and with respect to remediating environmental conditions that may exist at our own or other properties. We strive to comply with federal, state and local environmental laws and regulations. We accrue for environmental expenses resulting from existing conditions that relate to past operations when the costs are probable and reasonably estimable. These expenses were \$1.2 million, \$1.5 million and \$1.7 million in 2014, 2013 and 2012, respectively. We capitalize environmental expenditures that increase the life or efficiency of long-term assets or that reduce or prevent environmental contamination. Capital expenditures for environmental requirements are anticipated to be approximately \$1.8 million during 2015. Capitalized environmental-related expenditures were \$0.1 million, \$1.2 million and \$0.7 million in 2014, 2013 and 2012, respectively.

In the acquisition agreement pursuant to which a predecessor to Tyco sold our Mueller Co. and Anvil businesses to the prior owners of these businesses in August 1999, Tyco agreed to indemnify us and our affiliates, among other things, for all “Excluded Liabilities.” Excluded Liabilities include, among other things, substantially all liabilities relating to the time prior to August 1999, including environmental liabilities. The indemnity survives indefinitely. Tyco's indemnity does not cover liabilities to the extent caused by us or the operation of our businesses after August 1999, nor does it cover liabilities arising with respect to businesses or sites acquired after August 1999. Since 2007, Tyco has engaged in multiple corporate restructurings, split-offs and divestitures. While none of these transactions directly affects the indemnification obligations of the Tyco Indemnitors under the 1999 acquisition agreement, the result of such transactions is that the assets of, and control over, such Tyco Indemnitors has changed. Should any of these Tyco Indemnitors become financially unable or fail to comply with the terms of the indemnity, we may be responsible for such obligations or liabilities.

In September 1987, we implemented an Administrative Consent Order (“ACO”) for our Burlington, New Jersey property, which was required under the New Jersey Environmental Cleanup Responsibility Act (now known as the Industrial Site Recovery Act). The ACO required soil and ground-water cleanup, and we completed, and received final approval on, the soil cleanup required by the ACO. We retained this property related to the sale of our former U.S. Pipe segment. We expect ground-water issues as well as issues associated with the demolition of former manufacturing facilities at this site will continue and remediation by us could be required. Long-term ground-water monitoring may also be required, but we do not know how long such monitoring would be required and do not believe monitoring or further remediation costs, if any, will have a material adverse effect on our financial condition or results of operations.

On July 13, 2010, Rohcan Investments Limited (“Rohcan”), the former owner of property leased by Mueller Canada Ltd. and located in Milton, Ontario, filed suit against Mueller Canada Ltd. and its directors seeking C\$10 million in damages arising from the defendants' alleged environmental contamination of the property and breach of lease. Mueller Canada Ltd. leased the property from 1988 through 2008. We are pursuing indemnification from a former owner for certain potential liabilities that are alleged in this lawsuit, and we have accrued for other liabilities not covered by indemnification. On December 7, 2011, the Court denied the plaintiff's motion for summary judgment.

*Other Matters.* Anvil is in a dispute with Victaulic Company (“Victaulic”) regarding two patents held by Victaulic, U.S. Patent 7,086,131 (the “131 Patent”) and U.S. Patent 7,712,796 (the “796 Patent” and collectively with the 131 Patent, the “U.S. Patents”), which Anvil believes are invalid. The U.S. Patents potentially relate to a coupling product currently manufactured and marketed by Anvil. Anvil filed multiple reexamination requests with the U.S. Patent and Trademark Office (the “PTO”) regarding the U.S. Patents, and the PTO granted the requests. Although the PTO examiner initially invalidated most of the claims of the 796 Patent, the PTO examiner affirmed the validity of the 796 Patent in September 2014. In October 2014, the PTO examiner rejected the original claim of the 131 Patent, but indicated the allowance of newly added claims that appear substantially similar to those included in the 796 Patent. The final PTO decisions with respect to the U.S. Patents will likely be appealed by Anvil and/or Victaulic. Relatedly, Anvil and Victaulic are engaged in lawsuits in the U.S. District Court for the Northern District of Georgia and in the Federal Court of Toronto, Ontario, Canada. The Georgia District Court litigation has been stayed pending the final outcome of the ongoing reexaminations of the U.S. Patents by the PTO. Although Anvil intends to continue to vigorously contest the validity of the U.S. Patents, as well as Victaulic's related patents in Canada, and to defend itself against any counterclaims made by Victaulic, the probability of a favorable or unfavorable outcome with respect to these proceedings is unknown. Any number of potential outcomes is possible due to the multiple claims associated with the proceedings, each of which is in different stages and subject to appeal. Further, there are a number of highly complex factual and technical issues involved, and it is uncertain whether a favorable or unfavorable result with respect to a particular ruling or proceeding will impact the other matters in controversy. Accordingly, we have not recorded any accrual with respect to these proceedings and a range of liability is not reasonably estimable.

We are party to a number of other lawsuits arising in the ordinary course of business, including product liability cases for products manufactured by us or third parties. We provide for costs relating to these matters when a loss is probable and the amount is reasonably estimable. Administrative costs related to these matters are expensed as incurred. The effect of the outcome of these matters on our future results of operations cannot be predicted with certainty as any such effect depends on future results of operations and the amount and timing of the resolution of such matters. While the results of litigation cannot be predicted with certainty, we believe that the final outcome of such other litigation is not likely to have a materially adverse effect on our business or prospects.

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the trading symbol MWA.

Covenants contained in certain of the debt instruments described in Note 7 to the consolidated financial statements restrict the amount we can pay in cash dividends. Future dividends will be declared at the discretion of our board of directors and will depend on our future earnings, financial condition and other factors.

The range of high and low intraday sales prices of our common stock and the dividends declared per share is presented below.

	<u>High</u>	<u>Low</u>	<u>Dividends per share</u>
2014:			
4th quarter	\$ 9.42	\$ 7.64	\$ 0.0175
3rd quarter	9.80	8.30	0.0175
2nd quarter	10.04	7.95	0.0175
1st quarter	9.44	7.44	0.0175
2013:			
4th quarter	8.36	6.91	0.0175
3rd quarter	7.75	5.40	0.0175
2nd quarter	6.22	5.37	0.0175
1st quarter	5.75	4.60	0.0175

At September 30, 2014, there were 127 stockholders of record for our common stock.

#### Equity Compensation Plan Information

The information regarding our compensation plans under which equity securities are authorized for issuance is set forth in "Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS."

#### Sale of Unregistered Securities

We did not issue any unregistered securities within the past three years.

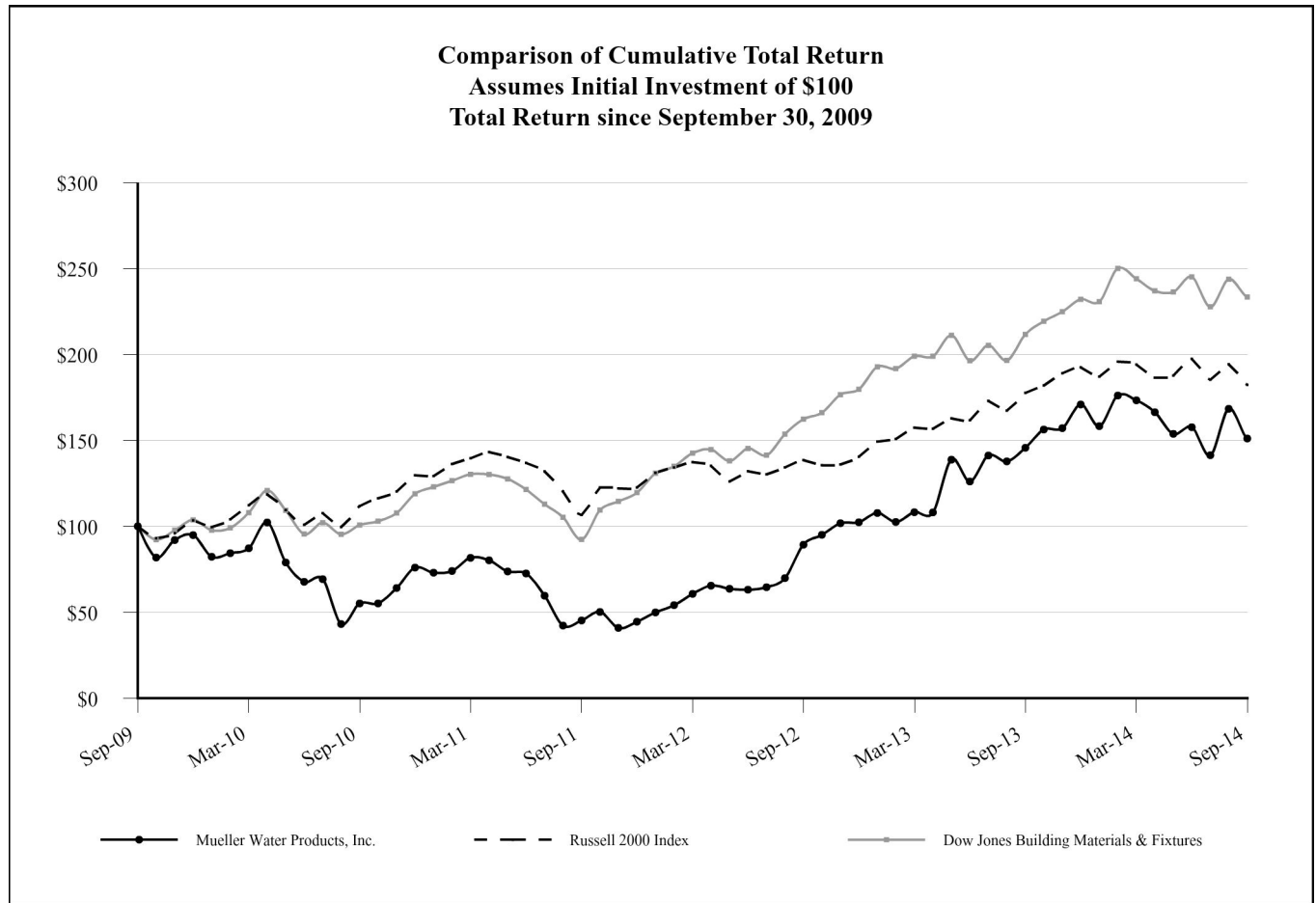
#### Issuer Purchases of Equity Securities

We did not repurchase shares of our common stock in the quarter ended September 30, 2014.

## Stock Price Performance Graph

The following graph compares the cumulative quarterly stock market performance of our common stock with the Russell 2000 Stock Index (“Russell 2000”) and the Dow Jones U.S. Building Materials & Fixtures Index (“DJ Building Materials & Fixtures”) since September 30, 2009.

Total return values were calculated based on cumulative total return assuming (i) the investment of \$100 in our common stock, the Russell 2000 and the DJ Building Materials & Fixtures on the dates indicated and (ii) reinvestment of all dividends.



**Item 6. SELECTED FINANCIAL DATA**

The selected financial and other data presented below should be read in conjunction with, and are qualified by reference to, “Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS” and the consolidated financial statements and notes thereto included elsewhere in this annual report.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in millions, except per share data)				
Statement of operations data:					
Net sales	\$ 1,184.7	\$ 1,120.8	\$ 1,023.9	\$ 964.6	\$ 959.7
Cost of sales	836.8	807.6	752.8	716.5	700.6
Gross profit	347.9	313.2	271.1	248.1	259.1
Selling, general and administrative expenses	220.7	214.4	204.2	191.8	188.8
Restructuring expenses	3.1	1.5	2.8	3.6	0.6
Interest expense, net	49.6	51.7	59.9	65.6	68.0
Loss on early extinguishment of debt, net	1.0	1.4	1.5	—	4.6
Income (loss) before income taxes	73.5	44.2	2.7	(12.9)	(2.9)
Income tax expense (benefit)	18.0	8.8	7.9	(2.9)	2.5
Income (loss) from continuing operations	55.5	35.4	(5.2)	(10.0)	(5.4)
Discontinued operations <sup>(1)</sup>	—	5.4	(103.2)	(28.1)	(39.8)
Net income (loss)	<u>\$ 55.5</u>	<u>\$ 40.8</u>	<u>\$ (108.4)</u>	<u>\$ (38.1)</u>	<u>\$ (45.2)</u>
Net income (loss) per basic share:					
Continuing operations	\$ 0.35	\$ 0.23	\$ (0.03)	\$ (0.07)	\$ (0.03)
Discontinued operations	—	0.03	(0.66)	(0.18)	(0.26)
Net income (loss)	<u>\$ 0.35</u>	<u>\$ 0.26</u>	<u>\$ (0.69)</u>	<u>\$ (0.25)</u>	<u>\$ (0.29)</u>
Net income (loss) per diluted share:					
Continuing operations	\$ 0.34	\$ 0.22	\$ (0.03)	\$ (0.07)	\$ (0.03)
Discontinued operations	—	0.03	(0.66)	(0.18)	(0.26)
Net income (loss)	<u>\$ 0.34</u>	<u>\$ 0.25</u>	<u>\$ (0.69)</u>	<u>\$ (0.25)</u>	<u>\$ (0.29)</u>
Weighted average shares outstanding:					
Basic	159.2	157.7	156.5	155.3	154.3
Diluted	162.2	160.3	156.5	155.3	154.3
Balance sheet data (at September 30):					
Cash and cash equivalents	\$ 161.1	\$ 123.6	\$ 83.0	\$ 61.0	\$ 84.0
Working capital	379.5	386.3	321.5	404.0	452.7
Property, plant and equipment, net	146.3	141.9	137.9	143.8	157.0
Assets held for sale	—	—	—	249.7	260.0
Total assets	1,317.1	1,281.9	1,240.9	1,485.0	1,568.2
Total debt	545.6	600.8	622.8	678.3	692.2
Long-term liabilities	721.1	770.6	841.3	911.2	979.2
Liabilities held for sale	—	—	—	56.9	41.1
Total liabilities	965.5	953.7	1,009.7	1,106.0	1,162.9
Total equity	351.6	328.2	231.2	379.0	405.3
Other data (year ended September 30):					
Depreciation and amortization <sup>(2)</sup>	56.7	59.2	60.6	63.1	65.6
Capital expenditures <sup>(2)</sup>	36.9	36.5	31.4	23.1	21.8
Cash dividends declared per share	0.07	0.07	0.07	0.07	0.07

<sup>(1)</sup> In 2012, we sold U.S. Pipe. U.S. Pipe’s results of operations are classified as discontinued operations for 2013 through 2010 and its assets and liabilities classified as held for sale for 2011 and 2010.

<sup>(2)</sup> Excludes discontinued operations.



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

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto that appear elsewhere in this annual report.

**Overview**

***Organization***

On October 3, 2005, Walter Energy acquired all outstanding shares of capital stock representing the Mueller Co. and Anvil businesses and contributed them to its U.S. Pipe business to form the Company. In June 2006, we completed an initial public offering of 28,750,000 shares of Series A common stock and in December 2006, Walter Energy distributed to its shareholders all of its equity interests in the Company, consisting of all of the Company's outstanding shares of Series B common stock. On January 28, 2009, each share of Series B common stock was converted into one share of Series A common stock and the Series A designation was discontinued.

On April 1, 2012, we sold the businesses comprising our former U.S. Pipe segment. U.S. Pipe's results of operations have been reclassified as discontinued operations for all periods presented.

Unless the context indicates otherwise, whenever we refer to a particular year, we mean our fiscal year ended or ending September 30 in that particular calendar year. We manage our businesses and report operations through two business segments, Mueller Co. and Anvil, based largely on the products sold and the customers served.

***Business***

We estimate that approximately 75% of our Mueller Co. 2014 net sales were for infrastructure upgrade, repair and replacement directly linked to municipal spending and residential construction activity in the United States. Development of raw land for residential construction is a key driver of demand for our Mueller Co. products. According to recent surveys by Ivy Zelman and Associates, growth in land development activity during the quarter ended September 30, 2014, reached record highs for the central region of the country. We expect that some of this activity will drive demand for our products in 2015. Blue Chip consensus for growth in housing starts in calendar 2015 is about 18% and Ivy Zelman and IHS are forecasting 15% and 20%, respectively. On the municipal front, state and local seasonally adjusted tax receipts continue to increase and municipalities overall appear to be in better financial shape than they have been over the last several years. We generated strong growth in our municipal business in 2014 and, based on discussions with our customers and distributors, we expect that demand for repair and replacement of water infrastructure at the municipal level will continue to grow in 2015.

The Bureau of Labor Statistics' Consumer Price Index for water and sewerage maintenance increased approximately 4% for the year ended September 30, 2014 when compared to the prior year. Rising water rates are a significant source of funds for municipalities to drive capital projects. Water rate increases have outpaced those of other utilities over the last several years.

For Mueller Co., based on the current outlook for housing and municipal spending, we expect net sales growth in 2015 will be in a range comparable to the 7.4% growth for Mueller Co. in 2014. We also expect to realize continued benefits of Lean manufacturing and other productivity improvements, and we do not expect any significant changes in our average raw material and purchased parts costs for 2015 compared to 2014.

Most of Anvil's net sales are driven by commercial construction. The Architectural Billings Index was above 50 for most of 2014, which could drive an increase in construction spending in 2015.

We expect Anvil to increase shipment volumes slightly in 2015 since most economic forecasts call for year-over-year growth in non-residential construction spending. In 2015, we expect Anvil's net sales to grow in the low- to mid-single digit range and operating income to grow at a greater rate.

## Results of Operations

Year Ended September 30, 2014 Compared to Year Ended September 30, 2013

	Year ended September 30, 2014			
	Mueller Co.	Anvil	Corporate	Total
	(in millions)			
Net sales	\$ 783.3	\$ 401.4	\$ —	\$ 1,184.7
Gross profit	\$ 235.0	\$ 112.9	\$ —	\$ 347.9
Operating expenses:				
Selling, general and administrative	110.5	70.7	39.5	220.7
Restructuring	2.2	0.9	—	3.1
	112.7	71.6	39.5	223.8
Operating income (loss)	\$ 122.3	\$ 41.3	\$ (39.5)	124.1
Interest expense, net				49.6
Loss on early extinguishment of debt				1.0
Income before income taxes				73.5
Income tax expense				18.0
Net income				\$ 55.5

	Year ended September 30, 2013			
	Mueller Co.	Anvil	Corporate	Total
	(in millions)			
Net sales	\$ 729.5	\$ 391.3	\$ —	\$ 1,120.8
Gross profit	\$ 201.1	\$ 112.1	\$ —	\$ 313.2
Operating expenses:				
Selling, general and administrative	108.3	71.8	34.3	214.4
Restructuring	1.5	0.1	(0.1)	1.5
	109.8	71.9	34.2	215.9
Operating income (loss)	\$ 91.3	\$ 40.2	\$ (34.2)	97.3
Interest expense, net				51.7
Loss on early extinguishment of debt				1.4
Income before income taxes				44.2
Income tax expense				8.8
Income from continuing operations				35.4
Income from discontinued operations, net of tax				5.4
Net income				\$ 40.8

### Consolidated Analysis

Net sales for 2014 increased to \$1,184.7 million from \$1,120.8 million in the prior year period. Net sales increased due to \$48.9 million of increased shipment volumes and \$19.4 million of higher pricing, both of which were primarily at Mueller Co.

Gross profit for 2014 increased to \$347.9 million from \$313.2 million in the prior year period. Gross margin increased 150 basis points to 29.4% in 2014 from 27.9% in the prior year period. Gross profit and gross margin benefited primarily from increased shipment volumes, including the related improvement in utilization of manufacturing capacity, and higher sales pricing.

Selling, general and administrative expenses ("SG&A") for 2014 increased to \$220.7 million from \$214.4 million in the prior year period. SG&A increased primarily due to higher expenses associated with higher shipment volumes, higher stock-based compensation expense and U.S. Pipe-related expenses being reported in SG&A in the current year and in discontinued operations in the prior year. SG&A as a percentage of net sales decreased to 18.6% in 2014 compared to 19.1% in the prior year period.

Restructuring increased in the 2014 compared to the prior year due to an impairment of production equipment at Mueller Co. and the withdrawal from a multi-employer pension plan at Anvil. Mueller Co. changed its approach to the production of certain sizes of iron gate valves and recorded a charge of \$1.5 million. Anvil sold the production equipment and certain inventory at its Bloomington, Minnesota location and recorded an accrual for its pension plan withdrawal liability of \$0.9 million.

Interest expense, net decreased in 2014 compared to the prior year due primarily to a lower level of total debt outstanding. The components of interest expense, net are detailed below.

	<u>2014</u>	<u>2013</u>
	<u>(in millions)</u>	
7.375% Senior Subordinated Notes	\$ 30.6	\$ 31.0
8.75% Senior Unsecured Notes	16.0	16.8
Deferred financing fees amortization	2.0	2.0
ABL Agreement	1.2	1.5
Other interest expense	0.2	0.7
	<u>50.0</u>	<u>52.0</u>
Interest income	(0.4)	(0.3)
	<u>\$ 49.6</u>	<u>\$ 51.7</u>

During 2014, we redeemed \$55.0 million of our 7.375% Senior Subordinated Notes for \$55.7 million and recorded a loss from early extinguishment of debt of \$1.0 million. During 2013, we redeemed \$22.5 million of our 8.75% Senior Unsecured Notes for \$23.2 million, and recorded a loss on early extinguishment of debt of \$1.4 million.

The components of income tax expense in continuing operations are provided below.

	<u>2014</u>	<u>2013</u>
	<u>(in millions)</u>	
Expense from income before income taxes	\$ 30.1	\$ 17.5
Deferred tax asset valuation allowance adjustment	(9.6)	(8.5)
State tax rate change	(2.5)	—
Other discrete items	—	(0.2)
	<u>\$ 18.0</u>	<u>\$ 8.8</u>

### ***Segment Analysis***

#### *Mueller Co.*

Net sales for 2014 increased to \$783.3 million from \$729.5 million in the prior year period. Net sales increased primarily due to \$41.5 million of increased shipment volumes and \$15.5 million of higher pricing. Domestic net sales from our core valves, hydrants and brass products grew 17% year-over-year.

Gross profit for 2014 increased to \$235.0 million from \$201.1 million in the prior year period primarily due to increased shipment volumes and higher sales pricing. Gross margin increased to 30.0% for 2014 compared to 27.6% in the prior year period primarily due to higher shipment volumes, including the related improvement in utilization of manufacturing capacity, and higher sales pricing.

SG&A in 2014 increased to \$110.5 million compared to \$108.3 million in the prior year period primarily due to expenses associated with increased shipment volumes. SG&A were 14.1% and 14.8% of net sales for 2014 and 2013, respectively.

#### *Anvil*

Net sales in 2014 increased to \$401.4 million from \$391.3 million in the prior year period. Net sales increased primarily due to increased shipment volumes.

Gross profit in 2014 increased to \$112.9 million from \$112.1 million in the prior year period. Gross margin declined to 28.1% in 2014 compared to 28.6% in the prior year period. This decline was due primarily to operational inefficiencies at its largest manufacturing facility.

SG&A decreased to \$70.7 million in 2014 from \$71.8 million in the prior year period. SG&A decreased to 17.6% of net sales for 2014 from 18.3% of net sales 2013. SG&A in 2014 included a gain from the sale of its remaining Bloomington, Minnesota assets of \$2.5 million.

### Corporate

SG&A increased to \$39.5 million in 2014 from \$34.3 million in the prior year period primarily due to higher stock-based compensation and professional fees.

Year Ended September 30, 2013 Compared to Year Ended September 30, 2012

	Year ended September 30, 2013			
	Mueller Co.	Anvil	Corporate	Total
	(in millions)			
Net sales	\$ 729.5	\$ 391.3	\$ —	\$ 1,120.8
Gross profit	\$ 201.1	\$ 112.1	\$ —	\$ 313.2
Operating expenses:				
Selling, general and administrative	108.3	71.8	34.3	214.4
Restructuring	1.5	0.1	(0.1)	1.5
	109.8	71.9	34.2	215.9
Operating income (loss)	\$ 91.3	\$ 40.2	\$ (34.2)	97.3
Interest expense, net				51.7
Loss on early extinguishment of debt				1.4
Income before income taxes				44.2
Income tax expense				8.8
Income from continuing operations				35.4
Income from discontinued operations, net of tax				5.4
Net income				\$ 40.8

	Year ended September 30, 2012			
	Mueller Co.	Anvil	Corporate	Total
	(in millions)			
Net sales	\$ 652.4	\$ 371.5	\$ —	\$ 1,023.9
Gross profit	\$ 162.8	\$ 108.3	\$ —	\$ 271.1
Operating expenses:				
Selling, general and administrative	102.6	70.7	30.9	204.2
Restructuring	2.5	0.3	—	2.8
	105.1	71.0	30.9	207.0
Operating income (loss)	\$ 57.7	\$ 37.3	\$ (30.9)	64.1
Interest expense, net				59.9
Loss on early extinguishment of debt				1.5
Income before income taxes				2.7
Income tax expense				7.9
Loss from continuing operations				(5.2)
Loss from discontinued operations, net of tax				(103.2)
Net loss				\$ (108.4)

## Consolidated Analysis

Net sales for 2013 increased to \$1,120.8 million from \$1,023.9 million in the prior year period. Net sales increased primarily due to \$68.5 million of higher shipment volumes at Mueller Co.

Gross profit for 2013 increased to \$313.2 million from \$271.1 million in the prior year period. Gross margin increased 140 basis points to 27.9% in 2013 from 26.5% in the prior year period. Gross profit and gross margin benefited primarily from increased shipment volumes and higher sales pricing.

SG&A for 2013 increased to \$214.4 million from \$204.2 million in the prior year period. SG&A increased primarily due to higher expenses associated with higher shipment volumes and higher stock-based compensation expense. SG&A as a percentage of net sales decreased to 19.1% in 2013 compared to 19.9% in the prior year period.

Interest expense, net decreased in 2013 compared to the prior year period due to non-cash costs for terminated interest rate swap contracts ceasing in the prior year and lower levels of debt outstanding. The components of interest expense, net are detailed below.

	2013	2012
	(in millions)	
7.375% Senior Subordinated Notes	\$ 31.0	\$ 31.0
8.75% Senior Unsecured Notes	16.8	19.3
Deferred financing fees amortization	2.0	2.3
ABL Agreement	1.5	3.2
Interest rate swap contracts	—	5.0
Other interest expense	0.7	(0.6)
	<u>52.0</u>	<u>60.2</u>
Interest income	(0.3)	(0.3)
	<u>\$ 51.7</u>	<u>\$ 59.9</u>

During each of 2013 and 2012, we redeemed \$22.5 million of our 8.75% Senior Unsecured Notes for \$23.2 million. The resulting losses on early extinguishment of debt of \$1.4 million and \$1.5 million, respectively, included the premiums paid and the deferred financing costs and original issue discounts that were written off.

The components of income tax expense in continuing operations are provided below.

	2013	2012
	(in millions)	
Expense from pre-tax operating income	\$ 17.5	\$ 1.4
Deferred tax asset valuation allowance adjustment	(8.5)	6.5
Other discrete items	(0.2)	—
	<u>\$ 8.8</u>	<u>\$ 7.9</u>

We did not allocate any income tax expense to discontinued operations during 2013. We allocated \$21.9 million of income tax benefit to discontinued operations during 2012, which consisted of a benefit from operations of \$48.7 million partially offset by valuation allowance-related expenses and other items of \$26.8 million.

## Segment Analysis

### Mueller Co.

Net sales for 2013 increased to \$729.5 million from \$652.4 million in the prior year period. Net sales increased primarily due to \$68.5 million of higher shipment volumes.

Gross profit for 2013 increased to \$201.1 million from \$162.8 million in the prior year period primarily due to higher shipment volumes. Gross margin increased to 27.6% for 2013 compared to 25.0% in the prior year period primarily due to higher shipment volumes.

SG&A in 2013 increased to \$108.3 million compared to \$102.6 million in the prior year period primarily due to expenses associated with higher shipment volumes. SG&A were 14.8% and 15.7% of net sales for 2013 and 2012, respectively.

## *Anvil*

Net sales in 2013 increased to \$391.3 million from \$371.5 million in the prior year period. Net sales increased primarily due to \$12.7 million of higher shipment volumes.

Gross profit in 2013 increased to \$112.1 million from \$108.3 million in the prior year period. The increase in net sales was substantially offset by higher costs of goods sold. Gross margin declined to 28.6% in 2013 compared to 29.2% in the prior year period.

SG&A increased to \$71.8 million in 2013 from \$70.7 million in the prior year period. SG&A decreased to 18.3% of net sales for 2013 from 19.0% of net sales for 2012.

## *Corporate*

SG&A increased to \$34.3 million in 2013 from \$30.9 million in the prior year period primarily due to higher stock-based compensation expense.

## **Financial Condition**

Cash and cash equivalents were \$161.1 million at September 30, 2014 compared to \$123.6 million at September 30, 2013. Cash and cash equivalents increased during 2014 as a result of cash provided by operating activities of \$147.6 million, partially offset by cash used in investing and financing of \$42.2 million and \$65.2 million, respectively. Cash and cash equivalents also decreased by \$2.7 million during 2014 due to changes in currency exchange rates.

Receivables, net were \$182.1 million at September 30, 2014 compared to \$164.5 million at September 30, 2013. Receivables at September 30, 2014 represented approximately 52 days net sales compared to September 30, 2013 receivables representing approximately 51 days net sales.

Inventories were \$198.0 million at September 30, 2014 compared to \$208.5 million at September 30, 2013. Inventories decreased during 2014 from increased sales and bookings activity. Estimated inventory turns at September 30, 2014 were consistent between years.

Property, plant and equipment, net was \$146.3 million at September 30, 2014 compared to \$141.9 million at September 30, 2013, and depreciation expense was \$27.3 million in 2014. Capital expenditures, including external-use software development costs capitalized, were \$36.9 million in 2014.

Intangible assets were \$533.6 million at September 30, 2014 compared to \$553.1 million at September 30, 2013. Finite-lived intangible assets, \$228.2 million of net book value at September 30, 2014, are amortized over their estimated useful lives. Such amortization expense was \$29.4 million during 2014 and is expected to be \$20 million to \$30 million for each of the next five years. Indefinite-lived intangible assets, \$305.4 million at September 30, 2014, are not amortized, but tested at least annually for possible impairment.

Accounts payable and other current liabilities were \$198.2 million at September 30, 2014 compared to \$181.8 million at September 30, 2013. Increased payables relate primarily to increased purchasing activity and the timing of disbursements in the 2014 fourth quarter compared to the 2013 fourth quarter.

Outstanding borrowings were \$545.6 million at September 30, 2014 compared to \$600.8 million at September 30, 2013. The decrease of \$55.2 million during 2014 reflects the early retirement of \$55.0 million of our 7.375% Senior Subordinated Notes.

Deferred income taxes were net liabilities of \$111.8 million at September 30, 2014 compared to net liabilities of \$114.8 million at September 30, 2013. Net deferred income tax liabilities decreased by \$3.0 million, which was primarily related to utilization of federal and state net operating losses offset by changes in pension and the valuation allowance. Deferred tax liabilities related to intangible assets and other were \$191.6 million and \$202.8 million at September 30, 2014 and 2013, respectively.

## Liquidity and Capital Resources

As discussed in Item 9B. OTHER INFORMATION, we refinanced our debt on November 25, 2014. We repaid all of our Senior Subordinated Notes and Senior Unsecured Notes and entered into a \$500.0 million term loan which matures November 25, 2021. We expect to realize annualized interest expense savings of approximately \$22 million and total 2015 interest expense of approximately \$27 million, assuming that LIBOR remains at or below the floor and before the effect of interest rate risk management activities, if any. This excludes the loss on early extinguishment of debt we expect to record in the quarter ending December 31, 2014, which we expect will be approximately \$31.3 million. To complete the refinancing, we consumed liquidity of approximately \$50 million, which included net principal reduction and payment of premiums, fees and interest accrued at November 25, 2014.

We had cash and cash equivalents of \$161.1 million at September 30, 2014 and \$158.3 million of additional borrowing capacity under our ABL Agreement based on September 30, 2014 data. Undistributed earnings from our subsidiaries in Canada and China are considered to be permanently invested outside of the United States. At September 30, 2014, cash and cash equivalents included \$28.9 million and \$5.7 million in Canada and China, respectively.

In 2014, we redeemed \$55.0 million of our 7.375% Senior Subordinated Notes at a redemption price of 101.229% on August 29, 2014. We recorded a loss on early extinguishment of debt of \$1.0 million on the redemption date.

In 2014, we used \$10.0 million to acquire certain assets of Lined Valve Company Inc., which was reduced by a purchase price adjustment of \$0.3 million that we received in 2015.

Cash flows from operating activities are categorized below.

	<b>2014</b>	<b>2013</b>
	<b>(in millions)</b>	
Collections from customers	\$ 1,167.9	\$ 1,121.8
Disbursements, other than interest and income taxes	(969.0)	(957.9)
Interest payments, net	(48.7)	(49.1)
Income tax payments, net	(2.6)	(0.7)
Cash provided by operating activities	<u>\$ 147.6</u>	<u>\$ 114.1</u>

Collections from customers were higher during 2014 compared to 2013 due primarily to higher net sales in 2014.

Increased disbursements, other than interest and income taxes, during 2014 reflect higher purchasing activity associated with higher net sales and timing differences of disbursements for other than interest and income taxes.

Capital expenditures were \$36.9 million during 2014 compared to \$36.5 million during 2013. We estimate 2015 capital expenditures to be \$40 million to \$42 million.

We were not required to make, and we did not make, any contributions to our U.S. pension plan in 2014. The proportion of the assets held by our U.S. pension plan invested in fixed income securities, instead of equity securities, has increased over historical levels. Because of this shift in the strategic asset allocation, the estimated rate of return on these assets has decreased, which could ultimately cause our pension expense and our required contributions to this plan to increase.

We exhausted substantially all of our remaining net operating loss carryforwards for U.S. federal income tax purposes at September 30, 2014. We expect our federal income tax payments to increase compared to the past several years. Our state net operating loss carryforwards will continue to be available in future years.

We anticipate that our existing cash, cash equivalents and borrowing capacity combined with our expected operating cash flows will be sufficient to meet our anticipated operating expenses, capital expenditures and debt service obligations as they become due through September 30, 2015. However, our ability to make these payments will depend partly upon our future operating performance, which will be affected by general economic, financial, competitive, legislative, regulatory, business and other factors beyond our control.

## ***ABL Agreement***

At September 30, 2014, the ABL Agreement consisted of a revolving credit facility for up to \$225 million of revolving credit borrowings, swing line loans and letters of credit. The ABL Agreement permits us to increase the size of the credit facility by an additional \$150 million in certain circumstances subject to adequate borrowing base availability. We may borrow up to \$25 million through swing line loans and may have up to \$60 million of letters of credit outstanding.

Borrowings under the ABL Agreement bear interest at a floating rate equal to LIBOR plus a margin ranging from 175 to 225 basis points, or a base rate, as defined in the ABL Agreement, plus a margin ranging from 75 to 125 basis points. At September 30, 2014, the applicable LIBOR-based margin was 175 basis points.

The ABL Agreement terminates on December 18, 2017. We pay a commitment fee for any unused borrowing capacity under the ABL Agreement of either 37.5 basis points per annum or 25 basis points per annum, based on daily average availability during the previous calendar quarter. At September 30, 2014, our commitment fee was 37.5 basis points. As measured using September 30, 2014 data, excess availability as reduced by outstanding letters of credit and accrued fees and expenses of \$29.1 million was \$158.3 million.

The ABL Agreement is subject to mandatory prepayments if total outstanding borrowings under the ABL Agreement are greater than the aggregate commitments under the revolving credit facility or if we dispose of overdue accounts receivable in certain circumstances. The borrowing base under the ABL Agreement is equal to the sum of (a) 85% of the value of eligible accounts receivable and (b) the lesser of (i) 65% of the value of eligible inventory or (ii) 85% of the net orderly liquidation value of the value of eligible inventory, less certain reserves. Prepayments can be made at any time with no penalty.

Substantially all of our U.S. subsidiaries are borrowers under the ABL Agreement and are jointly and severally liable for any outstanding borrowings. Our obligations under the ABL Agreement are secured by a first-priority perfected lien on all of our U.S. inventory, accounts receivable, certain cash and other supporting obligations.

Borrowings are not subject to any financial maintenance covenants unless excess availability is less than the greater of \$22.5 million and 10% of the aggregate commitments under the ABL Agreement. The ABL Agreement contains customary negative covenants and restrictions on our ability to engage in specified activities, such as:

- limitations on other debt, liens, investments and guarantees;
- restrictions on dividends and redemptions of our capital stock and prepayments and redemptions of debt; and
- restrictions on mergers and acquisition, sales of assets and transactions with affiliates.

### ***8.75% Senior Unsecured Notes***

At September 30, 2014, we had \$180.0 million face value of 8.75% Senior Unsecured Notes, due on September 1, 2020, outstanding at September 30, 2014, which was reported net of \$1.7 million unamortized discount. The Senior Unsecured Notes were guaranteed by essentially all of our U.S. subsidiaries, but were subordinate to borrowings under the ABL Agreement.

### ***7.375% Senior Subordinated Notes***

At September 30, 2014, we had \$365.0 million face value of 7.375% Senior Subordinated Notes, due on June 1, 2017, outstanding at September 30, 2014. The Senior Subordinated Notes were guaranteed by essentially all of our U.S. subsidiaries, but were subordinate to the borrowings under the ABL Agreement and the Senior Unsecured Notes.



Our corporate credit rating and the credit rating for our debt are presented below.

	Moody's		Standard & Poor's	
	September 30,		September 30,	
	2014	2013	2014	2013
Corporate credit rating	B1	B2	BB-	BB-
ABL Agreement	Not rated	Not rated	Not rated	Not rated
8.75% Senior Unsecured Notes	Ba3	B1	BB-	BB-
7.375% Senior Subordinated Notes	B3	Caa1	B	B
Outlook	Stable	Stable	Stable	Stable

Moody's and Standard & Poor's have rated the Term Loan as B2 and BB, respectively.

### Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not have any undisclosed borrowings or debt or any derivative contracts other than those described in "Item 7A. Quantitative and Qualitative Disclosure About Market Risk" or synthetic leases. Therefore, we are not exposed to any financing, liquidity, market or credit risk that could have arisen had we engaged in such relationships.

We use letters of credit and surety bonds in the ordinary course of business to ensure the performance of contractual obligations. At September 30, 2014, we had \$28.8 million of letters of credit and \$42.5 million of surety bonds outstanding.

### Contractual Obligations

Our contractual obligations at September 30, 2014 are presented below.

	2015	2016-2017	2018-2019	After 2019	Total
	(in millions)				
Long-term debt, including current portion:					
Principal payments <sup>(1)</sup>	\$ 1.2	\$ 366.1	\$ —	\$ 180.0	\$ 547.3
Interest	42.9	85.5	31.6	15.7	175.7
Operating leases	7.1	10.3	4.8	2.5	24.7
Unconditional purchase obligations <sup>(2)</sup>	68.6	3.9	—	—	72.5
Other noncurrent liabilities <sup>(3)</sup>	0.2	—	—	—	0.2
	<u>\$ 120.0</u>	<u>\$ 465.8</u>	<u>\$ 36.4</u>	<u>\$ 198.2</u>	<u>\$ 820.4</u>

<sup>(1)</sup> The long-term debt balance at September 30, 2014 is net of \$1.7 million of unamortized discount on the 8.75% Senior Unsecured Notes. This does not reflect the subsequent refinancing discussed in Item 9B. OTHER INFORMATION.

<sup>(2)</sup> Includes contractual obligations for purchases of raw materials and capital expenditures.

<sup>(3)</sup> Consists of obligations for required pension contributions. Actual payments may differ. We have not estimated required pension contributions beyond 2015.

## **Effect of Inflation; Seasonality**

We experience changing price levels primarily related to purchased components and raw materials. Mueller Co. experienced a 2% increase in the average cost per ton of scrap steel and a 2% increase in the average cost of brass ingot purchased in 2014 compared to 2013. Anvil experienced a 1% increase in the average cost per ton of scrap steel purchased in 2014 compared to 2013. Changes in prices for purchased parts, freight, warehousing, labor, and other factors tended to offset these changes during 2014.

Our water infrastructure business is dependent upon construction activity, which is seasonal due to the impact of cold weather conditions on construction. Net sales and operating income have historically been lowest in the three-month periods ending December 31 and March 31 when the northern United States and all of Canada generally face weather conditions that restrict significant construction activity. For Mueller Co., approximately 45% of a fiscal year's net sales occurs in the first half of the fiscal year with 55% occurring in the second half of the fiscal year. See "Item 1A. RISK FACTORS-Seasonal demand for certain of our products may adversely affect our financial results."

## **Critical Accounting Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. These estimates are based upon experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. We consider an accounting estimate to be critical if changes in the estimate that are reasonably likely to occur over time or the use of reasonably different estimates could have a material impact on our financial condition or results of operations. We consider the accounting topics presented below to include our critical accounting estimates.

### ***Revenue Recognition***

We recognize revenue when delivery of a product has occurred and there is persuasive evidence of a sales arrangement, sales prices are fixed and determinable and collectability from the customers is reasonably assured. Sales are recorded net of estimated discounts, returns and rebates. Discounts, returns and rebates are estimated based upon current offered sales terms and actual historical return and allowance rates.

### ***Receivables***

The estimated allowance for doubtful receivables is based upon judgments and estimates of expected losses and specific identification of problem accounts. Significantly weaker than anticipated industry or economic conditions could impact customers' ability to pay such that actual losses may be greater than the amounts provided for in this allowance. The periodic evaluation of the adequacy of the allowance for doubtful receivables is based on an analysis of prior collection experience, specific customer creditworthiness and current economic trends within the industries served. In circumstances where a specific customer's inability to meet its financial obligation is known to us (e.g., bankruptcy filings or substantial downgrading of credit ratings), we record a specific allowance to reduce the receivable to the amount we reasonably believe will be collected.

### ***Inventories***

We record inventories at the lower of first-in, first-out method cost or market value. Inventory cost includes an overhead component that can be affected by levels of production and actual costs incurred. We evaluate the need to record adjustments for impairment of inventory at least quarterly. This evaluation includes such factors as anticipated usage, inventory levels and ultimate product sales value. Inventory that, in the judgment of management, is obsolete or in excess of our normal usage is written-down to its estimated market value, if less than its cost. Significant judgments must be made when establishing the allowance for obsolete and excess inventory.

### ***Income Taxes***

We recognize deferred tax liabilities and deferred tax assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the financial statements and the tax basis of assets and liabilities, using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset any net deferred tax assets when, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Our tax balances are based on our expectations of future operating performance, reversal of taxable temporary differences, tax planning strategies, interpretation of the tax regulations currently enacted and rulings in numerous tax jurisdictions.

We only record tax benefits for positions that we believe are more likely than not of being sustained under audit examination based solely on the technical merits of the associated tax position. The amount of tax benefit recognized for any position that meets the more likely than not threshold is the largest amount of the tax benefit that we believe is greater than 50% likely of being realized.

#### ***Accounting for the Impairment of Long-Lived Assets Including Goodwill and Other Intangible Assets***

We test indefinite-lived intangible assets for impairment annually (or more frequently if events or circumstances indicate possible impairment). We performed this annual impairment testing at September 1, and concluded that our indefinite-lived intangible assets were not impaired. We tested the indefinite-lived intangible assets for impairment using a “royalty savings method,” which is a variation of the discounted cash flow method. This method estimates a fair value by calculating an estimated discounted future cash flow stream from the hypothetical licensing of the indefinite-lived intangible assets. If this estimated fair value exceeds the carrying value, no impairment is indicated. This analysis is dependent on management's best estimates of future operating results and the selection of reasonable discount rates and hypothetical royalty rates. Significantly different projected operating results could result in a different conclusion regarding impairment. No impairments would have been indicated for any discount rates and hypothetical royalty rates consistent with standard valuation methodologies considered reasonable by management.

Other long-lived assets, including finite-lived intangible assets, are amortized over their respective estimated useful lives and reviewed for impairment if events or circumstances indicate possible impairment.

We concluded that U.S. Pipe qualified for treatment as “held for sale” during the quarter ended March 31, 2012. Accordingly, we evaluated U.S. Pipe's long-lived assets for impairment and concluded that an impairment was indicated at that time.

#### ***Litigation, Investigations and Claims***

We are involved in litigation, investigations and claims arising out of the normal conduct of our business. We estimate and accrue liabilities resulting from such matters based on a variety of factors, including outstanding legal claims and proposed settlements; assessments by counsel of pending or threatened litigation; and assessments of potential environmental liabilities and remediation costs. We believe we have adequately accrued for these potential liabilities; however, facts and circumstances may change and could cause the actual liability to exceed the estimates, or may require adjustments to the recorded liability balances in the future.

#### ***Workers Compensation, Defined Benefit Pension Plans, Environmental and Other Long-term Liabilities***

We are obligated for various liabilities that will ultimately be determined over what could be a very long future time period. We established the recorded liabilities for such items at September 30, 2014 using estimates for when such amounts will be paid and what the amounts of such payments will be. These estimates are subject to change based on numerous factors, including among others, regulatory changes, technology changes, the investment performance of related assets, longevity of participants, the discount rate used and changes to plan designs.

#### **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

We are exposed to various market risks, which are potential losses arising from adverse changes in market rates and prices, such as various commodity prices, interest rates and foreign exchange rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Our primary financial instruments are cash and cash equivalents. This includes cash in banks and highly rated, liquid money market investments. We believe that those instruments are not subject to material potential near-term losses in future earnings from reasonably possible near-term changes in market rates or prices.

#### ***Commodity Price Risk***

Our products are made using various purchased components and several basic raw materials, including scrap steel, sand, resin, brass ingot and steel pipe. We expect these prices to fluctuate based on marketplace demand and our product margins and level of profitability may fluctuate if we do not pass changes in purchased component and raw material costs to our customers.

Mueller Co. experienced a 2% increase in the average cost per ton of scrap steel and a 2% increase in the average cost of brass ingot purchased in 2014 compared to 2013. Anvil experienced a 1% increase in the average cost per ton of scrap steel purchased in 2014 compared to 2013. Changes in prices for purchased parts, freight, warehousing, labor, and other factors tended to offset these changes during 2014. See “Item 1A. RISK FACTORS-The prices of our purchased components and raw materials can be volatile.”

### ***Interest Rate Risk***

At September 30, 2014, we had fixed rate debt of \$545.6 million and no variable rate debt. There would be no impact on pre-tax earnings or cash flows resulting from a 100 basis point increase in interest rates on variable rate debt, holding other variables constant. Following our refinancing on November 25, 2014, described in more detail in Item 9B. OTHER INFORMATION, essentially all of our borrowings are LIBOR-based variable rate debt.

### ***Currency Risk***

Our principal assets, liabilities and operations outside the U.S. are in Canada, China and Australia. These assets and liabilities are translated into U.S. dollars at currency exchange rates in effect at the end of each period, with the effect of such translation reflected in other comprehensive loss. Our stockholders' equity will fluctuate depending upon the weakening or strengthening of the U.S. dollar against these non-U.S. currencies. Net sales and expenses of these subsidiaries are translated into U.S. dollars at the average currency exchange rate during the period. At September 30, 2014, \$63.1 million of our net assets were denominated in non-U.S. currencies.

## **Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The Report of Independent Registered Public Accounting Firm, our Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements that are filed as part of this annual report are listed under “Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES” and are set forth on pages F-1 through F-45 immediately following the signature pages of this annual report.

Selected quarterly financial data for 2014 and 2013 are provided in Note 18 of the notes to consolidated financial statements.

## **Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **Item 9A. CONTROLS AND PROCEDURES**

### ***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this annual report. Based on this evaluation, those officers have concluded that, at September 30, 2014, our disclosure controls and procedures were effective.

### ***Changes in Internal Control over Financial Reporting***

There were no changes in internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ***Management's Report on Internal Control over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

We assessed the effectiveness of our internal control over financial reporting at September 30, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (1992 framework). After doing so, management concluded that, at September 30, 2014, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting at September 30, 2014 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included in this annual report.

## **Item 9B. OTHER INFORMATION**

### *Debt Retirement*

On November 6, 2014, we announced cash tender offers for any and all of our outstanding 7.375% Senior Subordinated Notes (“Senior Subordinated Notes”) and any and all of our outstanding 8.75% Senior Unsecured Notes (“Senior Unsecured Notes”). \$247.9 million of the Senior Subordinated Notes, representing 67.9% of the \$365.0 aggregate outstanding principal amount of the Senior Subordinated Notes and \$170.0 of the Senior Unsecured Notes, representing 94.4% of the \$180.0 aggregate outstanding principal amount of the Senior Unsecured Notes were tendered prior to the early tender deadline on November 20, 2014.

On November 25, 2014, we accepted the Senior Subordinated Notes and Senior Unsecured Notes tendered for an aggregate of \$370.9 million and \$199.0 million, respectively, which included a payment equal to \$1,016.04 per \$1,000 principal amount of Senior Subordinated Notes and \$1,105.68 per \$1,000 principal amount of Senior Unsecured Notes tendered plus accrued and unpaid interest. Pursuant to the related consent solicitations, the Senior Subordinated Notes and the Senior Unsecured Notes that remain outstanding were amended to eliminate or modify substantially all restrictive covenants, certain events of default and other provisions originally included in the applicable indenture.

Concurrently with the settlement of the tendered Senior Subordinated Notes, we issued a notice of redemption for the remaining outstanding Senior Subordinated Notes and deposited with the trustee amounts necessary for such redemption on December 20, 2014. Concurrently with the settlement of the tendered Senior Unsecured Notes, we deposited with the trustee amounts necessary to redeem the notes on September 1, 2015. Although the untendered Senior Subordinated Notes and Senior Unsecured Notes will remain outstanding until the applicable redemption dates, as of November 25, 2014, our obligations thereunder have been satisfied and the indentures related thereto have been discharged.

### *New Term Loan*

On November 25, 2014, we entered into entered a \$500 million senior secured term loan (“Term Loan”). The proceeds from the Term Loan were used to refinance and satisfy and discharge our Senior Subordinated Notes and Senior Unsecured Notes. The Term Loan accrues interest at a floating rate equal to LIBOR, subject to a floor of 0.75%, plus 325 basis points, or a base rate (as defined in the Term Loan agreement) plus 225 basis points. We may voluntarily repay amounts borrowed under the Term Loan at any time subject to a 1.0% premium on any amounts prepaid for the primary purpose of refinancing at a reduced interest rate prior to the first anniversary of the Term Loan. The principal amount of the Term Loan is required to be repaid in quarterly installments, commencing in March 2015, of \$1.25 million, with the remaining unpaid principal amount of the Term Loan due and payable in full at maturity. The Term Loan has a term of seven years.

The Term Loan contains customary representations and warranties and does not contain any financial maintenance covenants. The Term Loan contains customary affirmative and negative operating covenants applicable to us and our restricted subsidiaries, including, among other things, restrictions on indebtedness, disqualified and preferred stock issuances, restricted payments, dividends, asset sales, transactions with affiliates, liens, fundamental changes, negative pledges, line of business changes and amendments to organizational documents. The Term Loan also includes customary events of default, including but not limited to, the nonpayment of principal or interest, material inaccuracy of representations and warranties, violations of covenants, cross-default to material indebtedness, bankruptcy and insolvency, material adverse judgments and lien priority. Upon an event of default, the lenders may, among other things, accelerate the Term Loan and foreclose on the collateral.

### *Amendment to ABL Agreement*

Concurrent with our entry into the Term Loan, we amended our ABL Agreement and certain security documents related thereto to provide that our obligations under the ABL Agreement, which were previously secured only by a first-priority lien on all of our U.S. receivables and inventory, certain cash and other supporting obligations, will be secured by a second-priority lien on substantially all of our remaining assets.

The foregoing descriptions of the Term Loan and the amendment to our ABL Agreement are only brief descriptions, do not purport to be complete and are qualified in their entirety by reference to the full text of the documents attached to this Form 10-K as Exhibits 10.26 and 10.19.2, respectively, which are incorporated by reference herein.

## PART III

### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The name, age at November 15, 2014 and position of each of our current executive officers and directors are presented below.

Name	Age	Position
Gregory E. Hyland	63	Chairman of the board of directors, President and Chief Executive Officer
Keith L. Belknap	56	Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary
Robert D. Dunn	57	Senior Vice President, Human Resources
Thomas E. Fish	60	President, Anvil
Evan L. Hart	49	Senior Vice President and Chief Financial Officer
Robert P. Keefe	60	Senior Vice President and Chief Technology Officer
Kevin G. McHugh	56	Vice President and Controller
Gregory S. Rogowski	55	President, Mueller Co.
Marietta Edmunds Zakas	55	Senior Vice President, Strategy, Corporate Development and Communications
Shirley C. Franklin	69	Director
Thomas J. Hansen	65	Director
Jerry W. Kolb	78	Director
Joseph B. Leonard	71	Director
Mark J. O'Brien	71	Director
Bernard G. Rethore	73	Director
Neil A. Springer	76	Director
Lydia W. Thomas	70	Director
Michael T. Tokarz	65	Director

*Gregory E. Hyland* has been Chairman of the board of directors since October 2005 and President and Chief Executive Officer since January 2006. Mr. Hyland was Chairman, President and Chief Executive Officer of Walter Energy, a homebuilding, financial services and natural resources company, from September 2005 to December 2006. Prior to that time, he was President, U.S. Fleet Management Solutions of Ryder System, Inc. (“Ryder”), a transportation and logistics company, from June 2005 to September 2005. Mr. Hyland was Executive Vice President, U.S. Fleet Management Solutions of Ryder from October 2004 to June 2005. He earned Bachelor and Master of Business Administration degrees from the University of Pittsburgh.

*Keith L. Belknap* has been our Senior Vice President, General Counsel and Corporate Secretary since April 2012, and our Chief Compliance Officer since October 2012. Previously, Mr. Belknap was Senior Vice President, General Counsel and Corporate Secretary of PRIMEDIA, Inc., a digital media and real estate advertising company, since 2007. Prior to that time, he held senior legal positions with PPG Industries, a supplier of paint, coating, optical product, specialty material, chemical, glass and fiberglass, and Georgia-Pacific Corporation, a manufacturer and marketer of tissue, packaging, paper, pulp and building products. Mr. Belknap earned a Bachelor of Arts degree with honors from the University of Tulsa (Phi Beta Kappa) and a Juris Doctor with honors from Harvard Law School.

*Robert D. Dunn* has been our Senior Vice President, Human Resources since November 2007. Previously, Mr. Dunn was Senior Vice President, Human Resources of Dean Foods Company (formerly Suiza Foods Corporation), a food and dairy company since 1999. He earned a Bachelor of Science degree from Murray State University and a Master of Business Administration degree from Embry Riddle Aeronautical University.

*Thomas E. Fish* has been President of our Anvil segment since 2000. From January 2005 to November 2005, Mr. Fish was Mueller Co.’s Interim Chief Financial Officer. He earned a Bachelor of Science degree from the University of Rhode Island and is a certified public accountant.

*Evan L. Hart* has been our Senior Vice President and Chief Financial Officer since July 2008. Mr. Hart was our Controller from December 2007 to July 2008 and our Vice President of Financial Planning and Analysis from September 2006 to December 2007. Previously, he was Vice President, Controller and Treasurer for Unisource Worldwide, Inc., a marketer and distributor of commercial printing and business imaging papers, packaging systems and facility supplies and equipment from 2002 to 2006. Mr. Hart earned a Bachelor of Science degree from Birmingham-Southern College and is a certified public accountant.

*Robert P. Keefe* has been our Senior Vice President and Chief Technology Officer since December 2011 and our Senior Vice President and Chief Information Officer since March 2007. Previously, Mr. Keefe was Corporate Vice President and Chief Information Officer at Russell Corporation, an athletic apparel, footwear and equipment company. He is a director of the Society for Information Management, International, a non-profit trade organization. Mr. Keefe earned a Bachelor degree from the State University of New York at Oswego and a Master of Business Administration degree from Pace University.

*Kevin G. McHugh* has been our Vice President and Controller since July 2008. Mr. McHugh was our Vice President, Financial Reporting from January 2008 to July 2008. Previously, he was Corporate Controller at Unisource Worldwide, Inc. from 2003 to 2007. Mr. McHugh earned a Bachelor of Business Administration degree with honors from the University of Notre Dame and is a certified public accountant.

*Gregory S. Rogowski* has been President of our Mueller Co. segment since May 2009. Previously, Mr. Rogowski was President and/or Chief Executive Officer of Performance Fibers, Inc., a polyester industrial fibers business from 2004 to 2009. He earned a Bachelor of Science degree from Virginia Polytechnic Institute and State University, a Master of Science degree from the University of Akron and a Master of Business Administration degree from the University of Richmond.

*Marietta Edmunds Zakas* has been our Senior Vice President, Strategy, Corporate Development and Communications since November 2006. Previously, Ms. Zakas held various positions at Russell Corporation, culminating in her role as Corporate Vice President, Chief of Staff, Business Development and Treasurer. She earned a Bachelor of Arts degree with honors from Randolph-Macon Woman's College (now known as Randolph College), a Master of Business Administration degree from the University of Virginia Darden School of Business and a Juris Doctor from the University of Virginia School of Law. Ms. Zakas is a director of Atlantic Capital Bank and Atlantic Capital Bancshares.

*Shirley C. Franklin* has been a member of our board of directors since November 2010. Ms. Franklin is the Barbara Jordan visiting professor at the LBJ School of the University of Texas and the Chair of the board of directors and Chief Executive Officer of Purpose Built Communities, Inc., a national non-profit organization established to transform struggling neighborhoods into sustainable communities. She also is Co-Chair of the Atlanta Regional Commission on Homelessness and Chair of the board of directors of the National Center for Civil and Human Rights. From 2002 to 2010, Ms. Franklin was mayor of Atlanta, Georgia. She is a director of Delta Air Lines, Inc., a provider of air transportation for passengers and cargo. Ms. Franklin earned a Bachelor of Science degree in sociology from Howard University and a Master's degree in sociology from the University of Pennsylvania.

*Thomas J. Hansen* has been a member of our board of directors since October 2011. Until March 2012, Mr. Hansen was Vice Chairman of Illinois Tool Works Inc. ("ITW"), a manufacturer of fasteners and components, consumable systems and a variety of specialty products and equipment. He joined ITW in 1980 as sales and marketing manager of the Shakeproof Industrial Products businesses. From 1998 until May 2006, Mr. Hansen was Executive Vice President of ITW. He is a past member of the Northern Illinois University Executive Club and the Board of Trustees of MAPI (Manufacturers Alliance). Mr. Hansen is a director of Terex Corporation, a diversified global manufacturer of a variety of machinery products, and Standex International Corporation, a manufacturer of products and services for diverse industrial market segments. Mr. Hansen earned a Bachelor of Science degree in marketing from Northern Illinois University and a Master of Business Administration degree from Governors State University.



*Jerry W. Kolb* has been a member of our board of directors since April 2006. Mr. Kolb has been a director of Walter Energy since June 2003. He was a Vice Chairman of Deloitte & Touche LLP, a registered public accounting firm, from 1986 to 1998. Mr. Kolb earned a Bachelor of Science degree in accountancy from the University of Illinois and Master of Business Administration degree in finance from DePaul University. Mr. Kolb is a certified public accountant.

*Joseph B. Leonard* has been a member of our board of directors since April 2006. Mr. Leonard was a director of Walter Energy from June 2005 to April 2007 and he rejoined that board in February 2009. He was Interim Chief Executive Officer of Walter Energy from March 2010 through March 2011 and from August 2011 to September 2011. Mr. Leonard was Chairman of AirTran Holdings, Inc., a full service airline company, from November 2007 to June 2008, Chairman and Chief Executive Officer of AirTran Holdings, Inc. from January 1999 to November 2007 and President of AirTran Holdings, Inc. from January 1999 to January 2001. He is a director of Air Canada, a full service airline company. Mr. Leonard earned a Bachelor of Science degree in aerospace engineering from Auburn University.

*Mark J. O'Brien* has been a member of our board of directors since April 2006. Since March 2006, he has been Chairman and Chief Executive Officer of Walter Investment Management Corp. (formerly Walter Energy's financing business). Mr. O'Brien has been President and Chief Executive Officer of Brier Patch Capital and Management, Inc., a real estate investment firm, since September 2004. He held various executive positions at Pulte Homes, Inc., a home building company, for 21 years, retiring as President and Chief Executive Officer in June 2003. Mr. O'Brien earned a Bachelor of Arts degree in history from the University of Miami.

*Bernard G. Rethore* has been a member of our board of directors since April 2006. He has been a director of Walter Energy since March 2002. Mr. Rethore has been Chairman of the Board Emeritus of Flowserve Corporation, a manufacturer of pumps, valves, seals and components, since April 2000. From January 2000 to April 2000, he was Flowserve's Chairman. Mr. Rethore had previously served as its Chairman, President and Chief Executive Officer. He had been a director of Belden, Inc., a manufacturer of specialty signal-transmission products, from 1997 until May 2012. Mr. Rethore is a director of Dover Corp., a diversified manufacturer of a wide range of proprietary products. In 2008, he was honored by the Outstanding Directors Exchange as an Outstanding Director of the Year and in 2012, he was designated a Board Leadership Fellow by the National Association of Corporate Directors. Mr. Rethore earned a Bachelor of Arts degree in Economics (Honors) from Yale University and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, where he was a Joseph P. Wharton Scholar and Fellow.

*Neil A. Springer* has been a member of our board of directors since April 2006 and serves as our Lead Director. Mr. Springer was a director of Walter Energy from August 2000 to April 2006. He has been managing director of Springer & Associates LLC, a board consulting and executive recruitment company, since 1994. Mr. Springer was a director of IDEX Corporation from 1990 until April 2011. He earned a Bachelor of Science degree in accounting from Indiana University, a Master of Business Administration degree from the University of Dayton and a certificate of accountancy from the University of Illinois.

*Lydia W. Thomas* has been a member of our board of directors since January 2008. Dr. Thomas was President and Chief Executive Officer of Noblis, Inc., a public interest research and development company, from 1996 to 2007. She was previously with The MITRE Corporation, Center for Environment, Resources and Space, serving as Senior Vice President and General Manager from 1992 to 1996, Vice President from 1989 to 1992 and Technical Director from 1982 to 1989. Dr. Thomas is a director of Cabot Corporation, a global performance materials company. In 2013, she was honored by the outstanding Directors Exchange as an outstanding Director of the Year. Dr. Thomas earned a Bachelor of Science degree in zoology from Howard University, a Master of Science degree in microbiology from American University and a Doctor of Philosophy degree in cytology from Howard University.

*Michael T. Tokarz* has been a member of our board of directors since April 2006. Mr. Tokarz has been a non-executive Chairman of the Board of Walter Energy since December 2006. Since February 2002, he has been a member of the Tokarz Group, LLC, an investment company. From January 1996 until February 2002, Mr. Tokarz was a member of the limited liability company that serves as the general partner of Kohlberg Kravis Roberts & Co. L.P., a private equity company. He is a director of IDEX Corporation, CNO Financial Group, Inc. (formerly Consec, Inc.), an insurance provider, MVC Capital, Inc., a registered investment company and Walter Investment Management Corp. In 2007, he was honored by the Outstanding Directors Exchange as an Outstanding Director of the Year. Mr. Tokarz earned a Bachelor of Arts degree in economics with high distinction and a Master of Business Administration degree in finance from the University of Illinois.

### ***Additional Information***

Additional information required by this item will be contained in our definitive proxy statement issued in connection with the 2015 annual meeting of stockholders filed with the SEC within 120 days after September 30, 2014 and is incorporated herein by reference.

Our website address is [www.muellerwaterproducts.com](http://www.muellerwaterproducts.com). You may read and print our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports from the investor relations section of our website free of charge. These reports are available on our website soon after we file them with or furnish them to the SEC. These reports should also be available through the SEC's website at [www.sec.gov](http://www.sec.gov).

We have adopted a written code of conduct that applies to all directors, officers and employees, including a separate code that applies only to our principal executive officer and senior financial officers in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder. Our Code of Business Conduct and Ethics is available in the corporate governance section of our website. In the event that we make changes in, or provide waivers from, the provisions of this Code of Business Conduct and Ethics that the SEC requires us to disclose, we will disclose these events in the corporate governance section of our website.

We have adopted corporate governance guidelines. The guidelines and the charters of our board committees are available in the corporate governance section of our website. Copies of the Code of Business Conduct and Ethics, corporate governance guidelines and board committee charters are also available in print upon written request to the Corporate Secretary, Mueller Water Products, Inc., 1200 Abernathy Road N.E., Suite 1200, Atlanta, GA 30328.

#### **Item 11. EXECUTIVE COMPENSATION**

The information required by this item will be contained in our definitive proxy statement issued in connection with the 2015 annual meeting of stockholders and is incorporated herein by reference.

#### **Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Except for the information set forth below and the information set forth in Part II, Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES, the information required by this item will be contained in our definitive proxy statement issued in connection with the 2015 annual meeting of stockholders and is incorporated herein by reference.

#### ***Securities Authorized for Issuance under Equity Compensation Plans***

We have two compensation plans under which our equity securities are authorized for issuance. The Mueller Water Products, Inc. 2006 Employee Stock Purchase Plan ("ESPP") was approved by our sole stockholder in May 2006 and the Mueller Water Products, Inc. 2006 Stock Incentive Plan ("2006 Plan") was approved by our sole stockholder in May 2006 and amended by our stockholders in January 2008, January 2009 and January 2012.

The following table sets forth certain information relating to these equity compensation plans at September 30, 2014.

	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance</b>
Equity compensation plans approved by stockholders:			
2006 Plan	7,165,894 <sup>(1) (2)</sup>	\$ 6.37 <sup>(3)</sup>	7,001,763 <sup>(4)</sup>
ESPP	51,574	—	1,631,229 <sup>(5)</sup>
Total	7,217,468		8,632,992
Equity compensation plans not approved by stockholders	—	\$ —	—

- (1) Consists of the maximum number of shares that could be earned upon exercise or vesting of outstanding stock-based awards granted under the 2006 Plan. This includes 1,358,378 share-settled performance shares that could result in a smaller number of securities being earned depending on Company performance, as described in Note 10 to the consolidated financial statements.
- (2) Includes 48,520 shares representing compensation under a bonus plan. The number of shares of our common stock to be issued was estimated using the closing price of our common stock of \$8.28 per share at September 30, 2014.
- (3) Weighted average exercise price of 4,552,235 outstanding stock options.
- (4) The number of shares available for future issuance under the 2006 Plan is 20,500,000 shares less the cumulative number of awards granted under the plan plus the cumulative number of awards canceled under the plan after January 25, 2012. This total reflects the maximum amount of shares that could be earned for which the final number of shares to be earned has not yet been determined.
- (5) The number of shares available for future issuance under the ESPP Plan is 4,000,000 shares less the cumulative number of shares that have been issued under the plan.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item will be contained in our definitive proxy statement issued in connection with the 2015 annual meeting of stockholders and is incorporated herein by reference.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item will be contained in our definitive proxy statement issued in connection with the 2015 annual meeting of stockholders and is incorporated herein by reference.

**PART IV**

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) Financial Statements**

<b>Index to financial statements</b>	<b>Page number</b>
Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets at September 30, 2014 and 2013	F-3
Consolidated Statements of Operations for the years ended September 30, 2014, 2013 and 2012	F-4
Consolidated Statements of Comprehensive Income for the years ended September 30, 2014, 2013 and 2012	F-5
Consolidated Statements of Stockholders' Equity for the years ended September 30, 2014, 2013 and 2012	F-6
Consolidated Statements of Cash Flows for the years ended September 30, 2014, 2013 and 2012	F-7
Notes to Consolidated Financial Statements	F-8

**(b) Financial Statement Schedules**

Except for Schedule II, Valuation and Qualifying Accounts, the schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted. The information required by Schedule II is included in the notes to consolidated financial statements.

**(c) Exhibits**

<b>Exhibit no.</b>	<b>Document</b>
2.1	Agreement and Plan of Merger dated as of June 17, 2005 among Mueller Water Products, Inc., Walter Industries, Inc., JW MergerCo, Inc. and DLJ Merchant Banking II, Inc., as stockholders' representative. Incorporated by reference to Exhibit 2.1 to Mueller Water Products, Inc. Form 8-K (File no. 333-116590) filed on June 21, 2005.
2.1.1	Letter Agreement dated as of February 23, 2006 between Walter Industries, Inc. and Mueller Water Products, Inc. Incorporated by reference to Exhibit 10.1 to Mueller Water Products, Inc. Form 8-K (File no. 333-131521) filed February 27, 2006.
2.2	Agreement and Plan of Merger, dated as of January 31, 2006, by and among Mueller Holding Company, Inc., Mueller Water Products, LLC and Mueller Water Products Co-Issuer, Inc. Incorporated by reference to Exhibit 2.1 Mueller Water Products, Inc. Form 8-K (File no. 333-116590) filed on February 3, 2006.
3.1	Second Restated Certificate of Incorporation of Mueller Water Products, Inc. Incorporated by reference to Exhibit 3.1 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on January 25, 2012.
3.1.1	Certificate of Merger, dated February 2, 2006, of Mueller Water Products, LLC and Mueller Water Products Co-Issuer, Inc. with and into Mueller Holding Company, Inc. Incorporated by reference to Exhibit 3.1.2 to Mueller Water Products, Inc. Form 8-K (File no. 333-116590) filed on February 3, 2006.
3.2	Amended and Restated Bylaws of Mueller Water Products, Inc. Incorporated by reference to Exhibit 3.2 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on January 25, 2012.
4.1	Indenture dated as of May 24, 2007 among Mueller Water Products, Inc., the guarantors named on the signature pages thereto and The Bank of New York (including form of global notes). Incorporated by reference to Exhibit 4.6 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on May 30, 2007.
4.2	Indenture, dated August 26, 2010, among Mueller Water Products, Inc., the guarantors named on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee (including form of global notes). Incorporated by reference to Exhibit 4.6 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on August 27, 2010.
10.2	Income Tax Allocation Agreement by and among Walter Industries, Inc., the Walter Affiliates (as defined therein), Mueller Water Products, Inc. and the Mueller Affiliates (as defined therein). Incorporated by reference to Exhibit 10.2 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on May 30, 2006.
10.3*	Mueller Water Products, Inc. Amended and Restated 2006 Stock Incentive Plan. Incorporated by reference to Exhibit A to Mueller Water Products, Inc. Form DEF 14A (File no. 001-32892) filed on December 14, 2011.
10.4*	Mueller Water Products, Inc. Form of Notice of Stock Option Grant. Incorporated by reference to Exhibit 10.21 to Mueller Water Products, Inc. Form 10-Q (File no. 001-32892) filed on February 9, 2010.
10.4.1*	Mueller Water Products, Inc. Form of Notice of Stock Option Grant. Incorporated by reference to Exhibit 10.4 to Mueller Water Products, Inc. Form 10-Q (File no. 001-32892) filed on February 7, 2014.

<b>Exhibit no.</b>	<b>Document</b>
10.4.2**	Mueller Water Products, Inc. Form of Notice of Stock Option Grant.
10.5*	Mueller Water Products, Inc. Form of Restricted Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.5 to Mueller Water Products, Inc. Form 10-K (File no. 001-32892) filed on November 29, 2012.
10.5.1*	Mueller Water Products, Inc. Form of Restricted Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.5 to Mueller Water Products, Inc. Form 10-Q (File no. 001-32892) filed on February 7, 2014.
10.5.2**	Mueller Water Products, Inc. Form of Restricted Stock Unit Award Agreement.
10.6*	Mueller Water Products, Inc. 2006 Employee Stock Purchase Plan, as amended September 27, 2006. Incorporated by reference to Exhibit 10.5 to Mueller Water Products, Inc. Form 10-K (File no. 001-32892) filed on December 21, 2006.
10.7*	Mueller Water Products, Inc. Directors' Deferred Fee Plan. Incorporated by reference to Exhibit 10.7 to Mueller Water Products, Inc. 8-K (File no. 001-32892) filed on May 30, 2006.
10.8*	Form of Mueller Water Products, Inc. Director Indemnification Agreement. Incorporated by reference to Exhibit 99.2 to Mueller Water Products, Inc. 8-K (File no. 001-32892) filed on October 31, 2008.
10.9*	Executive Incentive Plan of Mueller Water Products, Inc. Incorporated by reference to Exhibit 10.6 to Mueller Water Products, Inc. 8-K (File no. 001-32892) filed on May 30, 2006.
10.10*	Mueller Water Products, Inc. Executive Deferred Compensation Plan. Incorporated by reference to Exhibit 99.3 to Mueller Water Products, Inc. 8-K (File no. 001-32892) filed on October 31, 2008.
10.11*	Employment Agreement, dated September 15, 2008 between Mueller Water Products, Inc. and Gregory E. Hyland. Incorporated by reference to Exhibit 99.1 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on October 6, 2008.
10.11.1*	Amendment, dated as of March 2, 2006, to Executive Employment Agreement dated September 9, 2005 between Walter Industries, Inc. and Gregory E. Hyland. Incorporated by reference to Exhibit 10.1 to Mueller Water Products, Inc. Form 8-K (File no. 333-131521) filed on March 3, 2006.
10.11.2*	Amended and Restated Mueller Water Products, Inc. Supplemental Defined Contribution Plan, effective as of January 1, 2009. Incorporated by reference to Exhibit 10.13.2 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on February 9, 2009.
10.11.3*	Amendment, dated December 1, 2009, to Executive Employment Agreement, dated September 9, 2005, between Mueller Water Products, Inc. and Gregory E. Hyland. Incorporated by reference to Exhibit 99.1 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on December 4, 2009.
10.11.4*	Amendment, dated December 1, 2010, to Executive Employment Agreement, dated September 9, 2005, between Mueller Water Products, Inc. and Gregory E. Hyland. Incorporated by reference to Exhibit 99.1 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on December 6, 2010.
10.11.5*	Amendment, dated March 31, 2012, to Executive Employment Agreement, dated September 9, 2005, between Mueller Water Products, Inc. and Gregory E. Hyland. Incorporated by reference to Exhibit 99.1 to Mueller Water Products, Inc. Form 10-Q (File no. 001-32892) filed on May 10, 2012.
10.12*	Executive Employment Agreement, dated as of July 16, 2008, between Mueller Water Products, Inc. and Evan L. Hart. Incorporated by reference to Exhibit 10.18 to Mueller Water Products, Inc. Form 10-Q (File 001-32892) filed on August 11, 2008.
10.12.1*	Amendment, dated December 1, 2009, to Executive Employment Agreement, dated September 6, 2006, between Mueller Water Products, Inc. and Evan L. Hart. Incorporated by reference to Exhibit 99.3 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on December 4, 2009.
10.12.2*	Amendment, dated March 31, 2012, to Executive Employment Agreement, dated September 6, 2006, between Mueller Water Products, Inc. and Evan L. Hart. Incorporated by reference to Exhibit 99.3 to Mueller Water Products, Inc. Form 8-K (File no. 001-3892) filed on May 10, 2012.
10.13*	Employment Agreement, dated as of July 31, 2006, between Mueller Water Products, Inc. and Thomas E. Fish. Incorporated by reference to Exhibit 10.2 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on August 3, 2006.
10.13.1*	Employment Agreement, dated as of February 22, 2010, between Mueller Water Products, Inc. and Thomas E. Fish. Incorporated by reference to Exhibit 99.1 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on February 26, 2010.
10.13.2*	Executive Change-in-Control Severance Agreement, dated February 22, 2010, between Mueller Water Products, Inc. and Thomas E. Fish. Incorporated by reference to Exhibit 99.2 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on February 26, 2010.
10.13.3*	Amendment, dated March 31, 2012, to Executive Employment Agreement, dated September 9, 2005, between Mueller Water Products, Inc. and Thomas E. Fish. Incorporated by reference to Exhibit 99.1 to Mueller Water Products, Inc. Form 10-Q (File no. 001-32892) filed on May 10, 2012.

<b>Exhibit no.</b>	<b>Document</b>
10.14	Joint Litigation Agreement dated December 14, 2006 between Walter Industries, Inc. and Mueller Water Products, Inc. Incorporated by reference to Exhibit 10.3 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on December 19, 2006.
10.15*	Form of Executive Change-in-Control Severance Agreement. Incorporated by reference to Exhibit 99.3 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on October 6, 2008.
10.16*	Form of Amendment to Executive Employment Agreement. Incorporated by reference to Exhibit 99.1 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on February 6, 2009.
10.17*	Mueller Water Products, Inc. 2010 Management Incentive Plan. Incorporated by reference to Exhibit 10.20 to Mueller Water Products, Inc. Form 10-Q (File no. 001-32892) filed on February 9, 2010.
10.18	Purchase Agreement, dated August 19, 2010, between Mueller Water Products, Inc. and the Guarantors named therein and Banc of America Securities LLC. Incorporated by reference to Exhibit 10.22 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on August 20, 2010.
10.19	Credit Agreement, dated August 26, 2010, among Mueller Water Products, Inc. and the borrowing subsidiaries named on the signature pages thereto, each as a Borrower, certain financial institutions, as Lenders, JPMorgan Chase Bank, N.A., as Syndication Agent, Wells Fargo Bank, National Association and SunTrust Bank, as Co-Documentation Agents, Bank of America, N.A. as Administrative Agent and Banc of America Securities LLC and J.P. Morgan Securities Inc., as Joint Lead Arrangers and Joint Bookrunners. Incorporated by reference to Exhibit 10.23 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on August 27, 2010.
10.19.1	First Amendment to Credit Agreement, dated December 18, 2012. Incorporated by reference to Exhibit 10.20.1 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on December 19, 2012.
10.19.2**	Second Amendment to Credit Agreement, dated November 25, 2014.
10.20*	Employment Agreement, dated April 10, 2009, between Mueller Water Products, Inc. and Gregory Rogowski. Incorporated by reference to Exhibit 10.26 to Mueller Water Products, Inc. Form 10-K (File no. 001-32892) filed on November 23, 2010.
10.20.1*	Amendment to Employment Agreement, date December 1, 2009, between Mueller Water Products, Inc. and Gregory Rogowski. Incorporated by reference to Exhibit 10.27 to Mueller Water Products, Inc. Form 10-K (File no. 001-32892) filed on November 23, 2010.
10.20.2*	Executive Change-in-Control Severance Agreement, dated May 4, 2009, between Mueller Water Products, Inc. and Gregory Rogowski. Incorporated by reference to Exhibit 10.28 to Mueller Water Products, Inc. Form 10-K (File no. 001-32892) filed on November 23, 2010.
10.20.3*	Amendment, dated March 31, 2012, to Executive Employment Agreement, dated September 9, 2005, between Mueller Water Products, Inc. and Gregory Rogowski. Incorporated by reference to Exhibit 99.1 to Mueller Water Products, Inc. Form 10-Q (File no. 001-32892) filed on May 10, 2012.
10.21	Purchase Agreement, dated March 7, 2012, among Mueller Water Products, Inc., Mueller Group, LLC and USP Holdings Inc. Incorporated by reference to Exhibit 2.3 to Mueller Water Products, Inc. Form 8-K (File no. 001-32892) filed on March 8, 2012.
10.22*	Employment Agreement, dated April 1, 2012, between Mueller Water Products, Inc. and Keith L. Belknap
10.22.1*	Executive Change-in-Control Severance Agreement, dated April 1, 2012, between Mueller Water Products, Inc. and Keith L. Belknap
10.23*	Mueller Water Products, Inc. Form of Performance Share Award Agreement for October 1, 2012 to September 30, 2015 award cycle. Incorporated by reference to Exhibit 10.25 to Mueller Water Products, Inc. Form 10-K (File no. 001-32892) filed on November 29, 2012.
10.23.1*	Exhibit A (2013-15 Award Cycle)
10.23.2*	Exhibit A (2014-16 Award Cycle)
10.24*	Mueller Water Products, Inc. Form of Performance Share Award Agreement (Stub Period). Incorporated by reference to Exhibit 10.26 to Mueller Water Products, Inc. Form 10-K (File no. 001-32892) filed on November 29, 2012.
10.24.1*	Exhibit A (2013-14 Award Cycle)
10.25.1*	Mueller Water Products, Inc. Form of Performance Restricted Stock Unit Award Agreement for October 1, 2013 to September 30, 2016 award cycle. Incorporated by reference to Exhibit 10.23 to Mueller Water Products, Inc. Form 10-Q (File no. 001-32892) filed on February 7, 2014.
10.26**	Term Loan Credit Agreement, dated November 25, 2014, among Mueller Water Products, Inc., as borrower, the several lenders from time to time parties thereto, SunTrust Robinson Humphrey, Inc., TD Securities (USA) LLC and Goldman Sachs Lending Partners LLC, as co-documentation agents, and Bank of America, N.A., as administrative agent.

<b>Exhibit no.</b>	<b>Document</b>
12.1**	Computation of Ratio of Earnings to Fixed Charges
14.1*	Code of Business Conduct and Ethics for Mueller Water Products, Inc. Incorporated by reference to Exhibit 14.1 to Mueller Water Products, Inc. Form 10-Q (File no. 00132892) filed on February 7, 2014.
21.1**	Subsidiaries of Mueller Water Products, Inc.
23.1**	Consent of Independent Registered Accounting Firm
31.1**	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following financial information from the Annual Report on Form 10-K for the year ended September 30, 2014, formatted in XBRL (Extensible Business Reporting Language), (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations and Other Comprehensive Income, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements.

\* Management compensatory plan, contract or arrangement

\*\* Filed with this annual report

SIGNATURES

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

Date: November 25, 2014

MUELLER WATER PRODUCTS, INC.

By:           /s/ Gregory E. Hyland          

Name: Gregory E. Hyland

Title: *Chairman, President and Chief Executive Officer*

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Gregory E. Hyland Gregory E. Hyland	Chairman of the Board of Directors, President and Chief Executive Officer (principal executive officer)	November 25, 2014
/s/ Evan L. Hart Evan L. Hart	Senior Vice President and Chief Financial Officer (principal financial officer)	November 25, 2014
/s/ Kevin G. McHugh Kevin G. McHugh	Vice President and Controller (principal accounting officer)	November 25, 2014
/s/ Shirley C. Franklin Shirley C. Franklin	Director	November 25, 2014
/s/ Thomas J. Hansen Thomas J. Hansen	Director	November 25, 2014
/s/ Jerry W. Kolb Jerry W. Kolb	Director	November 25, 2014
/s/ Joseph B. Leonard Joseph B. Leonard	Director	November 25, 2014
/s/ Mark J. O'Brien Mark J. O'Brien	Director	November 25, 2014
/s/ Bernard G. Rethore Bernard G. Rethore	Director	November 25, 2014
/s/ Neil A. Springer Neil A. Springer	Director	November 25, 2014
/s/ Lydia W. Thomas Lydia W. Thomas	Director	November 25, 2014
/s/ Michael T. Tokarz Michael T. Tokarz	Director	November 25, 2014



## Report of Independent Registered Public Accounting Firm

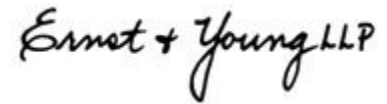
The Board of Directors and Stockholders of Mueller Water Products, Inc.

We have audited the accompanying consolidated balance sheets of Mueller Water Products, Inc. and subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended September 30, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mueller Water Products, Inc. and subsidiaries at September 30, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mueller Water Products, Inc.'s internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated November 25, 2014 expressed an unqualified opinion thereon.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia  
November 25, 2014

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Mueller Water Products, Inc.

We have audited Mueller Water Products, Inc. and subsidiaries' internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework)(the COSO criteria). Mueller Water Products, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

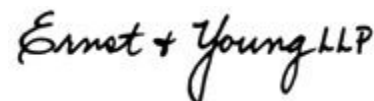
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Mueller Water Products, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Mueller Water Products, Inc. and subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended September 30, 2014 and our report dated November 25, 2014 expressed an unqualified opinion on those financial statements.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Atlanta, Georgia  
November 25, 2014

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	September 30,	
	2014	2013
	(in millions, except share amounts)	
<b>Assets:</b>		
Cash and cash equivalents	\$ 161.1	\$ 123.6
Receivables, net	182.1	164.5
Inventories	198.0	208.5
Deferred income taxes	38.6	26.7
Other current assets	44.1	46.1
<b>Total current assets</b>	<b>623.9</b>	<b>569.4</b>
Property, plant and equipment, net	146.3	141.9
Intangible assets	533.6	553.1
Other noncurrent assets	13.3	17.5
<b>Total assets</b>	<b>\$ 1,317.1</b>	<b>\$ 1,281.9</b>
<b>Liabilities and equity:</b>		
Current portion of long-term debt	\$ 46.2	\$ 1.3
Accounts payable	116.0	101.2
Other current liabilities	82.2	80.6
<b>Total current liabilities</b>	<b>244.4</b>	<b>183.1</b>
Long-term debt	499.4	599.5
Deferred income taxes	150.4	141.5
Other noncurrent liabilities	71.3	29.6
<b>Total liabilities</b>	<b>965.5</b>	<b>953.7</b>
<b>Commitments and contingencies (Note 16)</b>		
Common stock: 600,000,000 shares authorized; 159,760,671 and 158,234,300 shares outstanding at September 30, 2014 and 2013, respectively		
	1.6	1.6
Additional paid-in capital	1,582.8	1,584.4
Accumulated deficit	(1,173.7)	(1,229.2)
Accumulated other comprehensive loss	(60.7)	(28.6)
<b>Total Company stockholders' equity</b>	<b>350.0</b>	<b>328.2</b>
Noncontrolling interest	1.6	—
<b>Total equity</b>	<b>351.6</b>	<b>328.2</b>
<b>Total liabilities and equity</b>	<b>\$ 1,317.1</b>	<b>\$ 1,281.9</b>

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

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

Year ended September 30,

	2014	2013	2012
	(in millions, except per share amounts)		
Net sales	\$ 1,184.7	\$ 1,120.8	\$ 1,023.9
Cost of sales	836.8	807.6	752.8
Gross profit	347.9	313.2	271.1
Operating expenses:			
Selling, general and administrative	220.7	214.4	204.2
Restructuring	3.1	1.5	2.8
Total operating expenses	223.8	215.9	207.0
Operating income	124.1	97.3	64.1
Interest expense, net	49.6	51.7	59.9
Loss on early extinguishment of debt	1.0	1.4	1.5
Income before income taxes	73.5	44.2	2.7
Income tax expense	18.0	8.8	7.9
Income (loss) from continuing operations	55.5	35.4	(5.2)
Income (loss) from discontinued operations, net of tax	—	5.4	(103.2)
Net income (loss)	\$ 55.5	\$ 40.8	\$ (108.4)
Net income (loss) per basic share:			
Continuing operations	\$ 0.35	\$ 0.23	\$ (0.03)
Discontinued operations	—	0.03	(0.66)
Net income (loss)	\$ 0.35	\$ 0.26	\$ (0.69)
Net income (loss) per diluted share:			
Continuing operations	\$ 0.34	\$ 0.22	\$ (0.03)
Discontinued operations	—	0.03	(0.66)
Net income (loss)	\$ 0.34	\$ 0.25	\$ (0.69)
Weighted average shares outstanding:			
Basic	159.2	157.7	156.5
Diluted	162.2	160.3	156.5
Dividends declared per share	\$ 0.07	\$ 0.07	\$ 0.07

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

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

Year ended September 30,

	2014	2013	2012
	(in millions)		
Net income (loss)	\$ 55.5	\$ 40.8	\$ (108.4)
Other comprehensive income (loss):			
Minimum pension liability	(45.1)	55.2	(39.8)
Income tax effects	17.4	6.3	0.4
Foreign currency translation	(4.4)	(2.4)	2.9
Amortization of interest expense on terminated swap contracts	—	—	5.0
Income tax effects	—	—	(2.0)
	(32.1)	59.1	(33.5)
Comprehensive income (loss)	\$ 23.4	\$ 99.9	\$ (141.9)

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

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive loss</u>	<u>Non- controlling interest</u>	<u>Total</u>
	(in millions)					
Balance at September 30, 2011	\$ 1.6	\$ 1,593.2	\$ (1,161.6)	\$ (54.2)	\$ —	\$ 379.0
Net loss	—	—	(108.4)	—	—	(108.4)
Dividends declared	—	(11.0)	—	—	—	(11.0)
Stock-based compensation	—	4.9	—	—	—	4.9
Shares retained for employee taxes	—	(0.5)	—	—	—	(0.5)
Stock issued under stock compensation plans	—	0.7	—	—	—	0.7
Other comprehensive income, net of tax	—	—	—	(33.5)	—	(33.5)
Balance at September 30, 2012	1.6	1,587.3	(1,270.0)	(87.7)	—	231.2
Net income	—	—	40.8	—	—	40.8
Dividends declared	—	(11.0)	—	—	—	(11.0)
Stock-based compensation	—	6.5	—	—	—	6.5
Shares retained for employee taxes	—	(1.5)	—	—	—	(1.5)
Stock issued under stock compensation plans	—	3.1	—	—	—	3.1
Other comprehensive income, net of tax	—	—	—	59.1	—	59.1
Balance at September 30, 2013	1.6	1,584.4	(1,229.2)	(28.6)	—	328.2
Net income (loss)	—	—	55.5	—	(0.1)	55.4
Dividends declared	—	(11.2)	—	—	—	(11.2)
Stock-based compensation	—	8.5	—	—	—	8.5
Shares retained for employee taxes	—	(3.1)	—	—	—	(3.1)
Stock issued under stock compensation plans	—	4.2	—	—	—	4.2
Joint venture capital contributed	—	—	—	—	1.7	1.7
Other comprehensive loss, net of tax	—	—	—	(32.1)	—	(32.1)
Balance at September 30, 2014	<u>\$ 1.6</u>	<u>\$ 1,582.8</u>	<u>\$ (1,173.7)</u>	<u>\$ (60.7)</u>	<u>\$ 1.6</u>	<u>\$ 351.6</u>

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

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended September 30,		
	2014	2013	2012
	(in millions)		
<b>Operating activities:</b>			
Net income (loss)	\$ 55.5	\$ 40.8	\$ (108.4)
Adjustments to reconcile net income (loss) to net cash provided by operating activities from continuing operations:			
(Income) loss from discontinued operations	—	(5.4)	103.2
Depreciation	27.3	27.4	29.7
Amortization	29.4	31.8	30.9
Stock-based compensation	8.6	7.1	5.1
Deferred income taxes	15.6	7.3	7.6
Retirement plans	1.5	4.3	4.6
Loss on early extinguishment of debt	1.0	1.4	1.5
Interest rate swap contracts	—	—	5.0
Other, net	0.7	2.3	3.0
<b>Changes in assets and liabilities, net of acquisitions:</b>			
Receivables	(16.9)	0.9	(17.6)
Inventories	11.0	(25.9)	(6.0)
Other assets	3.6	1.8	13.5
Liabilities	10.3	20.3	4.7
Net cash provided by operating activities from continuing operations	<u>147.6</u>	<u>114.1</u>	<u>76.8</u>
<b>Investing activities:</b>			
Capital expenditures	(36.9)	(36.5)	(31.4)
Business acquisitions, net of cash acquired	(10.0)	(0.2)	(1.3)
Proceeds from sales of assets	4.7	0.5	0.3
Net cash used in investing activities from continuing operations	<u>(42.2)</u>	<u>(36.2)</u>	<u>(32.4)</u>
<b>Financing activities:</b>			
Debt paid	(55.7)	(23.2)	(57.2)
Dividends paid	(11.2)	(11.0)	(11.0)
Common stock issued	4.2	3.1	0.7
Shares retained for employee taxes	(3.1)	(1.5)	(0.5)
Deferred financing fees paid	—	(0.7)	—
Joint venture capital contributed	1.7	—	—
Other	(1.1)	(2.4)	(0.1)
Net cash used in financing activities from continuing operations	<u>(65.2)</u>	<u>(35.7)</u>	<u>(68.1)</u>
<b>Net cash flows from discontinued operations:</b>			
Operating activities	—	(4.9)	(43.3)
Investing activities	—	4.5	87.5
Net cash provided by (used in) discontinued operations	<u>—</u>	<u>(0.4)</u>	<u>44.2</u>
Effect of currency exchange rate changes on cash	(2.7)	(1.2)	1.5
Net change in cash and cash equivalents	37.5	40.6	22.0
Cash and cash equivalents at beginning of year	123.6	83.0	61.0
Cash and cash equivalents at end of year	<u>\$ 161.1</u>	<u>\$ 123.6</u>	<u>\$ 83.0</u>

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

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Organization**

Mueller Water Products, Inc., a Delaware corporation, together with its consolidated subsidiaries, operates in two business segments: Mueller Co. and Anvil. Mueller Co. manufactures valves for water and gas systems, including butterfly, iron gate, tapping, check, knife, plug and ball valves, as well as dry-barrel and wet-barrel fire hydrants and metering systems, and provides leak detection and pipe condition assessment products and services for the water infrastructure industry. Anvil manufactures and sources a broad range of products, including a variety of fittings, couplings, hangers and related products. The “Company,” “we,” “us” or “our” refer to Mueller Water Products, Inc. and its subsidiaries. With regard to the Company’s segments, “we,” “us” or “our” may also refer to the segment being discussed.

On July 31, 2014, Mueller Co. acquired a 49% ownership in an industrial valve joint-venture for \$1.7 million. Due to substantive control features in the joint-venture agreement, all of its assets, liabilities and results of operations are included in our consolidated financial statements. In 2014, we presented the loss of \$0.1 million attributable to noncontrolling interest in selling, general and administrative expenses. Noncontrolling interest is recorded at its carrying value, which approximates fair value.

On April 1, 2012, we sold our former U.S. Pipe segment to USP Holdings Inc., an affiliate of Wynnchurch Capital, Ltd. U.S. Pipe’s results of operations have been reclassified as discontinued operations, and its assets and liabilities reclassified as held for sale, for all prior periods.

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which require us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses and the disclosure of contingent assets and liabilities for the reporting periods. Actual results could differ from those estimates. All significant intercompany balances and transactions have been eliminated. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

Unless the context indicates otherwise, whenever we refer to a particular year, we mean our fiscal year ended or ending September 30 in that particular calendar year.

**Note 2. Summary of Significant Accounting Policies**

*Revenue Recognition*-Revenue is recognized when delivery of products has occurred or services have been rendered and there is persuasive evidence of a sales arrangement, selling prices are fixed or determinable and collectibility is reasonably assured. Revenue is reported net of estimated discounts, returns and rebates as “net sales.”

In May 2014, the Financial Accounting Standards Board issued new guidance for the recognition of revenue. This new guidance applies to us beginning with our first quarter of fiscal 2018 and early adoption is not permitted. We are in the early stages of evaluating the impact of the adoption of this guidance on our financial statements and related disclosures and we have not yet reached any conclusions.

*Shipping and Handling*-Costs to ship products to customers are included in cost of sales. Amounts billed to customers, if any, to cover shipping and handling costs are included in net sales.

*Stock-based Compensation*-Compensation expense for stock-based awards granted to employees and directors is based on the fair value at the grant dates for most of our outstanding stock-based compensation awards, and is based on the fair value at each reporting date for our Phantom Plan and cash-settled performance share awards. See Note 10 for more information regarding our stock-based compensation. Stock-based compensation expense is a component of selling, general and administrative expenses.

*Cash and Cash Equivalents*-All highly liquid investments with remaining maturities of 90 days or less when purchased are classified as cash equivalents. Where there is no right of offset against cash balances, outstanding checks are included in accounts payable.

*Receivables*-Receivables are amounts due from customers. To reduce credit risk, credit investigations are generally performed prior to accepting orders from new customers and, when necessary, letters of credit, bonds or other instruments are required to ensure payment.



The estimated allowance for doubtful receivables is based upon judgments and estimates of expected losses and specific identification of problem accounts. Significantly weaker than anticipated industry or economic conditions could impact customers' ability to pay such that actual losses may be greater than the amounts provided for in this allowance. The periodic evaluation of the adequacy of the allowance for doubtful receivables is based on an analysis of prior collection experience, specific customer creditworthiness and current economic trends within the industries served. In circumstances where we expect a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings or substantial downgrading of credit ratings), we record a specific allowance to reduce the receivable to the amount management reasonably believes will be collected.

The following table summarizes information concerning our allowance for doubtful receivables.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Balance at beginning of year	\$ 5.3	\$ 5.7	\$ 4.8
Provision charged to expense	—	0.4	0.6
Balances written off, net of recoveries	(0.1)	(0.8)	(0.1)
Other	0.1	—	0.4
Balance at end of year	<u>\$ 5.3</u>	<u>\$ 5.3</u>	<u>\$ 5.7</u>

*Inventories*-Inventories are recorded at the lower of first-in, first-out method cost or market value. We evaluate our inventory in terms of excess and obsolete exposures. This evaluation includes such factors as anticipated usage, inventory turnover, inventory levels and ultimate product sales value. Inventory cost includes an overhead component that is affected by levels of production and actual costs incurred. Management periodically evaluates the effects of production levels and costs capitalized as part of inventory.

The following table summarizes information concerning our inventory valuation reserves.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Balance at beginning of year	\$ 10.6	\$ 12.5	\$ 12.7
Provision charged to expense	2.8	2.4	1.8
Inventory disposed	(4.3)	(4.6)	(2.2)
Other	(0.6)	0.3	0.2
Balance at end of year	<u>\$ 8.5</u>	<u>\$ 10.6</u>	<u>\$ 12.5</u>

*Other Current Assets*-Other current assets include maintenance supplies and tooling costs. Costs for perishable tools and maintenance items are expensed when put into service. Costs for more durable items are amortized over their estimated useful lives, ranging from 3 to 10 years.

*Property, Plant and Equipment*-Property, plant and equipment is recorded at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 10 to 20 years for land improvements, 10 to 40 years for buildings and 3 to 15 years for machinery and equipment. Leasehold improvements and capitalized leases are depreciated using the straight-line method over the lesser of the useful life of the asset or the remaining lease term. Gains and losses upon disposition are reflected in operating results in the period of disposition.

Direct internal and external costs to implement computer systems and internal-use software are capitalized. Capitalized costs are depreciated over the estimated useful life of the system or software, generally 3 to 6 years, beginning when site installation or module development is complete and ready for use.

Liabilities are recognized at fair value for asset retirement obligations related to plant and landfill closures in the period in which they are incurred and the carrying amounts of the related long-lived assets are correspondingly increased. Over time, the liabilities are accreted to their estimated future values. At September 30, 2014 and 2013, asset retirement obligations were \$3.2 million and \$3.6 million, respectively.

*Accounting for the Impairment of Long-Lived Assets*-We test intangible assets that have an indefinite life and goodwill for impairment annually (or more frequently if events or circumstances indicate possible impairment.) We perform our annual impairment testing at September 1. We amortize finite-lived intangible assets over their respective estimated useful lives and review for impairment if events or circumstances indicate possible impairment.

*Workers Compensation*-Our exposure to workers compensation claims is generally limited to \$1 million per incident. Liabilities, including those related to claims incurred but not reported, are recorded principally using annual valuations based on discounted future expected payments and using historical data combined with insurance industry data when historical data is limited. We are indemnified under an agreement with a predecessor to Tyco for all Mueller Co. and Anvil workers compensation liabilities related to incidents that occurred prior to August 16, 1999. See Note 16. We retained U.S. Pipe workers compensation liabilities related to incidents that occurred prior to April 1, 2012, but the Purchaser has agreed to reimburse us for up to \$11.8 million in payments we make related to these liabilities. At September 30, 2014, the remaining reimbursements may be up to \$6.5 million, which we have recorded on a discounted basis as \$1.6 million in other current assets and \$4.0 million in other noncurrent assets. See Note 5. On an undiscounted basis, workers compensation liabilities were \$17.0 million and \$20.0 million at September 30, 2014 and 2013, respectively. On a discounted basis, workers compensation liabilities were \$14.7 million and \$17.2 million at September 30, 2014 and 2013, respectively.

We apply a discount rate at a risk-free interest rate, generally a U.S. Treasury bill rate, for each policy period. The rate used is one with a duration that corresponds to the weighted average expected payout period for each policy period. Once a discount rate is applied to a policy period, it remains the discount rate for that policy period until all claims are paid.

*Warranty Costs*-We accrue for warranty expenses that can include customer costs of repair and/or replacement, including labor, materials, equipment, freight and reasonable overhead costs. We accrue for the estimated cost of product warranties at the time of sale if such costs are determined to be reasonably estimable at that time. Warranty cost estimates are revised throughout applicable warranty periods as better information regarding warranty costs becomes available.

Activity in accrued warranty, reported as part of other current liabilities, is presented below.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Balance at beginning of year	\$ 2.8	\$ 1.6	\$ 2.0
Warranty expense	4.1	4.2	1.4
Warranty payments	(4.3)	(3.0)	(1.8)
Balance at end of year	<u>\$ 2.6</u>	<u>\$ 2.8</u>	<u>\$ 1.6</u>

*Deferred Financing Fees*-Costs of debt financing are charged to expense over the lives of the related financing agreements, which ranged from 5 to 10 years. Remaining costs and the future period over which they would be charged to expense are reassessed when amendments to the related financing agreements or prepayments occur.

Deferred financing fees of \$6.7 million at September 30, 2014 were scheduled to amortize as follows: \$2.1 million related to the ABL Agreement amortizes on a straight-line basis; \$2.8 million related to the Senior Unsecured Notes amortizes using the effective-interest rate method; and \$1.8 million related to the Senior Subordinated Notes amortizes using the effective-interest rate method. All such amortization would have been over the remaining term of the respective debt. See Note 7.

*Derivative Instruments and Hedging Activities*-Changes in the fair value of derivative instruments accounted for as effective cash-flow hedges were recorded to accumulated other comprehensive loss. Gains and losses on derivative instruments not qualifying as effective cash-flow hedges, representing hedge ineffectiveness and hedge components excluded from the assessment of effectiveness, were recognized in earnings in the periods in which they occurred.

Our ongoing business operations expose us to commodity price risk and interest rate risk, which we had previously managed to some extent using derivative instruments. We used natural gas swap contracts at U.S. Pipe to manage the price risk associated with purchases of natural gas used in certain of our manufacturing processes and interest rate swap contracts to manage interest rate risk associated with our variable-rate borrowings. During 2010, we terminated all of our remaining interest rate swap contracts and we reclassified expense related to these swap contracts from accumulated other comprehensive loss to interest expense in 2012. We have not initiated any new interest rate swap contracts since then. During 2012, we terminated our remaining natural gas swap contract and have not initiated any new natural gas swap contracts since then.

We had designated our natural gas swap contracts and interest rate swap contracts as cash flow hedges of our purchases of natural gas and our interest payments, respectively. As a result, to the extent the hedges were effective, the changes in the fair value of these contracts prior to settlement were reported as a component of accumulated other comprehensive loss and reclassified into earnings in the periods during which the hedged transactions affected, or were expected to affect, earnings.

*Income Taxes*-Deferred tax liabilities and deferred tax assets are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Such liabilities and assets are determined based on the differences between the financial statement basis and the tax basis of assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided when, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We only record tax benefits for positions that management believes are more likely than not of being sustained under audit based solely on the technical merits of the associated tax position. The amount of tax benefit recognized for any position that meets the more likely than not threshold is the largest amount of the tax benefit that we believe is greater than 50% likely of being realized.

*Environmental Expenditures*-We capitalize environmental expenditures that increase the life or efficiency of noncurrent assets or that reduce or prevent environmental contamination. We accrue for environmental expenses resulting from existing conditions that relate to past operations when the costs are probable and reasonably estimable. We are indemnified under an agreement with a predecessor to Tyco for certain environmental liabilities that existed at August 16, 1999. See Note 16.

*Research and Development*-Research and development costs are expensed as incurred.

*Advertising*-Advertising costs are expensed as incurred.

*Translation of Foreign Currency*-Assets and liabilities of our businesses whose functional currency is other than the U.S. dollar are translated into U.S. dollars using currency exchange rates at the balance sheet date. Revenues and expenses are translated at average currency exchange rates during the period. Foreign currency translation gains and losses are reported as a component of accumulated other comprehensive loss. Gains and losses resulting from foreign currency transactions are included in operating results as incurred.

**Note 3. Intangible Assets**

Intangible assets are presented below.

	September 30,	
	2014	2013
(in millions)		
Capitalized external-use software:		
Cost	\$ 14.3	\$ 12.2
Accumulated amortization	(5.4)	(4.3)
Net book value	8.9	7.9
Business combination-related:		
Cost:		
Finite-lived intangible assets:		
Technology	80.4	80.1
Customer relationships and other	400.2	398.1
Indefinite-lived intangible assets:		
Trade names and trademarks	300.0	300.0
	780.6	778.2
Accumulated amortization:		
Technology	(68.1)	(61.5)
Customer relationships and other	(193.2)	(171.5)
	(261.3)	(233.0)
Net book value	519.3	545.2
Goodwill	5.4	—
Total intangible assets net book value	\$ 533.6	\$ 553.1

Direct internal and external costs to develop external-use software are capitalized. Capitalized costs are depreciated over the estimated useful life of the software, beginning when the software is complete and ready for sale. During 2014, we revised our estimate of the useful life of the software to 6 years from 3 years. At September 30, 2014, the remaining weighted-average amortization period for the external-use software was 4.8 years. Amortization expense related to such software assets was \$1.1 million, \$2.3 million and \$1.5 million for 2014, 2013 and 2012, respectively. Amortization expense for each of the next five years is scheduled to be \$1.5 million in 2015, \$1.8 million in 2016, \$1.8 million in 2017, \$1.5 million in 2018 and \$1.2 million in 2019.

At September 30, 2014, the remaining weighted-average amortization period for the business combination-related finite-lived intangible assets was 9.1 years. Amortization expense related to these assets was \$28.3 million, \$29.5 million and \$29.4 million for 2014, 2013 and 2012, respectively. Amortization expense for each of the next five years is scheduled to be \$27.7 million in 2015, \$22.2 million in 2016, \$22.2 million in 2017, \$22.4 million in 2018 and \$22.3 million in 2019.

#### Note 4. Acquisition

On July 1, 2014, Mueller Co.'s Henry Pratt unit completed the acquisition of certain assets of Lined Valve Company Inc., a privately-held company, for a final purchase price of \$9.7 million. The preliminary fair values of the related assets and liabilities are presented below in millions.

Assets acquired:

Receivables	\$	1.5
Inventories		1.2
Property, plant and equipment		0.6
Intangible assets		7.5
Other noncurrent assets		0.4

Liabilities:

Accounts payable and other current liabilities		(0.5)
Other noncurrent liabilities		(1.0)
	\$	<u>9.7</u>

Intangible assets consisted of tax-deductible goodwill of \$5.4 million and customer relationships and other of \$2.1 million that have an estimated useful life of 10.0 years. We believe that the purchase price attributable to goodwill represents the future benefits expected as a result of the acquisition.

#### Note 5. Restructuring and Discontinued Operations

In 2014, Mueller Co. changed its approach to the production of certain sizes of iron gate valves. This change resulted in an impairment of the related production equipment of \$1.5 million, which is reported as restructuring expense. This charge was based on our internal projections of future cash flows associated with the production equipment.

In 2014, Anvil sold the production equipment and certain inventory at its Bloomington, Minnesota location for an immaterial gain. Anvil also signed a supply agreement with the buyer and terminated the employment of all employees at that location, which resulted in the withdrawal from the only multi-employer pension plan in which the Company had participated. At September 30, 2014, we maintained an accrual for our withdrawal liability of \$0.9 million. Also in 2014, Anvil sold certain assets at this location for a gain of \$2.5 million, which is included in selling, general and administrative expenses.

On April 1, 2012, we sold our former U.S. Pipe segment and received proceeds of \$94.0 million in cash, subject to adjustments, and the agreement by the purchaser to reimburse us for expenditures to settle certain previously-existing liabilities estimated at \$10.1 million at March 31, 2012. During 2013, we received \$4.5 million in cash for certain purchase price adjustments and reduced our loss on sale of discontinued operations accordingly.

The table below represents a summary of the operating results for the U.S. Pipe discontinued operations. These operating results do not reflect what they would have been had U.S. Pipe not been classified as discontinued operations.

	<u>2013</u>	<u>2012</u>
	(in millions)	
Net sales	\$ —	\$ 197.0
Cost of sales	—	197.9
Gross loss	—	(0.9)
Operating expenses (income)	(0.5)	4.2
Operating income (loss)	0.5	(5.1)
Interest expense	—	0.3
(Income) loss on sale of discontinued operations	(4.9)	119.7
Income tax benefit	—	(21.9)
Income (loss) from discontinued operations, net of tax	<u>\$ 5.4</u>	<u>\$ (103.2)</u>

We have retained certain assets, liabilities and activities previously associated with our former U.S. Pipe segment, including ownership of certain real property and retention of pension and workers compensation obligations. Cash flows associated with some of these items are anticipated to continue indefinitely, but they are not clearly and closely related to the future operations of U.S. Pipe under its new owners.

**Note 6. Income Taxes**

The components of income (loss) before income taxes are presented below.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
U.S.	\$ 71.6	\$ 41.0	\$ (0.1)
Non-U.S.	1.9	3.2	2.8
Income before income taxes	<u>\$ 73.5</u>	<u>\$ 44.2</u>	<u>\$ 2.7</u>

The cumulative amount of undistributed earnings of foreign subsidiaries for which United States income taxes have not been provided was \$58.1 million at September 30, 2014. It is not currently practical to estimate the amount of unrecognized United States income taxes that might be payable on the repatriation of these earnings.

Income tax expense (benefit) from continuing operations is presented below.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Current:			
U.S. federal	\$ 0.1	\$ 0.6	\$ 0.2
U.S. state and local	1.6	0.1	(1.0)
Non-U.S.	0.7	0.8	1.1
	<u>2.4</u>	<u>1.5</u>	<u>0.3</u>
Deferred:			
U.S. federal	28.7	6.2	(0.6)
U.S. state and local	(12.8)	1.3	9.0
Non-U.S.	(0.3)	(0.2)	(0.8)
	<u>15.6</u>	<u>7.3</u>	<u>7.6</u>
Income tax expense	<u>\$ 18.0</u>	<u>\$ 8.8</u>	<u>\$ 7.9</u>

The allocations of current income tax expense (benefit) between continuing and discontinued operations are provided below.

	<u>2014</u>	<u>2013</u>		<u>2012</u>	
	<u>Continuing operations</u>	<u>Continuing operations</u>	<u>Discontinued operations</u>	<u>Continuing operations</u>	<u>Discontinued operations</u>
	(in millions)				
Expense from operations	\$ 30.1	\$ 17.5	\$ 2.1	\$ 1.4	\$ (48.7)
Valuation allowance-related benefit	(9.6)	(8.5)	(2.1)	6.5	26.7
Other items	(2.5)	(0.2)	—	—	0.1
Income tax expense	<u>\$ 18.0</u>	<u>\$ 8.8</u>	<u>\$ —</u>	<u>\$ 7.9</u>	<u>\$ (21.9)</u>

The reconciliation between income tax expense at the U.S. federal statutory income tax rate and reported income tax expense from continuing operations is presented below.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Expense at U.S. federal statutory income tax rate of 35%	\$ 25.7	\$ 15.5	\$ 0.9
Adjustments to reconcile to income tax expense:			
Federal valuation allowance	(1.2)	(7.8)	—
State income taxes, net of federal benefit	3.6	2.0	(0.8)
State tax rate change	(2.5)	—	—
State valuation allowance, net of federal benefit	(8.4)	(1.1)	5.9
Tax credits	(0.1)	(0.6)	(0.1)
Nondeductible expenses, other than compensation	0.9	0.5	0.7
Foreign income taxes	(0.2)	0.4	(0.3)
Nondeductible compensation	0.8	0.2	1.4
Other	(0.6)	(0.3)	0.2
Income tax expense	<u>\$ 18.0</u>	<u>\$ 8.8</u>	<u>\$ 7.9</u>

Deferred income tax balances are presented below.

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
	(in millions)	
Deferred income tax assets:		
Inventory reserves	\$ 15.2	\$ 17.2
Accrued expenses	15.3	17.2
Pension and other postretirement benefits	20.3	2.4
Stock-based compensation	10.7	9.1
State net operating losses	10.3	13.4
Federal net operating losses and credit carryovers	6.8	37.4
Other	1.9	1.6
	<u>80.5</u>	<u>98.3</u>
Valuation allowance	(0.7)	(10.3)
Total deferred income tax assets, net of valuation allowance	<u>79.8</u>	<u>88.0</u>
Deferred income tax liabilities:		
Intangible assets	190.1	199.8
Other	1.5	3.0
Total deferred income tax liabilities	<u>191.6</u>	<u>202.8</u>
Net deferred income tax liabilities	<u>\$ 111.8</u>	<u>\$ 114.8</u>

We reevaluate the need for a valuation allowance against the U.S. deferred tax assets each quarter, considering results to date, projections of taxable income, tax planning strategies and reversing taxable temporary differences.

After inclusion of the tax effect of the loss on the sale of U.S. Pipe in 2012, our net reversing deferred tax credits were insufficient to fully support our deferred tax assets, which include net operating loss carryforwards, and we concluded that a valuation allowance was necessary to reduce our U.S. net reversing deferred tax assets to zero. Accordingly, we recorded income tax expense in 2012 to establish valuation allowances related to deferred tax assets. We allocated a portion of the valuation allowance charge relating to these deferred tax assets at September 30, 2011 to continuing operations, with the remaining valuation allowances charged against minimum pension liability in accumulated other comprehensive loss and to discontinued operations. In the 2014 fourth quarter, we credited to income almost all of the deferred tax valuation allowance based on our expectation of future taxable income.

The allocations of the valuation allowance charge among continuing operations, discontinued operations, and accumulated other comprehensive loss are presented below.

	2014	2013
	(in millions)	
Balance at beginning of year	\$ 10.3	\$ 49.2
Decrease allocated to continuing operations	(9.6)	(8.5)
Decrease allocated to discontinued operations	—	(2.1)
Decrease allocated to accumulated other comprehensive loss	—	(27.8)
Expired items	—	(0.5)
Balance at end of year	<u>\$ 0.7</u>	<u>\$ 10.3</u>

Notwithstanding the valuation allowance, our federal and state net operating loss carryforwards remain available to offset future taxable earnings. Our state net operating losses expire between 2015 and 2033. Our federal net operating losses expire between 2031 and 2032.

The following table summarizes information concerning our gross unrecognized tax benefits.

	2014	2013
	(in millions)	
Balance at beginning of year	\$ 3.7	\$ 4.3
Increases related to prior year positions	—	0.5
Decreases due to lapse in statute of limitations	(1.0)	(1.1)
Balance at end of year	<u>\$ 2.7</u>	<u>\$ 3.7</u>

Substantially all unrecognized tax benefits would, if recognized, impact the effective tax rate. We recognize interest related to uncertain tax positions as interest expense and recognize any penalties incurred as a component of selling, general and administrative expenses. At September 30, 2014 and 2013, we had \$0.7 million and \$0.9 million, respectively, of accrued interest expense related to unrecognized tax benefits.

We expect to settle certain state income tax audits within the next 12 months and believe it is reasonably possible that these audit settlements will reduce the gross unrecognized tax benefits by \$0.8 million.

The federal income tax returns for Mueller Co. and Anvil are closed for years prior to 2005 and for Mueller Water Products, Inc. for 2007 and 2008. Our 2009 return is closed except to the extent net operating losses from that year are utilized in later years. U.S. Pipe is subject to statute extension agreements that may be applicable to Walter Energy, and we remain liable for any tax related to U.S. Pipe pursuant to the terms of our sale of that segment. See Note 16. During 2012, the IRS completed its audit of our income tax returns filed for 2010, 2009, 2008 and 2007. The IRS audit resulted in zero additional tax liability.

Our state income tax returns are generally closed for years prior to 2007, except to the extent of our state net operating loss carryforwards. Our Canadian income tax returns are generally closed for years prior to 2007. We are currently under audit by several states at various levels of completion. We do not have any material unpaid assessments.

**Note 7. Borrowing Arrangements**

On November 25, 2014, we entered into a \$500.0 million senior secured term loan (“Term Loan”). The proceeds from the Term Loan, along with other cash, were used to fund the tender and call of our 7.375% Senior Subordinated Notes (“Senior Subordinated Notes”) and 8.75% Senior Unsecured Notes (“Senior Unsecured Notes”), or the satisfaction and discharge of any such notes not tendered or called, in connection with the refinancing of such indebtedness. The Term Loan accrues interest at a floating rate equal to LIBOR, subject to a floor of 0.75%, plus 325 basis points. We may voluntarily repay amounts borrowed under the Term Loan at any time. The principal amount of the Term Loan is required to be repaid in quarterly installments, commencing in March 2015, of \$1.25 million. The Term Loan has a term of seven years. The Term Loan is guaranteed by substantially all of our U.S. subsidiaries and secured by essentially all of our assets, though the ABL Agreement described below has a senior claim on certain collateral securing borrowings thereunder.



The Term Loan contains customary representations and warranties and does not contain any financial maintenance covenants. The Term Loan contains customary affirmative and negative operating covenants applicable to us and our restricted subsidiaries, including, among other things, restrictions on indebtedness, disqualified and preferred stock issuances, restricted payments, dividends, asset sales, transactions with affiliates, liens, fundamental changes, negative pledges, line of business changes and amendments to organizational documents. The Term Loan also includes customary events of default, including but not limited to, the nonpayment of principal or interest, material inaccuracy of representations and warranties, violations of covenants, cross-default to material indebtedness, bankruptcy and insolvency, material adverse judgments and lien priority. Upon an event of default, the lenders may, among other things, accelerate the Term Loan and foreclose on the collateral. We believe we were compliant with these covenants at November 25, 2014 and expect to remain in compliance through September 30, 2015.

We paid approximately \$50 million in costs related to the refinancing, which resulted in a loss on early extinguishment of debt, including the write-off of all related deferred finance fees and original issue discount, of approximately \$31.3 million for the quarter ending December 31, 2014. We expect to capitalize approximately \$8 million of these costs, which will be amortized over the term of the Term Loan using the effective interest rate method.

Concurrent with our entry into the Term Loan, we amended our ABL Agreement and certain security documents related thereto to provide that our obligations under the ABL Agreement, which were previously secured by a first-priority lien on all of our U.S. receivables and inventory, certain cash and other supporting obligations, shall be secured by a second-priority lien on substantially all of our remaining assets.

The components of our long-term debt are presented below.

	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(in millions)</b>	
ABL Agreement	\$ —	\$ —
Senior Subordinated Notes	365.0	420.0
Senior Unsecured Notes	178.3	178.0
Other	2.3	2.8
	<u>545.6</u>	<u>600.8</u>
Less current portion	(46.2)	(1.3)
Long-term debt	<u>\$ 499.4</u>	<u>\$ 599.5</u>

*ABL Agreement.* At September 30, 2014, our asset based lending agreement (“ABL Agreement”) consisted of a revolving credit facility for up to \$225 million of revolving credit borrowings, swing line loans and letters of credit. The ABL Agreement also permits us to increase the size of the credit facility by an additional \$150 million in certain circumstances subject to adequate borrowing base availability. We may borrow up to \$25 million through swing line loans and may have up to \$60 million of letters of credit outstanding.

Borrowings under the ABL Agreement bear interest at a floating rate equal to LIBOR plus a margin ranging from 175 to 225 basis points, or a base rate, as defined in the ABL Agreement, plus a margin ranging from 75 to 125 basis points. At September 30, 2014 the applicable rate was LIBOR plus 175 basis points.

The ABL Agreement terminates on December 18, 2017. We pay a commitment fee for any unused borrowing capacity under the ABL Agreement of either 37.5 basis points per annum or 25 basis points per annum, based on daily average availability during the previous calendar quarter. At September 30, 2014, our commitment fee was 37.5 basis points. Borrowings are not subject to any financial maintenance covenants unless excess availability is less than the greater of \$22.5 million and 10% of the aggregate commitments under the ABL Agreement. Excess availability based on September 30, 2014 data, as reduced by outstanding letters of credit and accrued fees and expenses of \$29.1 million, was \$158.3 million

*Senior Unsecured Notes.* The Senior Unsecured Notes would have matured on September 1, 2020 and bore interest at 8.75%, paid semi-annually. The Senior Unsecured Notes balance at September 30, 2014 was net of \$1.7 million of unamortized discount. The Senior Unsecured Notes were guaranteed by essentially all of our U.S. subsidiaries, but were subordinate to borrowings under the ABL Agreement. Based on quoted market prices, the outstanding Senior Unsecured Notes had a fair value of \$193.5 million at September 30, 2014.

During 2013, we redeemed \$22.5 million aggregate principal amount of the Senior Unsecured Notes at a redemption price of 103% and recorded a loss on early extinguishment of debt of \$1.4 million.

The indenture securing the Senior Unsecured Notes contained customary covenants and events of default, including covenants that limited our ability to incur debt, pay dividends and make investments. We believe we were compliant with these covenants at September 30, 2014 and expected to remain in compliance through September 30, 2015.

*Senior Subordinated Notes.* The Senior Subordinated Notes would have matured on June 1, 2017 and bore interest at 7.375%, paid semi-annually. Based on quoted market prices, the outstanding Senior Subordinated Notes had a fair value of \$369.6 million at September 30, 2014.

On August 29, 2014, we redeemed \$55.0 million principal amount of the Senior Subordinated Notes at a redemption price of 101.229%. We recorded a loss on early extinguishment of debt of \$1.0 million, including deferred financing costs that were written off.

The indenture securing the Senior Subordinated Notes contained customary covenants and events of default, including covenants that limited our ability to incur debt, pay dividends and make investments. We believe we were compliant with these covenants at September 30, 2014 and expected to remain in compliance through September 30, 2015.

The scheduled maturities of outstanding borrowings outstanding at September 30, 2014 for each of the following years are \$46.2 million for 2015, \$0.8 million for 2016, \$320.3 million for 2017, none for 2018, none for 2019 and \$180.0 million after 2019. As a result of the transactions described above, current maturities of outstanding borrowings are \$50.0 million in 2015, \$5.8 million in 2016, \$5.3 million in 2017, \$5.0 million in 2018, \$5.0 million in 2019 and \$476.2 million after 2019.

**Note. 8 Retirement Plans**

We have various pension plans (“Pension Plans”), which we fund in accordance with their requirements and, where applicable, in amounts sufficient to satisfy the minimum funding requirements of applicable laws. The Pension Plans provide benefits based on years of service and compensation or at stated amounts for each year of service.

We formerly provided certain postretirement benefits other than pensions, primarily healthcare, to eligible retirees. Our postretirement benefit plans were funded as benefits were paid.

On April 1, 2012, we changed certain provisions of our pension and postretirement benefit plans affecting U.S. Pipe participants in these plans. These changes vested all accumulated pension benefits and then froze the plan such that no additional pension benefits would accumulate. Postretirement medical benefits ceased on December 31, 2012. Related to this cessation of benefits, we recorded a benefit of \$7.4 million, which is included in income from discontinued operations in 2013. During 2012, we recorded a pension curtailment expense of \$0.2 million and an other postretirement benefit plan curtailment gain of \$2.4 million, which was included in loss from discontinued operations for 2012.

The measurement date for all Pension Plans and other postretirement benefit plans was September 30.

We were not required to make, and we did not make, any contributions to our U.S. pension plan in 2014. We currently estimate we will contribute approximately \$1 million to our Pension Plans in 2015.

The components of net periodic benefit cost are presented below.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Service cost	\$ 1.7	\$ 2.0	\$ 1.8
Interest cost	19.9	18.3	20.2
Expected return on plan assets	(23.8)	(25.1)	(24.0)
Amortization of prior service cost	—	—	0.6
Amortization of net loss	3.5	9.0	6.0
Curtailment / special settlement loss	0.1	0.1	0.2
Costs allocated to discontinued operations	—	—	(1.1)
Other	0.1	—	—
Net periodic benefit cost	<u>\$ 1.5</u>	<u>\$ 4.3</u>	<u>\$ 3.7</u>

Balance sheet information for Pension Plans with accumulated benefit obligations in excess of plan assets is presented below.

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
	(in millions)	
Projected benefit obligations	\$ 459.9	\$ 390.4
Accumulated benefit obligations	459.9	390.4
Fair value of plan assets	407.6	384.8

Balance sheet information for Pension Plans with accumulated benefit obligations less than plan assets is presented below.

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
	(in millions)	
Projected benefit obligations	\$ 1.6	\$ 9.2
Accumulated benefit obligations	1.6	9.1
Fair value of plan assets	2.9	10.4

Amounts recognized for our Pension Plans and other postretirement benefit plans are presented below.

	Pension Plans		Other Plans
	2014	2013	2013
	(in millions)		
<b>Projected benefit obligations:</b>			
Beginning of year	\$ 399.6	\$ 448.3	\$ 0.2
Service cost	1.7	2.0	—
Interest cost	19.9	18.3	—
Actuarial loss (gain)	67.3	(42.5)	—
Benefits paid	(26.0)	(26.0)	(0.2)
Currency translation	(0.8)	(0.5)	—
Decrease in obligation due to curtailment	(0.2)	—	—
End of year	\$ 461.5	\$ 399.6	\$ —
Accumulated benefit obligations at end of year	\$ 461.5	\$ 399.5	\$ —
<b>Plan assets:</b>			
Beginning of year	\$ 395.2	\$ 387.1	\$ —
Actual return on plan assets	42.1	34.4	—
Employer contributions	0.1	0.2	0.2
Currency translation	(0.9)	(0.5)	—
Benefits paid	(26.0)	(26.0)	(0.2)
End of year	\$ 410.5	\$ 395.2	\$ —
<b>Accrued benefit cost at end of year:</b>			
Unfunded status	\$ (51.0)	\$ (4.4)	\$ —
Recognized on balance sheet:			
Other noncurrent assets	\$ 1.3	\$ 1.3	\$ —
Other noncurrent liabilities	(52.3)	(5.7)	—
	\$ (51.0)	\$ (4.4)	\$ —
<b>Recognized in accumulated other comprehensive loss, before tax:</b>			
Prior year service cost	\$ 0.1	\$ 0.2	\$ —
Net actuarial loss	119.7	74.5	—
	\$ 119.8	\$ 74.7	\$ —

Change in actuarial loss (gain) in 2014 is due to actual rates of return on plans assets being lower than projected and the adoption of new mortality tables issued by the Society of Actuaries due to the increasing lifespan of North Americans.

Our U.S. plan comprised 98% of the Pension Plans' obligations and 97% of the Pension Plans' assets at September 30, 2014.

Pension Plan activity in accumulated other comprehensive loss, before tax, in 2014 is presented below, in millions.

Balance at beginning of year	\$ 74.7
Actuarial gain	48.9
Prior year service loss amortization to net periodic cost	(3.5)
Other	(0.3)
Balance at end of year	\$ 119.8

Beginning in 2015, we will amortize amounts in accumulated other comprehensive loss representing unrecognized prior year service cost and unrecognized loss related to our U.S. pension plan over the weighted average life expectancy of the plan's inactive participants instead of the weighted average remaining service period for active participants, as we have done through 2014. We do not expect the effect of this change to be material to our consolidated financial statements. The components of accumulated other comprehensive loss related to pension that we expect to amortize into net periodic benefit cost in 2015 are presented below, in millions.

Amortization of unrecognized prior year service cost	\$	—
Amortization of unrecognized loss		3.2
	<u>\$</u>	<u>3.2</u>

The discount rates for determining the present value of pension obligations were selected using a “bond settlement” approach, which constructs a hypothetical bond portfolio that could be purchased such that the coupon payments and maturity values could be used to satisfy the projected benefit payments. The discount rate is the equivalent rate that results in the present value of the projected benefit payments equaling the market value of this bond portfolio. Only high quality (AA graded or higher), non-callable corporate bonds are included in this bond portfolio. We rely on the Pension Plans' actuaries to assist in the development of the discount rate model.

Separate discount rates were selected for different plans due to differences in the timing of projected benefit payments. The discount rate model for the plan covering participants in the United States reflected yields available on investments in the United States, while plans covering participants in Canada reflected yields available on investments in Canada. The discount rate for the other postretirement benefit plans was remeasured at April 1, 2012 to 5.00%.

Management's expected returns on plan assets and assumed healthcare cost trend rates were determined with the assistance of the Pension Plans' actuaries and investment consultants. Expected returns on plan assets were developed using forward looking returns over a time horizon of 10 to 15 years for major asset classes along with projected risk and historical correlations.

A summary of key assumptions for our pension and other postretirement benefit plans is below.

	<b>Pension Plans</b>			<b>Other Plans</b>	
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Weighted average used to determine benefit obligations:					
Discount rate	4.49%	5.16%	4.21%	n/a	4.22%
Rate of compensation increases	3.50	3.50	3.50	n/a	n/a
Weighted average used to determine net periodic cost:					
Discount rate	5.16%	4.21%	5.66%	n/a	5.69%
Expected return on plan assets	6.24	6.71	6.95	n/a	n/a
Rate of compensation increases	3.50	3.50	3.50	n/a	n/a

Assumed discount rates, expected return on plan assets and salary increases affect the amounts reported for the Pension Plans. The effects of a one-percentage-point change in the trend rate for these assumptions are below.

	<b>1 Percentage point increase</b>	<b>1 Percentage point decrease</b>
	<b>(in millions)</b>	
Discount rate:		
Effect on pension service and interest costs	\$ (0.1)	\$ 0.7
Effect on pension benefit obligations	(50.3)	61.8
Effect on 2015 service and interest costs	(0.5)	0.5
Expected return on plan assets:		
Effect on 2015 service and interest costs	(4.0)	4.0

We maintain a single trust to hold the assets of the U.S. pension plan. During 2013, the strategic asset allocation was adjusted to 40% equity investments from 60% equity investments. This trust's strategic asset allocations, tactical range at September 30, 2014 and actual asset allocations are presented below.

	Strategic asset allocation	Tactical range	Actual asset allocations at September 30,		
			2014	2013	2012
Equity investments:					
Large capitalization stocks	26%				
Small capitalization stocks	5				
International stocks	9				
	40	30 - 50%	40%	40%	59%
Fixed income investments	60	50 - 70	59	59	39
Cash	—	0 - 5	1	1	2
	100%		100%	100%	100%

Assets of the Pension Plans are allocated to various investments to attain diversification and reasonable risk-adjusted returns while also managing the exposure to asset and liability volatility. These ranges are targets and deviations may occur from time to time due to market fluctuations. Portfolio assets are typically rebalanced to the allocation targets at least annually. The valuation methodologies used to measure the assets of the Pension Plans at fair value are:

- Equity investments are valued at the closing price reported on the active market when reliable market quotations are readily available. When market quotations are not readily available, assets of the Pension Plans are valued by a method the trustees of the Pension Plans believe accurately reflects fair value;
- Fixed income fund investments are valued using the closing price reported in the active market in which the investment is traded or based on yields currently available on comparable securities of issuers with similar credit ratings; and
- Other investments are valued as determined by the trustees of the Pension Plans based on their net asset values and supported by the value of the underlying securities and by the unit prices of actual purchase and sale transactions occurring at or close to the financial statement date.

The assets of the Pension Plans by level within the fair value hierarchy are presented below.

	<b>September 30, 2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>(in millions)</b>		
<b>Equity:</b>			
Large cap stocks:			
Large cap growth funds	\$ —	\$ 31.5	\$ 31.5
Large cap index funds	—	35.9	35.9
Large cap value funds	—	15.3	15.3
Small cap stocks:			
Small cap growth funds	—	18.5	18.5
International stocks:			
Mutual funds	45.9	—	45.9
International funds	—	15.4	15.4
<b>Total equity</b>	<b>45.9</b>	<b>116.6</b>	<b>162.5</b>
Fixed income	—	243.5	243.5
Cash and cash equivalents	4.5	—	4.5
	<b>\$ 50.4</b>	<b>\$ 360.1</b>	<b>\$ 410.5</b>

	<b>September 30, 2013</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>(in millions)</b>		
<b>Equity:</b>			
Large cap stocks:			
Large cap growth funds	\$ —	\$ 31.7	\$ 31.7
Large cap index funds	—	26.1	26.1
Large cap value funds	—	16.3	16.3
Large cap growth mutual funds	16.1	—	16.1
Small cap stocks:			
Small cap growth funds	—	23.5	23.5
International stocks:			
Mutual funds	31.5	—	31.5
International funds	—	15.7	15.7
<b>Total equity</b>	<b>47.6</b>	<b>113.3</b>	<b>160.9</b>
Fixed income	—	229.8	229.8
Cash and cash equivalents	4.5	—	4.5
	<b>\$ 52.1</b>	<b>\$ 343.1</b>	<b>\$ 395.2</b>

Our estimated future pension benefit payments are presented below in millions.

2015	\$ 27.6
2016	26.8
2017	27.0
2018	27.3
2019	27.5
2020-2024	141.0

*Defined Contribution Retirement Plans*-Certain of our employees participate in defined contribution 401(k) plans or similar non-U.S. plans. We make matching contributions as a function of employee contributions. Matching contributions were \$5.6 million, \$5.1 million and \$4.7 million during 2014, 2013 and 2012, respectively.

**Note 9. Capital Stock**

Common stock share activity is presented below.

Shares outstanding at September 30, 2011	155,793,612
Exercise of stock options	8,552
Exercise of employee stock purchase plan instruments	339,242
Vesting of restricted stock units, net of shares withheld for taxes	699,242
Shares outstanding at September 30, 2012	156,840,648
Exercise of stock options	384,475
Exercise of employee stock purchase plan instruments	290,173
Vesting of restricted stock units, net of shares withheld for taxes	719,004
Shares outstanding at September 30, 2013	158,234,300
Exercise of employee stock purchase plan instruments	204,360
Exercise of stock options	587,964
Vesting of restricted stock units, net of shares withheld for taxes	734,047
Shares outstanding at September 30, 2014	159,760,671

**Note 10. Stock-based Compensation Plans**

The effect of stock-based compensation on our statements of operations is presented below.

	2014	2013	2012
	(in millions, except per share data)		
Decrease in operating income	\$ 13.2	\$ 11.4	\$ 6.0
Decrease in net income or increase in net loss	8.1	6.9	3.5
Effect on earnings or loss per basic share	0.05	0.04	0.02
Effect on earnings or loss per diluted share	0.05	0.04	0.02

We excluded 1,103,845 and 1,387,198 instruments from the calculation of diluted earnings per share for 2014 and 2013, respectively, because the effect of including them would have been antidilutive. We recorded a net loss for 2012, therefore, all stock-based compensation instruments were excluded from the diluted loss per share calculation since their inclusion would have been antidilutive.

At September 30, 2014, there was approximately \$3.2 million of unrecognized compensation expense related to stock-based awards not yet vested. We expect to recognize this expense over a weighted average life of approximately 1.10 years.

The Mueller Water Products, Inc. 2006 Stock Incentive Plan (“2006 Plan”) authorizes an aggregate of 20,500,000 shares of common stock that may be granted through the issuance of stock-based awards. Any awards canceled are available for reissuance. Generally, all of our employees and members of our board of directors are eligible to participate in the 2006 Plan. At September 30, 2014, 7,001,763 shares of common stock were available for future grants of awards under the 2006 Plan. This total assumes that the maximum number of shares will be earned for awards for which the final number of shares to be earned has not yet been determined.

An award granted under the 2006 Plan vests at such times and in such installments as set by the Compensation and Human Resources Committee of the board of directors, but no award will be exercisable after the ten-year anniversary of the date on which it is granted. Management expects some instruments will be forfeited prior to vesting. Grants to members of our board of the directors are expected to vest fully. Based on historical forfeitures, we expect grants to others to be forfeited at an annual rate of 2%.

*Restricted Stock Units.* Depending on the specific terms of each award, restricted stock units generally vest on the three-year anniversary of the grant date, or ratably over the life of the award, usually three years, on each anniversary date of the original grant. Restricted stock units granted since November 2007 also vest upon the Retirement (as defined in the 2006 Plan) of a participant. Compensation expense for restricted stock units is recognized between the grant date and the vesting date (or the date on which a participant becomes Retirement-eligible, if sooner) on a straight-line basis for each tranche of each award. Fair values of restricted stock units are determined using the closing price of our common stock on the respective dates of grant.



Restricted stock unit activity under the 2006 Plan is summarized below.

	<u>Restricted stock units</u>	<u>Weighted average grant date fair value per unit</u>	<u>Weighted average remaining contractual term (years)</u>	<u>Aggregate intrinsic value (millions)</u>
Outstanding at September 30, 2011	2,065,766	\$ 6.11	1.6	
Granted	1,406,318	2.19		
Vested	(867,451)	5.44		\$ 2.2
Cancelled	(180,871)	5.33		
Outstanding at September 30, 2012	2,423,762	4.13	1.0	
Granted	509,338	5.37		
Vested	(995,037)	4.77		5.6
Cancelled	(12,723)	12.28		
Outstanding at September 30, 2013	1,925,340	4.30	0.9	
Granted	381,012	8.51		
Vested	(1,099,591)	4.94		9.4
Cancelled	—	—		
Outstanding at September 30, 2014	<u>1,206,761</u>	\$ 5.04	0.7	

*Performance Shares.* Performance-based restricted stock units ("PRSUs") represent a target number of units that may be paid out at the end of a multi-year award cycle consisting of annual performance periods coinciding with our fiscal years. As determined at the date of grant, PRSUs may settle in cash-value equivalent of, or directly in, shares of our common stock. Settlement will range from zero to two times the number of PRSUs granted, depending on our financial performance against predetermined targets. Performance goals are established within 90 days of the beginning of each performance period by the Compensation and Human Resources Committee of our board of directors ("Committee"). At the end of each annual performance period, the Committee certifies performance against the applicable performance targets. PRSUs do not convey voting rights or earn dividends. PRSUs vest on the last day of an award cycle, unless vested sooner due to a "Change of Control" of the Company, or the death, disability or Retirement of a participant.

The 243,992 cash-settled PRSUs granted in 2013 will settle in December 2014. Outstanding cash-settled PRSUs had a fair value of \$8.28 per share at September 30, 2014 and our liability for cash-settled PRSUs was \$4.0 million at September 30, 2014. Compensation expense for cash-settled PRSU's has been recognized over the applicable performance periods based on the estimated performance factor and the closing price of our common stock at each balance sheet date.

The stock-settled PRSUs granted in 2013 and 2014 will be settled in November 2015 and December 2016, respectively. Compensation expense for stock-settled PRSU's is recognized over the applicable performance periods based on the estimated performance factors and the closing price of our common stock on the date each performance goal is established. The stock prices used to value the awards were \$5.22 for the 2013 performance period and \$8.52 for the 2014 performance period. Stock-settled PRSUs activity under the 2006 Plan is summarized below.

<b>Award date</b>	<b>Performance period</b>	<b>Units awarded</b>	<b>Shares earned</b>
November 27, 2012	2013	135,553	271,106
	2014	135,553	271,106
	2015	135,552	—
December 3, 2013	2014	90,841	181,682
	2015	90,841	—
	2016	90,849	—

*Stock Options.* Outstanding stock options generally vest on each anniversary date of the original grant ratably over three years. Stock options granted since November 2007 also vest upon the Retirement of a participant. Compensation expense for stock options is recognized between the grant date and the vesting date (or the date on which a participant becomes Retirement-eligible, if sooner) on a straight-line basis for each tranche of each award. Stock option activity under the 2006 Plan is summarized below.

	<b>Options</b>	<b>Weighted average exercise price per option</b>	<b>Weighted average remaining contractual term (years)</b>	<b>Aggregate intrinsic value (millions)</b>
Outstanding at September 30, 2011	5,625,133	\$ 6.74	7.5	\$ —
Granted	677,117	2.18		
Exercised	(8,552)	3.59		—
Cancelled	(771,088)	5.97		
Outstanding at September 30, 2012	5,522,610	6.30	6.8	3.5
Granted	125,780	5.91		
Exercised	(384,475)	4.97		1.2
Cancelled	(139,209)	12.52		
Outstanding at September 30, 2013	5,124,706	6.22	5.9	14.6
Granted	86,904	8.58		
Exercised	(587,964)	4.61		—
Cancelled	(71,411)	12.92		
Outstanding at September 30, 2014	4,552,235	\$ 6.37	5.0	\$ 13.6
Exercisable at September 30, 2014	4,151,589	\$ 6.56	4.8	\$ 12.0
Expected to vest after September 30, 2014	400,136	\$ 4.32	7.9	\$ 1.6

Stock option exercise prices are equal to the closing price of our common stock on the relevant grant date. The ranges of exercise prices for stock options outstanding at September 30, 2014 are summarized below.

<b>Exercise price</b>	<b>Options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual term (years)</b>	<b>Exercisable options</b>	<b>Weighted average exercise price</b>
\$ 0.00 - \$ 4.99	1,803,311	\$ 3.23	6.4	1,565,034	\$ 3.37
\$ 5.00 - \$ 9.99	1,801,805	5.85	5.0	1,639,436	5.70
\$ 10.00 - \$ 14.99	656,276	11.84	2.7	656,276	11.84
\$ 15.00 - \$ 20.99	290,843	16.71	1.8	290,843	16.71
	<u>4,552,235</u>	\$ 6.37	5.0	<u>4,151,589</u>	\$ 6.56

Compensation expense attributed to stock options is based on the fair value of the awards on their respective grant dates, as determined using a Black-Scholes model. The weighted average grant-date fair values of stock options granted and the weighted average assumptions used to determine these fair values are indicated below.

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Grant-date fair value	\$ 5.13	\$ 5.91	\$ 1.31
Risk-free interest rate	2.44%	1.63%	1.74%
Dividend yield	1.10%	2.17%	1.97%
Expected life (years)	8.0	8.0	8.0
Expected annual volatility	0.6386	0.6696	0.7342

The risk-free interest rate is based on the U.S. Treasury zero-coupon yield in effect at the grant date with a term equal to the expected life. The expected dividend yield is based on our estimated annual dividend and stock price history at the grant date. The expected term represents the period of time the awards are expected to be outstanding.

*Employee Stock Purchase Plan.* The Mueller Water Products, Inc. 2006 Employee Stock Purchase Plan (“ESPP”) authorizes the sale of up to 4,000,000 shares of our common stock to employees. Generally, all full-time, active employees are eligible to participate in the ESPP, subject to certain restrictions. Employee purchases are funded through payroll deductions, and any excess payroll withholdings are returned to the employee. The price for shares purchased under the ESPP is the lower of 85% of closing price on the first day or the last day of the offering period. At September 30, 2014, 1,631,229 shares were available for issuance under the ESPP.

*Phantom Plan.* In 2012, the Company adopted the Mueller Water Products, Inc. Phantom Plan (“Phantom Plan”). The Phantom Plan awards were awarded to certain non-officer employees. Outstanding phantom awards vest ratably on each anniversary date of the original grant for three years. Compensation expense for Phantom Plan awards is charged against income on a straight-line basis for each tranche of each award based on the closing price of our common stock at each balance sheet date. Phantom Plan awards are payable in cash and recorded as liability awards. The outstanding Phantom Plan awards had a fair value of \$8.28 per award at September 30, 2014 and our liability for such awards was \$3.4 million. Phantom Plan activity for 2014 is summarized below.

	<b>Phantom Plan units</b>	<b>Weighted average grant date fair value per unit</b>	<b>Weighted average remaining contractual term (years)</b>	<b>Aggregate intrinsic value (millions)</b>
Outstanding at September 30, 2011	—			
Granted	358,866	\$ 2.03		
Vested	—			\$ —
Cancelled	—	—		
Outstanding at September 30, 2012	358,866	2.03	1.2	
Granted	382,605	5.22		
Vested	(119,637)			0.7
Cancelled	(12,852)	2.03		
Outstanding at September 30, 2013	608,982	4.03	1.0	
Granted	304,815	8.52		
Vested	(240,739)			2.1
Cancelled	(29,770)	5.29		
Outstanding at September 30, 2014	<u>643,288</u>	\$ 6.22	0.8	

**Note 11. Supplemental Balance Sheet Information**

Selected supplemental balance sheet information is presented below.

	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(in millions)</b>	
<b>Inventories:</b>		
Purchased components and raw material	\$ 72.0	\$ 75.4
Work in process	34.5	38.6
Finished goods	91.5	94.5
	<u>\$ 198.0</u>	<u>\$ 208.5</u>
<b>Other current assets:</b>		
Maintenance and repair tooling	\$ 22.6	\$ 22.5
Income taxes	13.0	14.9
U.S. Pipe-related workers' compensation and other reimbursements	1.6	2.2
Other	6.9	6.5
	<u>\$ 44.1</u>	<u>\$ 46.1</u>
<b>Property, plant and equipment:</b>		
Land	\$ 9.6	\$ 10.6
Buildings	78.0	75.5
Machinery and equipment	332.9	305.7
Construction in progress	18.7	19.6
	<u>439.2</u>	<u>411.4</u>
Accumulated depreciation	(292.9)	(269.5)
	<u>\$ 146.3</u>	<u>\$ 141.9</u>
<b>Other current liabilities:</b>		
Compensation and benefits	\$ 39.5	\$ 37.3
Customer rebates	16.9	15.5
Interest	10.7	12.0
Taxes other than income taxes	4.7	5.0
Warranty	2.6	2.8
Income taxes	0.7	1.3
Restructuring	0.9	—
Environmental	0.1	0.2
Other	6.1	6.5
	<u>\$ 82.2</u>	<u>\$ 80.6</u>

**Note 12. Supplemental Statement of Operations Information**

Selected supplemental statement of operations information is presented below.

	2014	2013	2012
	(in millions)		
Included in selling, general and administrative expenses:			
Research and development	\$ 14.4	\$ 14.8	\$ 12.7
Advertising	\$ 4.7	\$ 5.0	\$ 4.9
Interest expense, net:			
7.375% Senior Subordinated Notes	\$ 30.6	\$ 31.0	\$ 31.0
8.75% Senior Unsecured Notes	16.0	16.8	19.3
Deferred financing fees amortization	2.0	2.0	2.3
ABL Agreement	1.2	1.5	3.2
Interest rate swap contracts	—	—	5.0
Other interest expense	0.2	0.7	(0.6)
	50.0	52.0	60.2
Interest income	(0.4)	(0.3)	(0.3)
	\$ 49.6	\$ 51.7	\$ 59.9

**Note 13. Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss is presented below.

	Foreign currency translation	Minimum pension liability, net of tax	Total
	(in millions)		
Balance at September 30, 2013	\$ 6.8	\$ (35.4)	\$ (28.6)
Current period other comprehensive loss	(4.4)	(27.7)	(32.1)
Balance at September 30, 2014	\$ 2.4	\$ (63.1)	\$ (60.7)

**Note 14. Supplemental Cash Flow Information**

The impact these transactions had on our consolidated balance sheets is presented below.

	September 30,		
	2014	2013	2012
	(in millions)		
Pension and other postretirement plans:			
Increase (decrease) in other noncurrent assets	\$ —	\$ 0.3	\$ (0.1)
Decrease (increase) in other noncurrent liabilities	(25.5)	51.5	(36.2)
Decrease (increase) in other current liabilities	0.1	—	0.3
Decrease (increase) in deferred tax liabilities	9.8	(20.1)	(0.6)
Decrease (increase) in accumulated other comprehensive loss	15.6	(31.7)	36.6
	\$ —	\$ —	\$ —
Cash paid (received), net:			
Interest	\$ 48.7	\$ 49.1	\$ 53.3
Income taxes	\$ 2.6	\$ 0.7	\$ (6.9)

**Note 15. Segment Information**

Our operations consist of two business segments: Mueller Co. and Anvil. These segments are organized primarily based on products sold and customers served and are consistent with how the segments are managed, how resources are allocated and how information is used by the chief operating decision maker. Mueller Co. manufactures valves for water and gas systems including butterfly, iron gate, tapping, check, knife, plug and ball valves, dry-barrel and wet-barrel fire hydrants and metering, leak detection, pipe condition assessment and other products and services for the water infrastructure industry. Anvil manufactures and sources a broad range of products including a variety of fittings, couplings, hangers and related products.

Segment results are not reflective of their results on a stand-alone basis. Intersegment sales and transfers are made at selling prices generally intended to cover costs. The determination of segment results excludes certain corporate expenses designated as Corporate because they are not directly attributable to segment operations. Consolidated interest, loss on early extinguishment of debt and income taxes are not allocated to the segments. Corporate expenses include those costs incurred by our corporate function, such as accounting, treasury, risk management, human resources, legal, tax and other administrative functions and also costs associated with assets and liabilities retained following the sale of U.S. Pipe. Corporate assets principally consist of cash, income tax assets, assets related to the sale of our former U.S. Pipe segment and deferred financing fees. Segment assets consist primarily of receivables, inventories, property, plant and equipment and intangible assets.

Geographical area information is presented below.

	<u>United States</u>	<u>Canada</u>	<u>Other</u>	<u>Total</u>
	<u>(in millions)</u>			
Net sales:				
2014	\$ 1,040.7	\$ 101.0	\$ 43.0	\$ 1,184.7
2013	971.0	101.5	48.3	1,120.8
2012	872.3	112.4	39.2	1,023.9
Property, plant and equipment, net:				
September 30, 2014	\$ 138.5	\$ 4.3	\$ 3.5	\$ 146.3
September 30, 2013	133.6	4.7	3.6	141.9

Approximately 39% of our 2014 gross sales were to our 10 largest customers, and approximately 24% of our 2014 gross sales were to our two largest customers, Ferguson Enterprises, Inc. (“Ferguson Enterprises”) and HD Supply, Inc. (“HD Supply”). Sales to Ferguson Enterprises comprised approximately 13%, 12% and 12% of our total gross sales during 2014, 2013 and 2012, respectively. In 2014, Ferguson Enterprises accounted for approximately 16% and 8% of gross sales for Mueller Co and Anvil, respectively. Receivables from Ferguson Enterprises totaled \$25.7 million and \$22.9 million at September 30, 2014 and 2013, respectively. Sales to HD Supply comprised approximately 11%, 11% and 10% of our total gross sales during 2014, 2013, and 2012, respectively. In 2014, HD Supply accounted for approximately 15% and 4% of gross sales for Mueller Co. and Anvil, respectively. Receivables from HD Supply totaled \$17.7 million and \$24.4 million at September 30, 2014 and 2013, respectively.

Summarized financial information for our segments is presented below.

	<u>Mueller Co.</u>	<u>Anvil</u>	<u>Corporate</u>	<u>Total</u>
	(in millions)			
Net sales, excluding intercompany:				
2014	\$ 783.3	\$ 401.4	\$ —	\$ 1,184.7
2013	729.5	391.3	—	1,120.8
2012	652.4	371.5	—	1,023.9
Intercompany sales:				
2014	\$ 6.7	\$ 0.1	\$ —	\$ 6.8
2013	7.4	0.1	—	7.5
2012	7.3	0.1	—	7.4
Operating income (loss):				
2014	\$ 122.3	\$ 41.3	\$ (39.5)	\$ 124.1
2013	91.3	40.2	(34.2)	97.3
2012	57.7	37.3	(30.9)	64.1
Depreciation and amortization:				
2014	\$ 42.1	\$ 14.2	\$ 0.4	\$ 56.7
2013	44.6	14.2	0.4	59.2
2012	45.7	14.3	0.6	60.6
Restructuring:				
2014	\$ 2.2	\$ 0.9	\$ —	\$ 3.1
2013	1.5	0.1	(0.1)	1.5
2012	2.5	0.3	—	2.8
Capital expenditures:				
2014	\$ 24.9	\$ 11.6	\$ 0.4	\$ 36.9
2013	24.0	12.3	0.2	36.5
2012	20.0	11.4	—	31.4
Total assets:				
September 30, 2014	\$ 835.8	\$ 263.9	\$ 217.4	\$ 1,317.1
September 30, 2013	846.8	259.6	175.5	1,281.9
Intangible assets, net:				
September 30, 2014	\$ 475.7	\$ 57.9	\$ —	\$ 533.6
September 30, 2013	491.6	61.5	—	553.1

#### **Note 16. Commitments and Contingencies**

We are involved in various legal proceedings that have arisen in the normal course of operations, including the proceedings summarized below. The effect of the outcome of these matters on our financial statements cannot be predicted with certainty as any such effect depends on the amount and timing of the resolution of such matters. Other than the litigation described below, we do not believe that any of our outstanding litigation would have a material adverse effect on our business or prospects.

*Environmental.* We are subject to a wide variety of laws and regulations concerning the protection of the environment, both with respect to the operations at many of our properties and with respect to remediating environmental conditions that may exist at our own or other properties. We strive to comply with federal, state and local environmental laws and regulations. We accrue for environmental expenses resulting from existing conditions that relate to past operations when the costs are probable and reasonably estimable.

In the acquisition agreement pursuant to which a predecessor to Tyco sold our Mueller Co. and Anvil businesses to the prior owners of these businesses in August 1999, Tyco agreed to indemnify us and our affiliates, among other things, for all “Excluded Liabilities.” Excluded Liabilities include, among other things, substantially all liabilities relating to the time prior to August 1999, including environmental liabilities. The indemnity survives indefinitely. Tyco's indemnity does not cover liabilities to the extent caused by us or the operation of our businesses after August 1999, nor does it cover liabilities arising with respect to businesses or sites acquired after August 1999. Since 2007, Tyco has engaged in multiple corporate



restructurings, split-offs and divestitures. While none of these transactions directly affects the indemnification obligations of the Tyco indemnitors under the 1999 acquisition agreement, the result of such transactions is that the assets of, and control over, such Tyco indemnitors has changed. Should any of these Tyco indemnitors become financially unable or fail to comply with the terms of the indemnity, we may be responsible for such obligations or liabilities.

In September 1987, we implemented an Administrative Consent Order (“ACO”) for our Burlington, New Jersey property, which was required under the New Jersey Environmental Cleanup Responsibility Act (now known as the Industrial Site Recovery Act). The ACO required soil and ground-water cleanup, and we completed, and received final approval on, the soil cleanup required by the ACO. We retained this property related to the sale of our former U.S. Pipe segment. We expect ground-water issues as well as issues associated with the demolition of former manufacturing facilities at this site will continue and remediation by us could be required. Long-term ground-water monitoring may also be required, but we do not know how long such monitoring would be required and do not believe monitoring or further remediation costs, if any, will have a material adverse effect on any of our financial statements.

On July 13, 2010, Rohcan Investments Limited, the former owner of property leased by Mueller Canada Ltd. and located in Milton, Ontario, filed suit against Mueller Canada Ltd. and its directors seeking C\$10.0 million in damages arising from the defendants' alleged environmental contamination of the property and breach of lease. Mueller Canada Ltd. leased the property from 1988 through 2008. We are pursuing indemnification from a former owner for certain potential liabilities that are alleged in this lawsuit, and we have accrued for other liabilities not covered by indemnification. On December 7, 2011, the Court denied the plaintiff's motion for summary judgment.

*Walter Energy-related Income Taxes.* Each member of a consolidated group for federal income tax purposes is severally liable for the federal income tax liability of each other member of the consolidated group for any year in which it is a member of the group at any time during such year. Each member of the Walter Energy consolidated group, which included us through December 14, 2006, is also jointly and severally liable for pension and benefit funding and termination liabilities of other group members, as well as certain benefit plan taxes. Accordingly, we could be liable under such provisions in the event any such liability is incurred, and not discharged, by any other member of the Walter Energy consolidated group for any period during which we were included in the Walter Energy consolidated group.

A dispute exists with regard to federal income taxes for 1980 through 1994 allegedly owed by the Walter Energy consolidated group. According to Walter Energy's last available public filing on the matter, Walter Energy's management estimated that the amount of tax claimed by the IRS was approximately \$34.0 million for issues currently in dispute in bankruptcy court for matters unrelated to us. This amount is subject to interest and penalties. Of the \$34.0 million in claimed tax, \$21.0 million represents issues in which the IRS is not challenging the deductibility of the particular expense but only whether such expense is deductible in a particular year. Walter Energy's management believes that Walter Energy's financial exposure should be limited to interest and possible penalties and the amount of any tax claimed will be offset by favorable adjustments in other years.

In addition, the IRS previously issued a Notice of Proposed Deficiency assessing additional tax of \$82.2 million for the fiscal years ended May 31, 2000 through December 31, 2005. Walter Energy filed a formal protest with the IRS, but had not reached a final resolution with the Appeals Division at September 30, 2014. The unresolved issues relate primarily to Walter Energy's method of recognizing revenue on the sale of homes and related interest on the installment notes receivable. The items at issue relate primarily to the timing of revenue recognition and consequently, should the IRS prevail on its positions, Walter Energy's financial exposure should be limited to interest and penalties. As a matter of law, we are jointly and severally liable for any final tax determination for any year in which any of our subsidiaries were members of the Walter Energy consolidated group, which means that we would be liable in the event Walter Energy is unable to pay any amounts owed. Walter Energy has disclosed that it believes its filing positions have substantial merit and that it intends to defend vigorously any claims asserted.

Walter Energy effectively controlled all of our tax decisions for periods during which we were a member of the Walter Energy consolidated group for federal income tax purposes and certain combined, consolidated or unitary state and local income tax groups. Under the terms of the income tax allocation agreement between us and Walter Energy dated May 26, 2006, we generally compute our tax liability on a stand-alone basis, but Walter Energy has sole authority to respond to and conduct all tax proceedings (including tax audits) relating to our federal income and combined state returns, to file all such returns on our behalf and to determine the amount of our liability to (or entitlement to payment from) Walter Energy for such previous periods. This arrangement may result in conflicts between Walter Energy and us.

Our separation from Walter Energy on December 14, 2006 was intended to qualify as a tax-free spin-off under Section 355 of the Internal Revenue Code. In addition, the tax allocation agreement provides that if the spin-off is determined not to be tax-free pursuant to Section 355, we generally will be responsible for any taxes incurred by Walter Energy or its shareholders if

such taxes result from certain of our actions or omissions and for a percentage of any such taxes that are not a result of our actions or omissions or Walter Energy's actions or omissions or taxes based upon our market value relative to Walter Energy's market value. Additionally, to the extent that Walter Energy was unable to pay taxes, if any, attributable to the spin-off and for which it is responsible under the tax allocation agreement, we could be liable for those taxes as a result of being a member of the Walter Energy consolidated group for the year in which the spin-off occurred.

In accordance with the income tax allocation agreement, Walter Energy used certain tax assets of one of our predecessors in its calendar 2006 tax return for which payment to us is required. The income tax allocation agreement only requires Walter Energy to make the payment upon realization of the tax benefit by receiving a refund or otherwise offsetting taxes due. Walter Energy currently owes us \$11.6 million, which includes recent tax audit and amended tax return adjustments, that is payable pending completion of an IRS audit of Walter Energy's 2006 tax year and the related refund of tax from that year. This receivable is included in other current assets at September 30, 2014.

*Indemnifications.* We are a party to contracts in which it is common for us to agree to indemnify third parties for certain liabilities that arise out of or relate to the subject matter of the contract. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by gross negligence or willful misconduct. We cannot estimate the potential amount of future payments under these indemnities until events arise that would trigger a liability under the indemnities.

Additionally, in connection with the sale of assets and the divestiture of businesses, such as the divestiture of our U.S. Pipe segment, we may agree to indemnify buyers and related parties for certain losses or liabilities incurred by these parties with respect to: (i) the representations and warranties made by us to these parties in connection with the sale and (ii) liabilities related to the pre-closing operations of the assets or business sold. Indemnities related to pre-closing operations generally include certain environmental and tax liabilities and other liabilities not assumed by these parties in the transaction.

Indemnities related to the pre-closing operations of sold assets or businesses normally do not represent additional liabilities to us, but simply serve to protect these parties from potential liability associated with our obligations existing at the time of the sale. As with any liability, we have accrued for those pre-closing obligations that are considered probable and reasonably estimable. Should circumstances change, increasing the likelihood of payments related to a specific indemnity, we will accrue a liability when future payment is probable and the amount is reasonably estimable.

*Other Matters.* Anvil is in a dispute with Victaulic Company ("Victaulic") regarding two patents held by Victaulic, U.S. Patent 7,086,131 (the "131 Patent") and U.S. Patent 7,712,796 (the "796 Patent" and collectively with the 131 Patent, the "U.S. Patents"), which Anvil believes are invalid. The U.S. Patents potentially relate to a coupling product currently manufactured and marketed by Anvil. Anvil filed multiple reexamination requests with the U.S. Patent and Trademark Office (the "PTO") regarding the U.S. Patents, and the PTO granted the requests. Although the PTO examiner initially invalidated most of the claims of the 796 Patent, the PTO examiner affirmed the validity of the 796 Patent in September 2014. In October 2014, the PTO examiner rejected the original claim of the 131 Patent, but indicated the allowance of newly added claims that appear substantially similar to those included in the 796 Patent. The final PTO decisions with respect to the U.S. Patents will likely be appealed by Anvil and/or Victaulic. Relatedly, Anvil and Victaulic are engaged in lawsuits in the U.S. District Court for the Northern District of Georgia and in the Federal Court of Toronto, Ontario, Canada. The Georgia District Court litigation has been stayed pending the final outcome of the ongoing reexaminations of the U.S. Patents by the PTO. Although Anvil intends to continue to vigorously contest the validity of the U.S. Patents, as well as Victaulic's related patents in Canada, and to defend itself against any counterclaims made by Victaulic, the probability of a favorable or unfavorable outcome with respect to these proceedings is unknown. Any number of potential outcomes is possible due to the multiple claims associated with the proceedings, each of which is in different stages and subject to appeal. Further, there are a number of highly complex factual and technical issues involved, and it is uncertain whether a favorable or unfavorable result with respect to a particular ruling or proceeding will impact the other matters in controversy. Accordingly, we have not recorded any accrual with respect to these proceedings and a range of liability is not reasonably estimable.

We are party to a number of other lawsuits arising in the ordinary course of business, including product liability cases for products manufactured by us or third parties. We provide for costs relating to these matters when a loss is probable and the amount is reasonably estimable. Administrative costs related to these matters are expensed as incurred. The effect of the outcome of these matters on our future financial statements cannot be predicted with certainty as any such effect depends on the amount and timing of the resolution of such matters. While the results of litigation cannot be predicted with certainty, we believe that the final outcome of such other litigation is not likely to have a materially adverse effect on our business or prospects.

*Operating Leases.* We maintain operating leases primarily for equipment and facilities. Rent expense was \$9.3 million, \$8.4 million and \$8.4 million for 2014, 2013 and 2012, respectively. Future minimum payments under non-cancellable operating leases are \$7.1 million, \$5.8 million, \$4.5 million, \$2.8 million and \$2.0 million during 2015, 2016, 2017, 2018 and 2019, respectively. Total minimum payments due beyond 2019 are \$2.5 million.

**Note 17. Subsequent Events**

On November 25, 2014, we refinanced our long-term debt through a series of transactions. We retired our Senior Subordinated Notes and Senior Unsecured Notes and entered into a new Term Loan, as described in more detail in Note 7.

On October 22, 2014, our board of directors declared a dividend of \$0.0175 per share on our common stock, payable on or about November 20, 2014 to stockholders of record at the close of business on November 10, 2014.

**Note 18. Quarterly Consolidated Financial Information (Unaudited)**

	Quarter			
	Fourth	Third	Second	First
	(in millions, except per share amounts)			
2014:				
Net sales	\$ 320.7	\$ 318.5	\$ 288.1	\$ 257.4
Gross profit	\$ 101.3	\$ 97.3	\$ 82.2	\$ 67.1
Operating income	\$ 43.0	\$ 41.8	\$ 25.3	\$ 14.0
Net income	\$ 26.2	\$ 18.5	\$ 9.7	\$ 1.1
Net income per basic share <sup>(1)</sup>	\$ 0.16	\$ 0.12	\$ 0.06	\$ 0.01
Net income per diluted share <sup>(1)</sup>	\$ 0.16	\$ 0.11	\$ 0.06	\$ 0.01
2013:				
Net sales	\$ 293.2	\$ 299.4	\$ 283.1	\$ 245.1
Gross profit	\$ 88.8	\$ 90.0	\$ 77.3	\$ 57.1
Operating income	\$ 33.2	\$ 32.9	\$ 24.3	\$ 6.9
Income (loss) from continuing operations	\$ 16.8	\$ 16.0	\$ 7.6	\$ (5.0)
Income (loss) from discontinued operations	(3.3)	(1.9)	(1.4)	12.0
Net income	\$ 13.5	\$ 14.1	\$ 6.2	\$ 7.0
Net income per basic share <sup>(1)</sup> :				
Continuing operations	\$ 0.11	\$ 0.10	\$ 0.05	\$ (0.03)
Discontinued operations	(0.02)	(0.01)	(0.01)	0.07
Net income	\$ 0.09	\$ 0.09	\$ 0.04	\$ 0.04
Net income (loss) per diluted share <sup>(1)</sup> :				
Continuing operations	\$ 0.10	\$ 0.10	\$ 0.05	\$ (0.03)
Discontinued operations	(0.02)	(0.01)	(0.01)	0.07
Net income	\$ 0.08	\$ 0.09	\$ 0.04	\$ 0.04

<sup>(1)</sup> The sum of the quarterly amounts may not equal the full year amount due to rounding.

**Note 19. Consolidating Guarantor and Non-Guarantor Financial Information**

The following information is included as a result of the guarantee by certain of our 100% owned U.S. subsidiaries (“Guarantor Companies”) of the Senior Unsecured Notes and the Senior Subordinated Notes. None of our other subsidiaries or our industrial valve joint venture guarantee the Senior Unsecured Notes and the Senior Subordinated Notes. Each of the guarantees is joint and several and full and unconditional. Guarantor Companies are listed below.

<b>Name</b>	<b>State of incorporation or organization</b>
Anvil International, LLC	Delaware
Echologics, LLC	Delaware
Henry Pratt Company, LLC	Delaware
Henry Pratt International, LLC	Delaware
Hydro Gate, LLC	Delaware
J.B. Smith Mfg. Co., LLC	Delaware
James Jones Company, LLC	Delaware
Milliken Valve, LLC	Delaware
Mueller Co. LLC	Delaware
Mueller Group, LLC	Delaware
Mueller Group Co-Issuer, Inc.	Delaware
Mueller International, L.L.C.	Delaware
Mueller Property Holdings, LLC	Delaware
Mueller Co. International Holdings, LLC	Delaware
Mueller Service California, Inc.	Delaware
Mueller Service Co., LLC	Delaware
Mueller Systems, LLC	Delaware
OSP, LLC	Delaware
U.S. Pipe Valve & Hydrant, LLC	Delaware

The consolidating statements of cash flows below present intercompany cash transfers as financing or investing cash flows, rather than as operating cash flows as was previously our practice. The prior years' presentations have been revised to conform to the current year presentation.

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Balance Sheet**  
**September 30, 2014**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u>	<u>Eliminations</u>	<u>Total</u>
			(in millions)		
<b>Assets:</b>					
Cash and cash equivalents	\$ 125.5	\$ (2.1)	\$ 37.7	\$ —	\$ 161.1
Receivables, net	0.1	166.4	15.6	—	182.1
Inventories	—	187.4	10.6	—	198.0
Deferred income taxes	38.0	—	0.6	—	38.6
Other current assets	16.5	26.0	1.6	—	44.1
<b>Total current assets</b>	<b>180.1</b>	<b>377.7</b>	<b>66.1</b>	<b>—</b>	<b>623.9</b>
Property, plant and equipment	1.5	137.0	7.8	—	146.3
Intangible assets	—	531.6	2.0	—	533.6
Other noncurrent assets	11.7	0.3	1.3	—	13.3
Investment in subsidiaries	263.2	41.3	—	(304.5)	—
Intercompany accounts	882.7	—	—	(882.7)	—
<b>Total assets</b>	<b>\$ 1,339.2</b>	<b>\$ 1,087.9</b>	<b>\$ 77.2</b>	<b>\$ (1,187.2)</b>	<b>\$ 1,317.1</b>
<b>Liabilities and equity:</b>					
Current portion of long-term debt	\$ 45.0	\$ 1.2	\$ —	\$ —	\$ 46.2
Accounts payable	4.5	105.0	6.5	—	116.0
Other current liabilities	29.9	48.9	3.4	—	82.2
<b>Total current liabilities</b>	<b>79.4</b>	<b>155.1</b>	<b>9.9</b>	<b>—</b>	<b>244.4</b>
Long-term debt	498.3	1.1	—	—	499.4
Deferred income taxes	149.9	—	0.5	—	150.4
Other noncurrent liabilities	63.8	6.5	1.0	—	71.3
Intercompany accounts	196.2	662.0	24.5	(882.7)	—
<b>Total liabilities</b>	<b>987.6</b>	<b>824.7</b>	<b>35.9</b>	<b>(882.7)</b>	<b>965.5</b>
Equity	351.6	263.2	41.3	(304.5)	351.6
<b>Total liabilities and equity</b>	<b>\$ 1,339.2</b>	<b>\$ 1,087.9</b>	<b>\$ 77.2</b>	<b>\$ (1,187.2)</b>	<b>\$ 1,317.1</b>

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Balance Sheet**  
**September 30, 2013**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u>	<u>Eliminations</u>	<u>Total</u>
			(in millions)		
<b>Assets:</b>					
Cash and cash equivalents	\$ 86.6	\$ (2.3)	\$ 39.3	\$ —	\$ 123.6
Receivables, net	0.1	150.4	14.0	—	164.5
Inventories	—	195.3	13.2	—	208.5
Deferred income taxes	26.3	—	0.4	—	26.7
Other current assets	18.2	25.7	2.2	—	46.1
<b>Total current assets</b>	<b>131.2</b>	<b>369.1</b>	<b>69.1</b>	<b>—</b>	<b>569.4</b>
Property, plant and equipment	1.5	132.0	8.4	—	141.9
Intangible assets	—	551.3	1.8	—	553.1
Other noncurrent assets	16.0	0.2	1.3	—	17.5
Investment in subsidiaries	155.2	39.2	—	(194.4)	—
Intercompany accounts	882.7	—	—	(882.7)	—
<b>Total assets</b>	<b>\$ 1,186.6</b>	<b>\$ 1,091.8</b>	<b>\$ 80.6</b>	<b>\$ (1,077.1)</b>	<b>\$ 1,281.9</b>
<b>Liabilities and equity:</b>					
Current portion of long-term debt	\$ —	\$ 1.3	\$ —	\$ —	\$ 1.3
Accounts payable	4.6	90.0	6.6	—	101.2
Other current liabilities	29.7	46.6	4.3	—	80.6
<b>Total current liabilities</b>	<b>34.3</b>	<b>137.9</b>	<b>10.9</b>	<b>—</b>	<b>183.1</b>
Long-term debt	598.0	1.5	—	—	599.5
Deferred income taxes	140.9	—	0.6	—	141.5
Other noncurrent liabilities	21.3	7.5	0.8	—	29.6
Intercompany accounts	63.9	789.7	29.1	(882.7)	—
<b>Total liabilities</b>	<b>858.4</b>	<b>936.6</b>	<b>41.4</b>	<b>(882.7)</b>	<b>953.7</b>
Equity	328.2	155.2	39.2	(194.4)	328.2
<b>Total liabilities and equity</b>	<b>\$ 1,186.6</b>	<b>\$ 1,091.8</b>	<b>\$ 80.6</b>	<b>\$ (1,077.1)</b>	<b>\$ 1,281.9</b>

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Operations**  
**Year Ended September 30, 2014**

	Issuer	Guarantor companies	Non- guarantor companies	Eliminations	Total
	(in millions)				
Net sales	\$ —	\$ 1,072.4	\$ 112.3	\$ —	\$ 1,184.7
Cost of sales	—	739.3	97.5	—	836.8
Gross profit	—	333.1	14.8	—	347.9
Operating expenses:					
Selling, general and administrative	39.1	171.2	10.4	—	220.7
Restructuring	—	0.6	2.5	—	3.1
Total operating expenses	39.1	171.8	12.9	—	223.8
Operating income (loss)	(39.1)	161.3	1.9	—	124.1
Interest expense, net	49.7	0.2	(0.3)	—	49.6
Loss on early extinguishment of debt	1.0	—	—	—	1.0
Income (loss) before income taxes	(89.8)	161.1	2.2	—	73.5
Income tax expense (benefit)	(41.9)	59.4	0.5	—	18.0
Equity in income of subsidiaries	103.4	1.7	—	(105.1)	—
Net income	\$ 55.5	\$ 103.4	\$ 1.7	\$ (105.1)	55.5

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Operations**  
**Year Ended September 30, 2013**

	Issuer	Guarantor companies	Non- guarantor companies	Eliminations	Total
	(in millions)				
Net sales	\$ —	\$ 1,005.9	\$ 114.9	\$ —	\$ 1,120.8
Cost of sales	—	708.6	99.0	—	807.6
Gross profit	—	297.3	15.9	—	313.2
Operating expenses:					
Selling, general and administrative	34.0	168.2	12.2	—	214.4
Restructuring	—	1.4	0.1	—	1.5
Total operating expenses	34.0	169.6	12.3	—	215.9
Operating income (loss)	(34.0)	127.7	3.6	—	97.3
Interest expense (income), net	51.6	0.3	(0.2)	—	51.7
Loss on early extinguishment of debt	1.4	—	—	—	1.4
Income (loss) before income taxes	(87.0)	127.4	3.8	—	44.2
Income tax expense (benefit)	(17.3)	25.5	0.6	—	8.8
Equity in income of subsidiaries	105.1	3.2	—	(108.3)	—
Income from continuing operations	35.4	105.1	3.2	(108.3)	35.4
Income from discontinued operations	5.4	—	—	—	5.4
Net income	\$ 40.8	\$ 105.1	\$ 3.2	\$ (108.3)	\$ 40.8

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Operations**  
**Year Ended September 30, 2012**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u>	<u>Eliminations</u>	<u>Total</u>
			(in millions)		
Net sales	\$ —	\$ 907.0	\$ 116.9	\$ —	\$ 1,023.9
Cost of sales	—	652.1	100.7	—	752.8
Gross profit	—	254.9	16.2	—	271.1
Operating expenses:					
Selling, general and administrative	30.6	160.2	13.4	—	204.2
Restructuring	—	2.7	0.1	—	2.8
Total operating expenses	30.6	162.9	13.5	—	207.0
Operating income	(30.6)	92.0	2.7	—	64.1
Interest expense (income), net	60.0	0.2	(0.3)	—	59.9
Loss on early extinguishment of debt	1.5	—	—	—	1.5
Income (loss) before income taxes	(92.1)	91.8	3.0	—	2.7
Income tax expense (benefit)	(28.3)	35.6	0.6	—	7.9
Equity in income of subsidiaries	58.6	2.4	—	(61.0)	—
Income (loss) from continuing operations	(5.2)	58.6	2.4	(61.0)	(5.2)
Loss from discontinued operations, net of tax	(103.2)	—	—	—	(103.2)
Net income (loss)	<u>\$ (108.4)</u>	<u>\$ 58.6</u>	<u>\$ 2.4</u>	<u>\$ (61.0)</u>	<u>\$ (108.4)</u>



**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Comprehensive Income (Loss)**  
**Year Ended September 30, 2014**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u>	<u>Eliminations</u>	<u>Total</u>
	(in millions)				
Net income	\$ 55.5	\$ 103.4	\$ 1.7	\$ (105.1)	\$ 55.5
Other comprehensive income (loss):					
Minimum pension liability, net of tax	(27.7)	—	—	—	(27.7)
Equity in other comprehensive loss of subsidiaries	(4.4)	(4.4)	—	8.8	—
Foreign currency translation	—	—	(4.4)	—	(4.4)
	(32.1)	(4.4)	(4.4)	8.8	(32.1)
Comprehensive income (loss)	<u>\$ 23.4</u>	<u>\$ 99.0</u>	<u>\$ (2.7)</u>	<u>\$ (96.3)</u>	<u>\$ 23.4</u>

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Comprehensive Income**  
**Year Ended September 30, 2013**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u>	<u>Eliminations</u>	<u>Total</u>
	(in millions)				
Net income	\$ 40.8	\$ 105.1	\$ 3.2	\$ (108.3)	\$ 40.8
Other comprehensive income (loss):					
Minimum pension liability, net of tax	61.5	—	—	—	61.5
Equity in other comprehensive income of subsidiaries	(2.4)	(2.4)	—	4.8	—
Foreign currency translation	—	—	(2.4)	—	(2.4)
	59.1	(2.4)	(2.4)	4.8	59.1
Comprehensive income	<u>\$ 99.9</u>	<u>\$ 102.7</u>	<u>\$ 0.8</u>	<u>\$ (103.5)</u>	<u>\$ 99.9</u>

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Comprehensive Income (Loss)**  
**Year Ended September 30, 2012**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u>	<u>Eliminations</u>	<u>Total</u>
	(in millions)				
Net income (loss)	\$ (108.4)	\$ 58.6	\$ 2.4	\$ (61.0)	\$ (108.4)
Other comprehensive income (loss):					
Minimum pension liability, net of tax	(39.4)	—	—	—	(39.4)
Interest rate swap contracts, net of tax	3.0	—	—	—	3.0
Equity in other comprehensive loss of subsidiaries	2.9	2.9	—	(5.8)	—
Foreign currency translation	—	—	2.9	—	2.9
	(33.5)	2.9	2.9	(5.8)	(33.5)
Comprehensive income (loss)	<u>\$ (141.9)</u>	<u>\$ 61.5</u>	<u>\$ 5.3</u>	<u>\$ (66.8)</u>	<u>\$ (141.9)</u>

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Cash Flows**  
**Year Ended September 30, 2014**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u>	<u>Eliminations</u>	<u>Total</u>
			(in millions)		
<b>Operating activities:</b>					
Net cash provided by (used in) operating activities	\$ (108.0)	\$ 256.5	\$ (0.9)	\$ —	\$ 147.6
<b>Investing activities:</b>					
Capital expenditures	(0.2)	(35.3)	(1.4)	—	(36.9)
Business acquisitions, net of cash acquired	—	(11.7)	—	1.7	(10.0)
Proceeds from sales of assets	—	4.7	—	—	4.7
Intercompany	—	(213.3)	—	213.3	—
Net cash used in investing activities	(0.2)	(255.6)	(1.4)	215.0	(42.2)
<b>Financing activities:</b>					
Debt paid	(55.7)	—	—	—	(55.7)
Dividends paid	(11.2)	—	—	—	(11.2)
Common stock issued	4.2	—	—	—	4.2
Shares retained for employee taxes	(3.1)	—	—	—	(3.1)
Joint venture capital contributed	—	—	3.4	(1.7)	1.7
Intercompany	213.3	—	—	(213.3)	—
Other	(0.4)	(0.7)	—	—	(1.1)
Net cash provided by (used in) financing activities	147.1	(0.7)	3.4	(215.0)	(65.2)
Effect of currency exchange rate changes on cash	—	—	(2.7)	—	(2.7)
Net change in cash and cash equivalents	38.9	0.2	(1.6)	—	37.5
Cash and cash equivalents at beginning of year	86.6	(2.3)	39.3	—	123.6
Cash and cash equivalents at end of year	<u>\$ 125.5</u>	<u>\$ (2.1)</u>	<u>\$ 37.7</u>	<u>\$ —</u>	<u>\$ 161.1</u>

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Cash Flows**  
**Year Ended September 30, 2013**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u> (in millions)	<u>Eliminations</u>	<u>Total</u>
<b>Operating activities:</b>					
Net cash provided by (used in) operating activities from continuing operations	\$ (102.7)	\$ 207.8	\$ 9.0	\$ —	\$ 114.1
<b>Investing activities:</b>					
Capital expenditures	(0.2)	(34.4)	(1.9)	—	(36.5)
Business acquisitions, net of cash acquired	—	(0.2)	—	—	(0.2)
Proceeds from sales of assets	—	0.5	—	—	0.5
Intercompany	—	(169.9)	—	169.9	—
Net cash used in investing activities from continuing operations	(0.2)	(204.0)	(1.9)	169.9	(36.2)
<b>Financing activities:</b>					
Debt paid	(23.2)	—	—	—	(23.2)
Dividends paid	(11.0)	—	—	—	(11.0)
Common stock issued	3.1	—	—	—	3.1
Shares retained for employee taxes	(1.5)	—	—	—	(1.5)
Payment of deferred financing fees	(0.7)	—	—	—	(0.7)
Intercompany	169.9	—	—	(169.9)	—
Other	—	(2.4)	—	—	(2.4)
Net cash provided by (used in) financing activities from continuing operations	136.6	(2.4)	—	(169.9)	(35.7)
<b>Net cash flows from discontinued operations:</b>					
Operating activities	(4.9)	—	—	—	(4.9)
Investing activities	4.5	—	—	—	4.5
Net cash provided by discontinued operations	(0.4)	—	—	—	(0.4)
<b>Effect of currency exchange rate changes on cash</b>					
	—	—	(1.2)	—	(1.2)
Net change in cash and cash equivalents	33.3	1.4	5.9	—	40.6
Cash and cash equivalents at beginning of year	53.3	(3.7)	33.4	—	83.0
Cash and cash equivalents at end of year	\$ 86.6	\$ (2.3)	\$ 39.3	\$ —	\$ 123.6

**Mueller Water Products, Inc. and Subsidiaries**  
**Consolidating Statement of Cash Flows**  
**Year Ended September 30, 2012**

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u> (in millions)	<u>Eliminations</u>	<u>Total</u>
<b>Operating activities:</b>					
Net cash provided by (used in) operating activities from continuing operations	\$ (112.9)	\$ 186.0	\$ 3.7	\$ —	\$ 76.8
<b>Investing activities:</b>					
Capital expenditures	—	(30.5)	(0.9)	—	(31.4)
Business acquisitions, net of cash acquired	—	(1.8)	0.5	—	(1.3)
Proceeds from sales of assets	—	0.3	—	—	0.3
Intercompany	—	(153.8)	—	153.8	—
Net cash provided by (used in) investing activities from continuing operations	—	(185.8)	(0.4)	153.8	(32.4)
<b>Financing activities:</b>					
Debt paid	(57.2)	—	—	—	(57.2)
Dividends paid	(11.0)	—	—	—	(11.0)
Common stock issued	0.7	—	—	—	0.7
Shares retained for employee taxes	(0.5)	—	—	—	(0.5)
Intercompany	153.8	—	—	(153.8)	—
Other	—	(0.1)	—	—	(0.1)
Net cash provided by (used in) financing activities from continuing operations	85.8	(0.1)	—	(153.8)	(68.1)
<b>Net cash flows from discontinued operations:</b>					
Operating activities	(43.3)	—	—	—	(43.3)
Investing activities	87.5	—	—	—	87.5
Net cash used in discontinued operations	44.2	—	—	—	44.2
Effect of currency exchange rate changes on cash	—	—	1.5	—	1.5
Net change in cash and cash equivalents	17.1	0.1	4.8	—	22.0
Cash and cash equivalents at beginning of year	36.2	(3.8)	28.6	—	61.0
Cash and cash equivalents at end of year	<u>\$ 53.3</u>	<u>\$ (3.7)</u>	<u>\$ 33.4</u>	<u>\$ —</u>	<u>\$ 83.0</u>

## Subsidiaries of Mueller Water Products, Inc.

<u>Entity</u>	<u>State of incorporation or organization</u>	<u>Doing business as</u>
Anvil International Holdings, LLC	Delaware	Anvil International (N.H.)
Anvil International, LC	Delaware	Anvil Int'l Ltd Partnership of Delaware Anvil International LP of Delaware
Echologics, LLC	Delaware	NA
Henry Pratt Company, LLC	Delaware	NA
Henry Pratt International, LLC	Delaware	NA
Hydro Gate, LLC	Delaware	NA
J.B. Smith Mfg Co., LLC	Delaware	NA
James Jones Company, LLC	Delaware	James Jones Company of Delaware, LLC
Jingmen Pratt Valve Co. Ltd.	China	NA
Millikin Valve, LLC	Delaware	NA
Mueller Canada Holdings Corp.	Canada	NA
Mueller Canada Ltd.	Canada	Anvil Canada; Echologics Engineering
Mueller Co. LC	Delaware	Mueller Co. Ltd., L.P. Mueller Co. Ltd. (LP) Mueller Flow, LLC
Mueller Group Co-Issuer, Inc.	Delaware	NA
Mueller Group, LLC	Delaware	NA
Mueller Co. International Holdings, LLC	Delaware	Mueller International Finance (N.H.)
Mueller International, LLC	Delaware	NA
Mueller Property Holdings, LLC	Delaware	NA
Mueller Service California, Inc.	Delaware	NA
Mueller Service Co., LLC	Delaware	NA
Mueller Systems, LLC	Delaware	NA
OSP, LLC	Delaware	NA
PCA-Echologices Pty Ltd.	Australia	NA
U.S. Pipe Valve & Hydrant, LLC	Delaware	NA

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in (1) the Registration Statement (Form S-8 No. 333-179441) pertaining to the 2006 Stock Incentive Plan and 2006 Employee Stock Purchase Plan of Mueller Water Products, Inc. and (2) the Registration Statement (Form S-3 No. 333-182160) of our reports dated November 25, 2014, with respect to the consolidated financial statements of Mueller Water Products, Inc. and the effectiveness of internal control over financial reporting of Mueller Water Products, Inc. included in this Annual Report (Form 10-K) for the year ended September 30, 2014.

*Ernst + Young LLP*

Atlanta, Georgia  
November 25, 2014

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory E. Hyland, certify that:

1. I have reviewed this annual report on Form 10-K of Mueller Water Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 25, 2014

/s/ Gregory E. Hyland

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Gregory E. Hyland  
Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Evan L. Hart, certify that:

1. I have reviewed this annual report on Form 10-K of Mueller Water Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 25, 2014

/s/ Evan L. Hart

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Evan L. Hart,  
Senior Vice President  
and Chief Financial Officer



**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying annual report on Form 10-K of Mueller Water Products, Inc. (the “Company”) for the fiscal year ended September 30, 2014 (the “Report”), I, Gregory E. Hyland, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 25, 2014

/s/ Gregory E. Hyland

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Gregory E. Hyland  
Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying annual report on Form 10-K of Mueller Water Products, Inc. (the “Company”) for the fiscal year ended September 30, 2014 (the “Report”), I, Evan L. Hart, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 25, 2014

/s/ Evan L. Hart

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Evan L. Hart,  
Senior Vice President  
and Chief Financial Officer

## Board of Directors

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**Gregory E. Hyland**  
Chairman, President and  
Chief Executive Officer  
Mueller Water Products, Inc.

**Shirley C. Franklin**  
Barbara Jordan Visiting Professor  
LBJ School of the University of  
Texas and Former Mayor of Atlanta

**Thomas J. Hansen**  
Former Vice Chairman  
Illinois Tool Works Inc.

**Jerry W. Kolb**  
Retired Vice Chairman  
Deloitte & Touche LLP

**Joseph B. Leonard**  
Retired Chairman  
AirTran Holdings, Inc.

**Mark J. O'Brien**  
Chairman and  
Chief Executive Officer  
Walter Investment  
Management Corp.

**Bernard G. Rethore**  
Chairman Emeritus  
Flowserve Corporation

**Neil A. Springer**  
Managing Director  
Springer & Associates LLC

**Lydia W. Thomas**  
Retired President and  
Chief Executive Officer  
Noblis, Inc.

**Michael T. Tokarz**  
Chairman, Walter Energy, Inc.  
and Chairman, MVC Capital, Inc.

## Executive Officers

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**Gregory E. Hyland**  
Chairman, President and  
Chief Executive Officer

**Thomas E. Fish**  
President, Anvil International

**Gregory S. Rogowski**  
President, Mueller Co.

**Keith L. Belknap**  
Senior Vice President,  
General Counsel, Corporate  
Secretary and  
Chief Compliance Officer

**Robert D. Dunn**  
Senior Vice President  
Human Resources

**Evan L. Hart**  
Senior Vice President and  
Chief Financial Officer

**Robert P. Keefe**  
Senior Vice President and  
Chief Technology Officer

**Marietta Edmunds Zakas**  
Senior Vice President  
Strategy, Corporate Development  
and Communications

**Kevin G. McHugh**  
Vice President and Controller

## Shareholder Information

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**Annual Meeting**  
The annual meeting of stockholders of  
Mueller Water Products, Inc. will be held  
January 28, 2015 at 10:00 A.M.  
InterContinental® Hotel  
3315 Peachtree Road, NE  
Atlanta, Georgia 30326

**Corporate Office**  
Mueller Water Products, Inc.  
1200 Abernathy Road, N.E.  
Suite 1200  
Atlanta, GA 30328  
(770) 206-4200  
[www.muellerwaterproducts.com](http://www.muellerwaterproducts.com)

**Investor Contact**  
Investor Relations  
Mueller Water Products, Inc.  
1200 Abernathy Road, N.E.  
Suite 1200  
Atlanta, GA 30328  
(770) 206-4237  
Fax: (770) 206-4260

**Media Contact**  
Corporate Communications  
Mueller Water Products, Inc.  
1200 Abernathy Road, N.E.  
Suite 1200  
Atlanta, GA 30328  
(770) 206-4240  
Fax: (770) 206-4235

**Form 10-K**  
A copy of the Company's Annual  
Report on Form 10-K for the fiscal  
year ended September 30, 2014,  
including financial statements,  
is available on the Company's  
Web site at  
[www.muellerwaterproducts.com](http://www.muellerwaterproducts.com)  
or by written request to:

**Investor Relations**  
Mueller Water Products, Inc.  
1200 Abernathy Road, N.E.  
Suite 1200  
Atlanta, GA 30328

**Common Stock**  
Trading Symbol: MWA  
New York Stock Exchange

**Transfer Agent and Registrar**  
Computershare Shareowner  
Services LLC  
250 Royall Street  
Canton, MA 02021  
Toll Free Number: 866-205-6698  
[www.computershare.com/investor](http://www.computershare.com/investor)

TDD for Hearing Impaired:  
800-231-5469  
Foreign Shareowners:  
201-680-6578  
TDD Foreign Shareowners:  
201-680-6610



## Mueller Water Products

1200 Abernathy Road, N.E., Suite 1200  
Atlanta, GA 30328  
[www.muellerwaterproducts.com](http://www.muellerwaterproducts.com)

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Trademarks referred to herein are owned by Mueller International, LLC or other affiliates of Mueller Water Products, Inc.

The 2014 Mueller Water Products, Inc. annual report saved the following resources by printing on processed-chlorine-free paper containing up to 30% post-consumer waste.

trees	waste water	net energy	solid waste	greenhouse gases
4 grown	1,777 gallons	1 million BTUs	108 pounds	369 pounds