Mueller Water Products, Inc.
Form 10-K
December 21, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 2006

OR

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

Commission file number: 333-131536

MUELLER WATER PRODUCTS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**20-3547095** (I.R.S. Employer Identification Number)

1200 Abernathy Road
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:

Series A Common Stock, par value $0.01 New York Stock Exchange

Series B Common Stock, par value $0.01 New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes x 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.

o Yes x 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.

x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. x

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

o Large accelerated filer o Accelerated filer x Non-accelerated filer

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

The Registrant s voting stock was privately held as of March 31, 2006. There were 114,626,155 shares of common stock of the Registrant outstanding as of December 15, 2006, composed of 28,781,235 shares of Series A common stock and 85,844,920 shares of Series B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Applicable portions of the Proxy Statement for the Annual Meeting of Stockholders of the Company to be held March 22, 2007 are incorporated by reference in Part III of this Form 10-K.

Introductory Note

In this Annual Report on Form 10-K (annual report), (1) Mueller Water, the Company, we, us or our refer to Mueller Water Products, Inc its subsidiaries, including Mueller Co., United States Pipe and Foundry Company, LLC, and Anvil International, Inc.; (2) Predecessor Mueller refers to our subsidiaries of Mueller Co. and Anvil International, Inc. prior to the Acquisition (as defined below); (3) Walter refers to the former parent of the Company, Walter Industries, Inc. and its subsidiaries (other than us); and (4) U.S. Pipe refers to United States Pipe and Foundry Company, LLC, our subsidiary.

After the close of trading on December 14, 2006, Walter distributed to its shareholders approximately 1.65 shares of the Company s Series B common stock for each share of Walter common stock held by the shareholders of record on December 6, 2006, resulting in the distribution of 85,844,920 shares of the Company s Series B common stock. Prior to this distribution, Walter owned all of our Series B common stock, representing approximately 75% of our economic value and approximately 96% of the combined voting power of all the Company s voting stock.

On October 3, 2005, Walter, through a wholly-owned subsidiary, acquired all outstanding shares of capital stock of Predecessor Mueller and contributed U.S. Pipe (which Walter owned since 1969) to Predecessor Mueller through a series of transactions (the Acquisition). For accounting and financial statement presentation purposes, in accordance with the accounting principles generally accepted in the United States of America (GAAP), U.S. Pipe is treated as the accounting acquiror of Predecessor Mueller. Accordingly, U.S. Pipe s historical financial information is used for the Company, and all historical financial data of the Company prior to October 3, 2005 included in this annual report is that of U.S. Pipe.

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

Unless the context indicates otherwise, whenever we refer in this annual report to a particular fiscal year, we mean the fiscal year ending September 30 in that particular calendar year. Effective December 30, 2005, U.S. Pipe changed its fiscal year to September 30, which coincides with Predecessor Mueller s fiscal year end. We manage our business and report operations through three segments, based largely on the products they sell and the markets they serve. Our segments are named after the lead brand in each segment: Mueller®, U.S. Pipe® and Anvil®. Such segments are consistent with the historical reporting for both Predecessor Mueller and U.S. Pipe. Predecessor Mueller had two operating segments, Mueller and Anvil, while U.S. Pipe operated within one segment.

Industry and Market Data

In this annual report, we rely on and refer to information and statistics regarding economic conditions and trends, the flow control product market, and our market share in the sectors of that market in which we compete. In particular, we have obtained general industry information and statistics from the Congressional Budget Office and the U.S. Census Bureau. We believe that these sources of information and estimates are reliable and accurate, but we have not independently verified them.

Although some of the companies that compete in our particular industry segments are publicly held as of the date of this annual report, many are not. Accordingly, other than certain market data with respect to fire hydrants, ductile iron pipe, and water valves, no current publicly available information is available with respect to the size of such markets or our relative market strength or competitive position. Our statements about our relative market strength and competitive position in this annual report with respect to other products are based on our internal studies and our knowledge of industry trends.

PART I

Item 1. Business

Our Company

We are a leading North American manufacturer of a broad range of water infrastructure and flow control products for use in water distribution networks, water and wastewater treatment facilities, gas distribution systems and fire protection piping systems. We believe we have the most comprehensive water infrastructure and flow control product line in our industry and enjoy leading market positions based on the estimated market share of our key products, broad brand recognition and a strong reputation for quality and service within the markets we serve. We maintain one of the largest installed bases of products in the United States, including, as of September 30, 2006, approximately three million fire hydrants and approximately nine million iron gate valves. Our products are specified for use in all of the top fifty 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 in our industry. Our diverse end markets, extensive distributor and end-user relationships, acquisition strategy and leading market position have contributed to strong operating margins and sales growth. Our net sales and operating income for the year ended September 30, 2006 were $1,933.4 million and $129.0 million, respectively. Our operations generate significant cash flow, which will provide us with flexibility in our operating and financial strategy.

We manage our business and report operations through three segments, based largely on the products they sell and the markets they serve: Mueller®, U.S. Pipe® and Anvil®. The table below illustrates each segment s net sales to external customers for the year ended September 30, 2006, as well as each segment s major products, brand names, market positions and end use markets.

	Mueller (dollars in millions)	**U.S. Pipe**	**Anvil**
Net sales for the year ended September 30, 2006	$804.1	$594.7	$534.6
Selected Product Lines (Market Position in the U.S. and Canada)(a)	Fire Hydrants (#1) Gate Valves (#1) Butterfly and Ball Valves (#1) Plug Valves (#2) Brass Water Products (#2)	Ductile Iron Pressure Pipe (#1)	Pipe Fittings and Couplings (#1) Grooved Products (#2) Pipe Hangers (#2)
Selected Brand Names	Mueller® Pratt® James Jones	U.S. Pipe® TYTON® FIELD LOK® MJ FIELD LOK®	Anvil® Beck Gruvlok®
Primary End Markets	Water and Wastewater Infrastructure	Water and Wastewater Infrastructure	Fire Protection Heating, Ventilation and Air Conditioning (HVAC)

(a) Market position information is based on management s estimates of the overall market size and of the market share of our principal competitors for the relevant product lines. Where available, the

management estimates were based on data provided by third parties, including trade associations, distributors and customers. In other instances, the estimates were based upon internal analysis prepared by our employees and management based on their expertise and knowledge of the industry.

Our segments are named after our leading brands in each segment:

Mueller. Sales of our Mueller segment products are driven principally by spending on water and wastewater infrastructure upgrade, repair and replacement and new water and wastewater infrastructure. Mueller segment sales of hydrants and iron gate valves are estimated to be approximately 50% for new infrastructure, with the remainder for upgrade, repair and replacement.

U.S. Pipe. U.S. Pipe products are sold primarily to water works distributors, contractors, municipalities, private utilities and other governmental agencies. A substantial percentage of ductile iron pressure pipe orders result from contracts that are bid by contractors or directly issued by municipalities or private utilities. U.S. Pipe segment sales are estimated to be approximately 65% for new infrastructure, with the remainder for upgrade, repair and replacement.

Anvil. Anvil products are sold to a wide variety of end-users, which are primarily commercial construction contractors. These products are typically sold to our distributors through Anvil s four United States regional distribution centers located in Illinois, Nevada, Pennsylvania and Texas and through Anvil s Canadian distribution and sales division. A significant portion of Anvil products are used in the fire protection industry and in HVAC applications.

We believe that our current network of independent flow control distributors is the largest such distribution network in the United States and Canada. We also have approximately 500 inside and outside sales and sale support personnel who work directly with end-users, including municipalities. Our products are sold to a wide variety of end-users, including municipalities, publicly and privately-owned water and wastewater utilities, gas utilities and construction contractors.

Business Strategy

Our business strategy is focused on sustaining our market leadership and competitive differentiation, while growing revenues and enhancing profitability. Key elements of our strategy include:

Capitalizing on Large, Attractive and Growing Water Infrastructure Industry. We plan to capitalize on the expected water infrastructure market growth by leveraging our large and growing installed base, leading specification position, established and extensive distribution channels and a broad range of leading water infrastructure and flow control products.

Achieving Ongoing Operating Synergies. We continue to seek opportunities to rationalize our manufacturing facilities and use our significant manufacturing expertise to further reduce our cost structure. We have implemented a synergy plan designed to streamline our manufacturing operations, add incremental volume through combining sales efforts for complementary products and combine corporate-level functions to achieve operating efficiencies. We expect to substantially complete the implementation of the synergy plan by early fiscal 2008. Through September 30, 2006, we achieved annual run-rate synergy benefits of approximately $35.0 million. Operating income for the year ended September 30, 2006 includes approximately $28.0 million of net realized synergy benefits, excluding the restructuring charges related to closing U.S. Pipe s Chattanooga plant.

Strengthening Relationship with Key Distributors. We are focused on enhancing close relationships with the strongest and fastest growing distributors and on leveraging our extensive distributor network to increase sales of our existing products, introduce new products and rapidly expand sales of products of the businesses we acquire.

Continuing to Focus on Operational Excellence. We will continue to pursue superior product engineering, design and innovation through our technologically-advanced manufacturing processes such as lost foam casting and automated Disa® molding machinery. We will also continue to evaluate sourcing products and materials internationally to lower our costs.

Focused Acquisition Strategy. We will selectively pursue attractive acquisitions that enhance our existing product offerings, enable us to enter new markets, expand our technological capabilities and provide synergy opportunities. Over the past five years, we have acquired and successfully integrated eight businesses within the water infrastructure and flow control markets.

Selectively Expanding Internationally. We intend to expand our current international presence in sourcing and manufacturing products as well as in the sale of our products. We believe we can further utilize our manufacturing facility in China which currently produces butterfly valve castings to produce additional products. We are leveraging our Anvil Star (Star) operations, which we acquired in 2004 from Star Pipe, Inc., to establish a lead position in the United States for the import and sale of piping component products, including fittings and couplings manufactured in China and India.

Product Segments

We believe that we are the broadest full-line supplier of flow control products for water and wastewater infrastructure systems and piping component systems in the United States and Canada. We have the capability to manufacture flow control products for water and gas systems, ranging from fire hydrants to 1/8-inch pipe fittings to 10-foot engineered valves. Our principal products are ductile iron pipe, fire hydrants, water and gas valves and a complete range of pipe fittings, couplings, hangers and nipples. Our products are designed, manufactured and tested in compliance with industry standards.

We manage our business and report operations through three operating segments, based largely on the products they sell and the markets they serve. Our segments are named after lead brands in each segment: Mueller®, through which we sell our hydrants and valves and other water and wastewater infrastructure and gas distribution products described below under various brand names including Mueller®, Henry Pratt , Hersey® and James Jones ; U.S. Pipe®, through which we sell ductile iron pipe under the brand name U.S. Pipe®; and Anvil®, through which we sell our pipe fittings and couplings, pipe hangers, pipe nipples and related products under various brand names, including Anvil®, Beck , Gruvlok® and Merit®.

Gross sales amounts are shown in the Mueller, U.S. Pipe and Anvil Products sections below and exclude estimated cash discounts and rebates, which are deducted from net sales for financial reporting purposes.

Mueller Products

Fire Hydrants. We believe our Mueller segment is the largest manufacturer of dry-barrel fire hydrants in the United States and Canada. New fire hydrant and fire hydrant part sales accounted for approximately $197 million of our gross trade sales in 2006. Fire hydrants are sold for new water infrastructure development as well as water infrastructure rehabilitation projects. During January 2006, we closed the U.S. Pipe Chattanooga, Tennessee plant and transferred the hydrant production of that plant to Mueller s Albertville, Alabama plant.

Our fire hydrants consist of an above-ground fire hydrant and a below-ground cast iron pipe that connects to a water main. In dry-barrel hydrants, the valve connecting the barrel of the hydrant and the water main is located below ground at or below the frost line, which keeps the hydrant dry and the water source deep enough to ensure that the water does not freeze. We market dry-barrel fire hydrants with the Mueller and U.S. Pipe brand names in the United States and the Mueller and Canada Valve brand names

4

in Canada, and manufacture them in our Albertville, Alabama facility. We also make a limited number of wet barrel hydrants, where the valve is placed inside the above-ground hydrant and the barrel contains water in it at all times. Wet barrel hydrants are made for the California and Hawaii markets and sold under the James Jones brand name.

Most municipalities have a limited number of hydrant brands that are approved for installation within their system due to the need to maintain inventories of spare parts for emergency repairs and the desire to ensure a uniform system. We believe that our large installed base of hydrants throughout the United States and Canada and our reputation for superior quality and performance, together with our incumbent specification position, have contributed to our leading market share based on the estimated market share of our key products. Our large installed base of approximately three million hydrants also leads to recurring revenue.

Water and Gas Valves and Related Products. We believe our Mueller segment has the broadest product line of valves for residential water and gas systems and that we are one of the largest manufacturers of butterfly valves and water gate valves in the United States and Canada. Water and gas valves and related products accounted for approximately $556 million of our gross trade sales in 2006. Our significant industry-leading market position is the result of our strong brand recognition, superior quality and specification acceptance. During January 2006, we closed the U.S. Pipe Chattanooga, Tennessee plant and transferred the valve production of that plant to Mueller s Chattanooga, Tennessee plant.

All of our valve products are used to control transmission of potable water, non-potable water or gas. Our product line includes butterfly, gate, tapping, check, plug and ball valves. Water valve products range in size from 3⁄4 inch to 10 feet. The smaller iron gate-type valves are produced by our Chattanooga, Tennessee plant and the larger iron butterfly valves are produced by our Henry Pratt subsidiary. Brass valves are produced in our Decatur, Illinois and El Monte, California plants. Most of these valves are used in water distribution. In October 2006, we announced the closure of the El Monte plant and will transfer its brass valve production to our Decatur plant by July 2007.

We produce small iron valves, meter bars, and line stopper fittings for use in gas systems in our Decatur, Illinois and Brownsville, Texas plants. We also manufacture machines and tools for tapping, drilling, extraction, installation and stopping-off. These machines and tools are designed to work with our water and gas fittings and valves as an integrated system. We believe that we are one of the largest manufacturers in the line stopper fittings and machines sector in the United States and Canada.

Other Mueller Products. Other Mueller segment products include: pipe repair products, such as repair clamps and couplings used to repair leaks in water and gas distribution systems; municipal castings, such as manhole covers and street drain grates; and patterns used by the foundry and automotive industries. We market these products under the Mueller®, Mueller Canada , James Jones , and Viking Johnson® brand names. These products accounted for $58 million of Mueller segment s gross trade sales in 2006.

U.S. Pipe Products

U.S. Pipe manufactures and sells a broad line of ductile iron pressure pipe, restraint joints, fittings and other cast iron products. Founded in 1899 and headquartered in Birmingham, Alabama, it is one of the nation s largest producers of ductile iron pressure pipe based on industry shipping information provided by the Ductile Iron Pipe Research Association. In the year ended September 30, 2006, the nine months ended September 30, 2005 and the year ended December 31, 2004, net sales and revenues amounted to $594.7 million, $456.9 million and $578.4 million, respectively. These sales also reflect sales of valve and hydrant product lines that were transferred to our Mueller segment in January 2006.

U.S. Pipe manufactures and markets a complete line of ductile iron pipe ranging from 4 inches to 64 inches in diameter as well as various metric sizes, in lengths up to 20 feet. Ductile iron pressure pipe is used primarily for drinking (potable) water distribution systems, small water system grids, reinforcing distribution systems (including looping grids and supply lines) and is used for major water and wastewater transmission and collection systems.

Anvil Products

Anvil manufactures a variety of pipe fittings and couplings, pipe hangers, pipe nipples and related products. Anvil s total sales of these products were $534.6 million in 2006, of which approximately $170 million were sales of products imported or otherwise not manufactured by Anvil.

Pipe Fittings and Couplings. We are one of the largest manufacturers of threaded and grooved pipe fittings and couplings in the United States and Canada. Pipe fittings and couplings join two pieces of pipe together. Listed below are the four primary categories of pipe fittings and couplings that we manufacture.

Malleable Iron Fittings and Unions. Malleable iron is a cast iron that is heat-treated to make it stronger, which allows us to use a thinner wall and results in a lighter product. Malleable iron is primarily used to join pipe in various gas, plumbing and HVAC applications. We manufacture these products at our Columbia, Pennsylvania foundry.

Cast Iron Fittings. We believe we are one of the largest manufacturers of cast iron fittings in the United States. Cast iron is the most economical threaded fittings material and is typically used in low pressure applications such as sprinkler systems and other fire protection systems. We manufacture cast iron fittings primarily in our Columbia, Pennsylvania foundry. We believe that the substantial majority of our cast iron product is used in the fire protection industry, with the remainder used in steam and other HVAC applications.

Threaded Steel Pipe Couplings. We believe we are one of the largest manufacturers of threaded steel pipe couplings in the United States and Canada. Threaded steel pipe couplings are used in the plumbing and electrical markets to join pipe and conduit and by pipe mills as threaded end protectors. We manufacture steel couplings at our Waynesboro, Pennsylvania and Simcoe, Ontario facilities.

Grooved Fittings and Couplings. We believe we are one of the largest manufacturers of grooved products in the United States and Canada. Unlike typical pipe connections, where pipes are connected by screwing them into a fitting or welding them together, grooved products use a threadless pipe-joining method that does not require welding. We manufacture our grooved couplings and fittings under the Gruvlok® name in our Columbia, Pennsylvania foundry. In addition, we purchase privately labeled products to complement our grooved product offerings including grooved copper and stainless steel fittings. These additional purchased products complement our offering of grooved products and enable us to better serve our customers project requirements.

Pipe Hangers. We believe we are one of the largest manufacturers of pipe hangers in the United States and Canada. Pipe hangers are used to attach the pipe to the building structure and are used in sprinkler systems, HVAC applications and in power and petrochemical plants. We manufacture our standard pipe hangers in Henderson, Tennessee and Columbia, Pennsylvania and we produce special order, or engineered, pipe hangers in North Kingston, Rhode Island. We have retained a strong core engineering staff and believe that we are the leader in technical competency in this sector.

Pipe Nipples. We believe we are also one of the largest manufacturers of pipe nipples in the United States and Canada. The pipe nipple product line is a complementary product offering and is packaged (1) with cast iron for the fire protection market, (2) with malleable iron for the industrial market, (3) with our forged steel product line for the oilfield and chemical markets and (4) as a general plumbing market item. We produce the majority of our pipe nipple products at Beck Manufacturing s facilities in Greencastle, Pennsylvania and Santa Fe Springs, California. Seamless pipe nipples are produced at our Longview, Texas facility. Pipe nipples for the Canadian market are manufactured at our Simcoe, Ontario facility.

Other Piping System Products. In addition to our key products that we have described above, we sell (1) products sourced outside the United States and Canada through our Star business, which we acquired in January 2004, (2) products that we purchase from third parties and (3) many other products that we manufacture, including (A) oilfield products, such as forged steel pipe fittings, hammer unions, bull plugs and swage nipples which are used to connect pipe in oil and gas applications and (B) electrical products, such as standard steel and PVC conduit couplings and elbows used to carry wire and cable in electrical applications.

Sales, Marketing and Distribution

Mueller Products

Our Mueller segment sells its products to a wide variety of end-users, including municipalities, publicly and privately owned water and wastewater utilities, gas utilities and construction contractors. These products are usually sold to our distributors; distributors then sell these products to contractors who have won a contract to construct, replace or upgrade a water, wastewater or gas system for an end-user or non-residential facility. In some cases, end-users of Mueller segment products, including municipalities and utilities, buy products directly from Mueller, most often as part of a program to repair, replace or upgrade existing infrastructure. Sales of our Mueller segment products are heavily influenced by the specifications in those contracts.

Mueller has a sales force of approximately 95 dedicated employee sales representatives in the field and about 65 non-employee manufacturers representatives as well as a team of approximately 120 in-house marketing and sales professionals. Our field sales and manufacturers representatives call on municipalities, water companies and other end-users to ensure that Mueller products, or specifications that exclusively read onto Mueller products, are specified. In addition, to ensure consistency, municipalities often require that contractors use the same products that have been historically used in that municipality.

For the Mueller segment, the large installed base, broad product range and well known brands have led to our strong, long-standing relationships with all of the leading distributors in the industries Mueller serves. For most of the Mueller segment products, which are sold through independent distributors, end-users choose the brand or establish product specifications. We generally ship Mueller products, including hydrants and water and gas valves, directly to distributors from our plants. Mueller s distribution network covers all of the major markets in the United States and Canada. We typically do not have long-term contracts with our distributors, although we have long-term relationships with most of our top distributors. The top two distributors for Mueller accounted, in the aggregate, for approximately 44% of our sales in 2006. The loss of either of these distributors could have a material adverse effect on our business. See Risk Factors We depend on a group of major distributors for a significant portion of our sales; any loss of these distributors could reduce our sales and continuing consolidation could cause price pressure.

U.S. Pipe Products

U.S. Pipe products are sold primarily to water works distributors, contractors, municipalities, private utilities and other governmental agencies. A substantial percentage of ductile iron pressure pipe orders result from contracts that are bid by contractors or directly issued by municipalities or private utilities. An increasing portion of ductile iron pressure pipe sales is made through independent water works distributors. U.S. Pipe maintains numerous supply depots in leased space throughout the country, which are used as a source of pipe for start-up projects, to support ongoing projects and to aid in completing projects.

U.S. Pipe has a sales force of approximately 70 dedicated employee sales representatives in the field and inside sales representatives and sales engineers who sell pipe products throughout the United States. The organization is divided into four geographic territories each managed by a regional sales manager. International orders are sold directly by U.S. Pipe sales personnel as well as through third-party representatives.

U.S. Pipe s top customer, with whom we do not have a written contract, represented 29%, 27% and 28% of net sales for the year ended September 30, 2006, the nine months ended September 30, 2005 and the year ended December 31, 2004, respectively. We believe the loss of this single customer could have a material adverse effect on the results of operations of the Company. See Risk Factors We depend on a group of major distributors for a significant portion of our sales; any loss of these distributors could reduce our sales and continuing consolidation could cause price pressure.

Anvil Products

Our Anvil segment sells its products to distributors who subsequently sell these products to a wide variety of end-users, including, primarily, commercial construction contractors. These products are typically sold to our distributors through Anvil s four regional distribution centers located in key geographic areas throughout the United States and through Anvil s Canadian distribution and sales division. We generally ship Anvil segment products, including pipe fittings, couplings, hangers and nipples, from our plants to four regional service centers that we operate in the United States, and we ship products from these distribution centers to distributors carrying these products. Our regional service centers are strategically located to provide 24-hour delivery to the majority of the Anvil customers. In addition, we operate 24 smaller warehouses throughout the United States and Canada and one in Europe to support the Anvil segment operations. We have historically stocked some products manufactured by third parties in these distribution centers in order to provide a broader product offering. In 2006, products manufactured by third parties accounted for approximately 34% of total sales for the Anvil Segment.

Most Anvil products are not specified. Anvil s sales force of approximately 110 dedicated employee sales representatives in the field and about 150 in-house marketing and sales professionals markets Anvil products to distributors. Sales of Anvil products are generally influenced by the distributors, as end-user customers will buy from a distributor s available offerings based on price and quality.

Anvil generally does not have long-term contracts with any distributors, although Anvil has long-term relationships with most of our top distributors. The top three distributors for Anvil accounted, in the aggregate, for approximately 13% of Anvil s sales in 2006. The loss of any one of these distributors could have a material adverse effect on our business. See Risk Factors We depend on a group of major distributors for a significant portion of our sales; any loss of these distributors could reduce our sales and continuing consolidation could cause price pressure.

Backlog

Except for our U.S. Pipe segment and the Mueller segment s Henry Pratt subsidiary, our backlog is not significant. Our Mueller and Anvil segments generally manufacture products from raw materials in stock and deliver them to customers within approximately two weeks from receipt of the order, depending upon customer delivery specifications. At September 30, 2006, our U.S. Pipe segment had a backlog of ductile iron pipe and fittings of approximately $62.0 million, compared to a backlog of ductile iron pipe, fillings, valves and hydrants for that segment at September 30, 2005 of approximately $81.0 million. At September 30, 2006, the Henry Pratt division of our Mueller segment had a backlog of approximately $61.8 million.

Manufacturing

Mueller

Our Mueller segment operates 16 manufacturing facilities in the United States, Canada and China. Their manufacturing operations include foundry, machining, fabrication, assembly, testing and painting operations. We believe that our existing manufacturing capacity is sufficient for our near-term requirements and we have no current plans to expand capacity. However, we plan to maximize operational efficiencies throughout all of our plants, and may relocate certain manufacturing operations to other facilities as part of these plans. These actions may result in future facility closures.

Mueller foundries use two casting techniques, green sand and lost foam. At present, we utilize the lost foam technology for hydrants in our Albertville, Alabama facility and for gate valve production in our Chattanooga, Tennessee facility. The lost foam process has several advantages over the green sand process for high-volume products, including a reduction in the number of manual finishing operations, lower scrap levels and the ability to reuse the sand. The selection of the appropriate casting method, pattern, core-making equipment, sand and other raw materials depends on the final product and its complexity, specifications, and function as well as intended production volumes.

U.S. Pipe

Our U.S. Pipe segment operates 4 manufacturing facilities in the United States, which primarily manufacture ductile iron pressure pipe. U.S. Pipe utilizes the DeLavaud centrifugal casting process which consists of introducing molten iron into a rapidly turning steel mold and relying on the centrifugal force to uniformly distribute the iron around the inner surface of the mold to produce high-quality ductile iron pressure pipe.

U.S. Pipe has announced the development of a new, state-of-the-art pipe manufacturing plant in addition to its existing facilities. U.S. Pipe is now considering where best to locate the new facility, and the timing of the development so as to achieve maximum improved production efficiency and enhanced product quality.

Anvil

Our Anvil segment operates 11 manufacturing facilities. Their manufacturing operations include foundry, machining, fabrication, assembly, testing and painting operations. Anvil employs highly automated Disa® molding machines to produce products in its Columbia, Pennsylvania foundry facility.

Raw Materials

Our products are made from several basic raw materials, including sand, resin, brass ingot, steel pipe, and scrap steel and iron. These materials are readily available and are competitively priced. Historically, we have been able to obtain an adequate supply of raw materials and do not anticipate any shortage of these materials.

We generally purchase raw materials at spot prices and generally do not have the ability to hedge our exposure to price changes. Our business could be adversely affected by increases in the cost of our raw materials, as we may not be able to fully pass these costs on to our customers. Management estimates that raw materials and purchased components used in the manufacturing processes of Mueller and Anvil currently account for approximately 25% of the cost of goods sold for Mueller and Anvil. Further, management estimates that scrap metal and ferrous alloys used in the U.S. Pipe manufacturing process accounted for up to 40% of the U.S. Pipe cost to manufacture ductile iron pipe for the year ended September 30, 2006.

In fiscal year 2006, due to significant increases in the price of copper in calendar year 2005, the spot price of brass ingot, used in the manufacture of the Mueller segment s brass products and brass components, increased by approximately 80%. The Mueller segment was able to pass much of these cost increases through to its customers by means of price increases in the middle of the fiscal year of approximately 22% on certain brass products, and approximately 12% on hydrants and iron gate valves containing brass components. These product price increases were in addition to the regular, annual Mueller segment product increases made earlier in the fiscal year.

Historically, the prices of steel scrap and scrap iron used by the Mueller and Anvil segments and scrap iron used by the U.S. Pipe segment have increased, with sharp increases in these raw materials prices occurring in fiscal years 2003 through 2005. In fiscal year 2006, although the prices of these raw materials remained at the relatively high levels set in the 2005 fiscal year, the prices were unchanged, when averaged over the fiscal year.

We can give no assurances that the price of steel scrap and scrap iron will remain at the current pricing levels or that we will be able to increase prices to our customers to offset any future cost increases. See Risk Factors Our business is subject to risk of price increases and fluctuations and delay in the delivery of raw materials and purchased components.

Research and Development

We have a dedicated team of research and development (R&D) professionals, who focus on the development of new products as well as on the support, modification and improvement of existing products. Presently, we employ 36 people, including 21 degreed professionals (metallurgists and engineers), dedicated to R&D activities. Our R&D efforts are operated primarily out of our facility in Smithfield, Rhode Island. In addition, our U.S. Pipe segment employs an R&D team in its facility in Bessemer, Alabama.

Ideas are generated by manufacturing, marketing or R&D personnel. In order for a project to move beyond the idea stage, all three disciplines must agree on the suitability of the product and determine an estimated payback. After the approval, it typically takes 6 to 12 months to tool, test and start production. The R&D team typically works on various products at one time.

Our total R&D expenditures were approximately $5.7 million for the year ended September 30, 2006, $0.4 million for the nine months ended September 30, 2005, and $1.5 million for the year ended December 31, 2004.

Patents, Licenses and Trademarks

We have a significant number of active patents and trademarks relating to the design of our products and trademarks for our brands and products. Most of the patents for technology underlying our products have been in the public domain for many years, and existing third-party patents are not considered, either individually or in the aggregate, to be material to our business. However, the pool of proprietary information, consisting of know-how and trade secrets relating to the design, manufacture and operations of our products is considered particularly important and valuable. We generally own the rights to the products that we manufacture and sell and are not dependent in any material way upon any license or franchise to operate. U.S. Pipe has granted numerous trademark licenses around the world with respect to its uniform family of ductile pipe accessories, such as joint restraint systems.

Seasonality

See Item 7. Management s Discussion and Analysis Effect of Inflation; Seasonality.

Competition

The domestic and international markets for flow control products are competitive. However, for most of our product offerings, there are only a few competitors. Although many of our competitors are well-established companies with strong brand recognition, we believe that we maintain a strong competitive position for each of our key product offerings. Management considers our installed base, product quality, service, brand recognition, price, effectiveness of distribution and technical support to be primary competitive factors.

The competitive environment for our Mueller segment products is mature and stable with limited movement in market share over time. Management believes that our Mueller hydrants and valves enjoy strong competitive positions based largely on their quality and dependability. The principal competitors for Mueller segment hydrants and iron gate valves are McWane, Inc. and American Flow Control. The primary competitors for Mueller s brass products are A.Y. McDonald and Ford Meter Box.

The ductile iron pressure pipe industry, in which U.S. Pipe operates, is highly competitive, with a small number of manufacturers of ductile iron pressure pipe and fittings. Major competitors of U.S. Pipe include McWane, Inc., Griffin Ductile Iron Pipe Company and American Cast Iron Pipe Company. Additional competition for ductile iron pressure pipe comes from pipe composed of other materials, such as polyvinylchoride (PVC), high density polyethylene (HDPE), concrete, fiberglass, reinforced plastic and steel. Although ductile iron pressure pipe is typically more expensive than competing forms of pipe, ductile iron has the advantages of quality, longevity, strength, ease of installation and lack of maintenance problems.

The market for Anvil segment products is highly competitive, price sensitive and vulnerable to the increased acceptance of foreign products. For domestic manufacturing and sales, Anvil s primary competitor for malleable and cast iron fittings is Ward Manufacturing; for ductile and grooved fittings, Anvil s significant competitors are Victaulic and Tyco Engineered Products; and for pipe hangers, Anvil s principal competitors are ERICO, Tolco/Nibco and Carpenter and Paterson. Anvil products have mechanical and industrial applications, such as HVAC systems, and fire protection applications, such as sprinkler systems. We estimate that 72% of these products are used in mechanical applications and the remainder in fire protection systems. While the mechanical market has generally resisted acceptance of foreign products, the fire protection market has broadly accepted foreign products as a substitute for domestic piping system products. Fire protection products are sold primarily on price and are sold at lower prices by foreign manufacturers.

Environmental Matters

The Company is subject to a wide variety of laws and regulations concerning the protection of the environment, both with respect to the construction and operation of many of its plants and with respect to remediating environmental conditions that may exist at its own and other properties. The Company believes that it is in substantial compliance with federal, state and local environmental laws and regulations. The Company accrues for environmental expenses resulting from existing conditions that relate to past operations when the costs are probable and reasonably estimable. Expenses charged to the statement of operations for compliance of ongoing operations and for remediation of environmental conditions arising from past operations were approximately $2.3 million, $4.4 million and $9.5 million in the year ended September 30, 2006, the nine months ended September 30, 2005 and the year ended December 31, 2004, respectively. The Company capitalizes environmental expenditures that increase the life or efficiency of property or that reduce or prevent environmental contamination. Capital expenditures for environmental requirements are anticipated to average approximately $7.0 million per year in the next five years. Capital expenditures for environmental requirements were approximately $4.7 million, $1.7 million and $2.7 million in the year ended September 30, 2006, the nine months ended September 30, 2005 and the year ended December 31, 2004, respectively.

The Company has implemented an Administrative Consent Order (ACO) for its Burlington, New Jersey plant that 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 the Company has completed, and has received final approval on, the soil cleanup required by the ACO. U. S. Pipe is continuing to address ground water issues at this site. Further remediation could be required. These remediation costs are expected to be minimal. Long-term ground water monitoring will be required to verify natural attenuation. It is not known how long ground water monitoring will be required. Management does not believe monitoring or further cleanup costs, if any, will have a material adverse effect on the financial condition or results of operations of the Company.

The Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) generally imposes liability, which may be joint and several and is without regard to fault or the legality of waste generation or disposal, on certain classes of persons, including owners and operators of sites at which hazardous substances are released into the environment (or pose a threat of such release), persons that disposed or arranged for the disposal of hazardous substances at such sites, and persons who owned or operated such sites at the time of such disposal. CERCLA authorizes the Environmental Protection Agency (EPA), the states and, in some circumstances, private entities to take actions in response to public health or environmental threats and to seek to recover the costs they incur from the same classes of persons. Certain governmental authorities can also seek recovery for damages to natural resources. Currently, U.S. Pipe has been identified as a potentially responsible party (PRP) by the EPA under CERCLA with respect to cleanup of hazardous substances at a superfund site located in Anniston, Alabama, and U.S. Pipe is among many PRP s at the site, a significant number of which are substantial companies.

The PRP s have negotiated an Administrative Order of Consent (ACO) with the EPA. Based on these negotiations, management estimated the Company s share of liability for cleanup, after allocation among several PRP s, would be approximately $4.0 million, which was accrued in 2004. In the fourth quarter of 2006, U.S. Pipe and Phelps Dodge (a co-signer of the ACO) agreed that Phelps Dodge would assume U.S. Pipe s obligations and liabilities relating to the ACO. As a result, the Company recognized a pre-tax benefit related to the settlement of this obligation, which was not material to the Company s financial statements. Phelps Dodge had previously entered into similar agreements with all other signatories to the ACO.

Solutia, Inc and Pharmacia Corporation filed suit against U.S. Pipe and Walter on January 5, 2003 for contribution and cost recovery by Solutia with respect to costs incurred and to be incurred by Solutia in performing remediation of polychlorinated biphenyls (PCBs) and heavy metals mandated by EPA in Anniston, Alabama with respect to the ACO described above. The ACO provides protection against contribution claims by third parties, such as Solutia. Management believes that the likelihood of liability in the contribution litigation is remote. The Magistrate has entered an Order staying discovery in this matter but has allowed Solutia to proceed with on-site sampling discovery.

The Company s U.S. Pipe subsidiary has been named in a purported civil class action case originally filed on April 8, 2005 in the Circuit Court of Calhoun County, Alabama, and removed to the U.S. District Court for the Northern District of Alabama under the Class Action Fairness Act. The putative plaintiffs in the case filed an amended complaint with the U.S. District Court on December 15, 2006. The case was filed against U.S. Pipe and other foundries in the Anniston, Alabama area alleging state law tort claims (negligence, failure to warn, wantonness, nuisance, trespass and outrage) arising from creation and disposal of foundry sand alleged to contain harmful levels of PCBs and other toxins, including arsenic, cadmium, chromium, lead and zinc. The plaintiffs are seeking damages for real and personal property damage and for other unspecified personal injury. Management believes this matter is still in early stages of litigation and no substantial discovery has taken place. In addition, management believes that both procedural and substantive defenses would likely be available should this class action be allowed to proceed. At present, management has no reasonable basis to form a view with respect to the probability of liability in this matter.

The Company and U.S. Pipe recently received a letter from attorneys representing a purported group of residents of the North Birmingham area of Jefferson County, Alabama alleging personal injury, property damage, nuisance, and trespass involving the release of toxic emissions into the North Birmingham environment causing injury. The Company is named in this potential litigation because of its ownership interests in U.S. Pipe. The allegations against U. S. Pipe result from the use of coal tar products and their emissions into the North Birmingham environment.

Although the Company now produces a small amount of no-lead brass products, most of the Company s brass valve products contain approximately 5.0% lead. Environmental advocacy groups, relying on standards established by California s Proposition 65, are seeking to eliminate or reduce the content of lead in water infrastructure products offered for sale in California. Some of the Company s subsidiaries have entered into settlement agreements with these environmental advocacy groups to modify products or offer substitutes for sale in California. Legislation to substantially restrict lead content in water infrastructure products has been introduced in the United States Congress. Congress or state jurisdictions other than California may enact legislation similar to Proposition 65 to restrict the content of lead in water products, which could require the Company to incur additional capital expenses to modify production. We undertook a capital project to implement a no-lead brass production line that required the Company to incur approximately $8.0 million in incremental capital spending, which was spent during the year ended September 30, 2006. Also, we began implementation of a project to consolidate our two existing brass foundries into one facility that required the Company to incur approximately $11.2 million in incremental spending, of which $5.8 million was spent during the year ended September 30, 2006. The foundry consolidation project is expected to be completed during 2007.

The Company s Anvil segment entered into a Consent Order with the Georgia Department of Natural Resources regarding alleged hazardous waste violations at Anvil s former foundry facility in Statesboro, Georgia. Pursuant to the Consent Order, Anvil agreed to pay a monetary fine of $50,000 and pay an additional $50,000 to fund a supplemental environmental project. Anvil has also agreed to perform various investigatory and remedial actions at the foundry and its landfill. The total costs are estimated to be between $1.2 million and $1.4 million. The Company maintains an adequate reserve to cover these estimated costs.

Over the next two years, the Company could potentially incur between $20.0 million and $24.0 million of capital costs at its iron foundries to comply with the United States Environmental Protection Agency s National Emissions Standards for Hazardous Air Pollutants which were issued April 22, 2004.

Although no assurances can be given that the Company will not be required in the future to make material expenditures relating to environmental laws or legally mandated site clean-up, management does not believe at this time that the compliance and cleanup costs, if any, associated with the current laws and sites for which the Company has cleanup liability or any other future sites will have a material adverse effect on the financial condition or results of operations of the Company, but such cleanup costs could be material to results of operations in a reporting period.

In 2004, the Company entered into a settlement and release agreement with a former insurer whereby the former insurer paid $1.9 million, net of legal fees, to the Company for historical insurance claims, previously expensed as incurred by the Company. Such claims had not previously been submitted to the insurance company for reimbursement. The Company released the insurer of both past and future claims, and recorded a $1.9 million reduction to selling, general and administrative expenses in 2004.

In 2005, the Company entered into a settlement and release agreement with a former insurer whereby the former insurer agreed to pay $5.1 million, net of legal fees, to the Company for historical insurance claims previously expensed as incurred by the Company. Such claims had not previously been submitted to the insurance company for reimbursement. The Company released the insurer of both past and future claims. During 2005, the Company received $2.8 million in cash and the remainder was received during the quarter ended March 31, 2006. The Company recorded a $5.1 million reduction to selling, general and administrative expenses in 2005.

Under the terms of the agreement whereby Tyco International Ltd. (Tyco) sold the Mueller and Anvil businesses in August 1999 to prior owners (the August 1999 Tyco Transaction), Tyco agreed to indemnify the Company s predecessor-in-interest (Predecessor Mueller), and, by legal succession, the Company and its affiliates, for all Excluded Liabilities . Excluded Liabilities include, among other things, substantially all environmental liabilities relating to the time prior to the August 1999 Tyco Transaction. The indemnity survives indefinitely, is not subject to any deductibles or caps, and continues with respect to the Company s current operations, other than those operations acquired since the August 1999 Tyco Transaction, including the operations of the U.S. Pipe segment. If Tyco ever becomes financially unable to, or otherwise fails to comply with the terms of the indemnity, the Company may be responsible for the Tyco-indemnified obligations. In addition, Tyco s indemnity does not cover environmental liabilities to the extent caused by the Company or Predecessor Mueller or the operation of the Company s business after the August 1999 Tyco Transaction, nor does it cover environmental liabilities arising with respect to businesses or sites acquired after the August 1999 Tyco Transaction.

See Legal Proceedings for descriptions of material litigation and other legal proceedings relating to environmental matters.

Regulatory Matters

The production and marketing of our products is subject to the rules and regulations of various federal, state and local agencies, including laws governing our relationships with distributors. Regulatory compliance has not had a material effect on our results to date. We are not aware of any pending legislation that is likely to have a material adverse effect on our operations. See Legal Proceedings, Risk Factors Our brass valve products contain lead, which may replaced in the future and Risk Factors Certain of our brass valve products may not be in compliance with NSF standards, which could limit the ability of municipalities to buy our products.

Employees

We employ approximately 6,800 people, of whom approximately 88% work in the United States. The hourly employees at our principal United States manufacturing plants and foundries in Albertville, Alabama; Bessemer, Alabama; North Birmingham, Alabama; Union City, California; Aurora, Illinois; Decatur, Illinois; Burlington, New Jersey; Columbia, Pennsylvania; Chattanooga, Tennessee; Houston, Texas; and Henderson, Tennessee are represented by unions, as are the hourly employees at two of our four distribution centers. Our operations in Canada at St. Jerome and at Simcoe are also unionized.

The contracts with our union employees at our eight largest manufacturing facilities expire at different times: Decatur in June 2007, Bessemer in October 2007, Union City in December 2007, Burlington and Columbia in April 2008, Albertville in September 2008, North Birmingham in January 2009 and Chattanooga in September 2010.

Union contracts at other Mueller and Anvil facilities expire as follows: Aurora in August 2007, Henderson in December 2007, Simcoe in November 2008 and Houston in January 2009.

In addition, approximately 125 of our employees are represented by various unions at our Anvil facilities located in British Columbia; Montreal, Quebec; Bloomington, Minnesota; Cincinnati, Ohio; Taylor, Michigan; and University Park, Illinois.

We believe that relations with our employees, including those represented by unions, are good. The last major union strike was in 1989 at the U.S. Pipe Bessemer, Alabama facility. The strike lasted six weeks.

Geographic Information

More than 99% of our sales for fiscal year 2006 are to our U.S. and Canadian customers.

Item 1A. Risk Factors

Risks Relating to Our Business

Our business may suffer as a result of a downturn in government spending related to infrastructure upgrades, repairs and replacements, or in the cyclical residential or non-residential building markets.

Our business is primarily dependent upon spending on water and wastewater infrastructure upgrades, repairs and replacement, new water and wastewater infrastructure spending (which is dependent upon residential construction) and spending on non-residential construction. We are also subject to general economic conditions, the need for construction projects, interest rates and government incentives provided for public work projects. In addition, a significant percentage of our products are ultimately used by municipalities or other governmental agencies in public water transmission and collection systems. As a result, our sales could decline as a result of declines in the number of projects planned by public water agencies, government spending cuts, general budgetary constraints, difficulty in obtaining necessary permits or the inability of government entities to issue debt. It is not unusual for water projects to be delayed and rescheduled for a number of reasons, including changes in project priorities and difficulties in complying with environmental and other government regulations. Spending growth in the infrastructure upgrades, repairs and replacement sector may slow in the future if state and local governments budgets are negatively impacted by downturns in the economy. If favorable economic conditions exist, state and local governments may choose not to address deferred infrastructure needs. Although the residential building market has experienced growth in recent years, this growth may not continue in the future. The residential and non-residential building markets are cyclical. Any significant decline in the residential or non-residential building markets or governmental spending on infrastructure could lead to a significant decline in our sales, profitability and cash flows.

Our industry is very competitive and some of our products are commodities.

The domestic and international markets for flow control products are competitive. While there are only a few competitors for most of our product offerings, many of them are well-established companies with strong brand recognition. In particular, our malleable iron and cast iron pipe fitting products, which together comprised 5% of our annual sales over the last two years, face competition from less expensive imports and our pipe nipple and hanger products and our pipe fittings and couplings products, which together comprised 16% of our annual sales over the last two years, compete on the basis of price and are sold in fragmented markets with low barriers to entry, allowing less expensive domestic and foreign products to gain market share and reduce our margins. Also, competition for ductile iron pressure pipe sold by our U.S. Pipe segment comes not only from ductile pipe produced by a concentrated number of domestic manufacturers, but also from pipe composed of other materials, such as polyvinylchloride (PVC), high density polyethylene (HDPE), concrete, fiberglass, reinforced plastic and steel.

Foreign competition is intense and could harm our sales, profitability and cash flows.

In addition to domestic competition, we face intense foreign competition. The intensity of foreign competition is affected significantly by fluctuations in the value of the U.S. dollar against foreign currencies, by the relative cost to ship competitive products into the North American markets and by the level of import duties imposed by the U.S. Department of Commerce on certain products. Foreign competition is likely to further increase and certain product prices will continue to face downward pressure as our domestic competitors shift their operations or outsource manufacturing requirements overseas or source supplies from foreign vendors in an effort to reduce expenses.

We depend on a group of major distributors for a significant portion of our sales; any loss of these distributors could reduce our sales and continuing consolidation could cause price pressure.

Approximately 38% of our 2006 sales were to our ten largest distributors, and approximately 32% of our sales were to our three largest distributors: Home Depot, Ferguson Enterprises and Groeniger. Our business relationships with most of our major distributor branches may be terminated at the option of either party upon zero to 60 days notice.

While our relationships with our ten largest distributors have been long-lasting, distributors in our industry have experienced significant consolidation in recent years, and our distributors may be acquired by other distributors who buy products from our competitors. Our ability to retain these customers in the face of other competitors generally depends on a variety of factors, including the quality and price of our products and our ability to market these products effectively. As consolidation among distributors continues, pricing pressure may result, which could lead to a significant decline in our profitability. For example, Home Depot acquired National Waterworks in 2005 and then acquired Hughes Supply in March 2006. As a result, two of our three previous largest distributors have been combined under common control. Moreover, the loss of either of Home Depot or Ferguson Enterprises as a distributor could significantly reduce our levels of sales and profitability.

Our brass valve products contain lead, which may be replaced in the future.

Our brass valve products, which constituted approximately 6% of our annual sales, contain approximately 5.0% lead. Environmental advocacy groups, relying on standards established by California s Proposition 65, are seeking to eliminate or reduce the content of lead in some of these products, including water meters and valves, and to limit their sale in California. Some of our business units have entered into settlement agreements with these environmental advocacy groups that have required them to either modify some of these products or offer substitutes for them with respect to products sold in California. Modifications of or substitutions for our products to meet or conform with regulatory requirements will require us to purchase more expensive raw materials, and we may not be able to pass these costs on to our customers. Legislation to substantially restrict lead content in water products has been introduced in the United States Congress. Congress may adopt legislation that would require us to reduce or eliminate lead in our brass products which could require us to incur substantial additional production expenses. In addition, advocacy groups or other parties may file suit against us under Proposition 65, which could result in additional costs in connection with marketing and selling our brass products in California.

Our business is subject to risk of price increases and fluctuations and delay in the delivery of raw materials and purchased components.

Our business is subject to the risk of price increases and fluctuations and periodic delays in the delivery of raw materials and purchased components that are beyond our control. Our operations require substantial amounts of raw materials or purchased components, such as steel pipe and scrap steel and iron, brass ingot, sand, resin, and natural gas. Management estimates that scrap metal and ferrous alloys used in the U.S. Pipe manufacturing process account for approximately 40% of the U.S. Pipe cost to manufacture ductile iron pipe and raw materials and purchased components used in our manufacturing processes currently account for approximately 25% of the Mueller and Anvil cost of goods sold. Fluctuations in the price and delivery of these materials may be driven by the supply/demand relationship for a material and factors particular to that material. In addition, if any of our suppliers seeks bankruptcy relief or otherwise cannot continue its business as anticipated or we cannot renew our supply contracts on favorable terms, the availability of raw materials could be reduced or the price of raw materials could increase.

The availability and price of certain raw materials or purchased components, such as steel scrap, brass ingot and natural gas are subject to market forces largely beyond our control, including North American and international demand, freight costs, speculation and foreign exchange rates. We generally purchase raw materials at spot prices and generally do not have the ability to hedge our exposure to price changes. We are not always able, and may not be able in the future, to pass on increases in the price of these raw materials to our customers. In particular, when raw material prices increase rapidly or to significantly higher than normal levels, we may not be able to pass price increases through to our customers on a timely basis, if at all, which could lead to significant reductions of our operating margins and cash flow. Any fluctuations in the price or availability of raw materials or purchased components could significantly reduce our levels of production and sales or impair our profitability.

Interruption of normal operations at our key manufacturing facilities may impair our production capabilities.

Some of our key products, including hydrants, valves and ductile iron pipe, are manufactured at large manufacturing facilities. The operations at our major manufacturing facilities may be impaired by various operating risks, including, but not limited to:

- catastrophic events such as fires, explosions, floods, earthquakes or other similar occurrences;
- interruptions in raw materials and energy supply;
- adverse government regulation;
- breakdowns or equipment failures;
- violations of our permit requirements or revocation of permits;
- releases of pollutants and hazardous substances to air, soil, surface water or groundwater;
- shortages of equipment or spare parts; and
- labor disputes.

To date, we have successfully managed non-material occurrences of the foregoing events without significant disruption of our operations. More acute occurrences of these events could cause a decrease in, or the elimination of, the revenues generated by our key facilities or a substantial increase in the costs of operating such facilities that, in turn, could, impair our cash flows and results of operations.

We may be unsuccessful in identifying or integrating suitable acquisitions, which could impair our growth.

A part of our growth strategy depends on the availability of acquisition candidates with businesses that can be successfully integrated into our existing business and that will provide us with complementary manufacturing capabilities, products or services. However, we may be unable to identify targets that will be suitable for acquisition. In addition, if we identify a suitable acquisition candidate, our ability to successfully implement the acquisition will depend on a variety of factors, including our ability to finance the acquisition. Our ability to finance our acquisitions is subject to a number of factors, including the availability of adequate cash from operations or of acceptable financing terms and the terms of our debt instruments. In addition, there are many challenges to integrating acquired companies and businesses in our company, including eliminating redundant operations, facilities and systems, coordinating management and personnel, retaining key employees, managing different corporate cultures and achieving cost reductions and cross-selling opportunities. We may not be able to meet these challenges in the future.

Businesses we have acquired or will acquire may not perform as expected.

Businesses we have recently acquired or may acquire in the future may not perform as expected. Acquired businesses may perform below expectations after the acquisition for various reasons, including legislative or regulatory changes that affect the areas in which a business specializes, the loss of key customers after the acquisition has closed, general economic factors that affect a business in a direct way and the cultural incompatibility of an acquired management team with us. Any of these factors could impair our results of operations.

We have recorded a significant amount of goodwill and other identifiable intangible assets, and we may never realize the full value of our intangible assets.

We have recorded a significant amount of goodwill and other identifiable intangible assets. As of September 30, 2006, goodwill and other identifiable intangible assets were approximately $865.5 million and $835.4 million, respectively (or approximately 57% of our total assets). Goodwill and identifiable intangible assets of the Company were recorded at fair value on the date of acquisition and goodwill of U.S. Pipe remains at historical cost. In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, are reviewed at least annually for impairment. Impairment may result from, among other things, deterioration in our performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services sold by our business, and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of a significant portion of goodwill or other identifiable intangible assets would result in a non-cash impairment charge.

We have a significant amount of debt.

As of September 30, 2006, our total debt was $1,127.3 million. We may incur significant additional indebtedness from time to time. The level of our indebtedness could have important consequences, including:

- making it more difficult for us to satisfy our obligations under our debt instruments;
- limiting cash flow available for general corporate purposes, including capital expenditures and acquisitions, because a substantial portion of our cash flow from operations must be dedicated to servicing our debt;

- limiting our ability to obtain additional debt financing in the future for working capital, capital expenditures or acquisitions;

- limiting our flexibility to react to competitive and other changes in our industry and economic conditions generally; and

- exposing us to risks inherent in interest rate fluctuations because a substantial portion of our borrowings is at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

We will require a significant amount of cash to service our debt and our ability to generate cash depends on many factors beyond our control.

Our ability to pay or to refinance our indebtedness will depend upon our future operating performance, which will be affected by general economic, financial, competitive, legislative, regulatory, business and other factors beyond our control. There is a risk that our business will not generate sufficient cash flow from operations, that currently anticipated revenue growth and operating improvements will not be realized or that future borrowings will not be available to us in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. If we are unable to meet our debt service obligations or fund our other liquidity needs, we could attempt to restructure or refinance our indebtedness or seek additional equity capital, but we may not be able to accomplish those actions on satisfactory terms, if at all.

Restrictive covenants in our debt instruments may limit our ability to engage in certain transactions and may diminish our ability to make payments on our indebtedness.

Our debt instruments contain various covenants that limit our ability to engage in certain transactions. Our senior credit facilities also require the maintenance of specified financial ratios and the satisfaction of other financial condition tests. In addition, our debt instruments require us to provide regular financial information to our lenders and bondholders. Such requirements generally may be satisfied by our timely filing with the SEC of annual and quarterly reports under the Securities Exchange Act of 1934, as amended (the Exchange Act). Our ability to satisfy those financial ratios, tests or covenants can be affected by events beyond our control, and there is a risk that we will not meet those tests. A breach of any of these covenants could result in a default under our debt instruments. If an event of default is not remedied after the delivery of notice of default and lapse of any relevant grace period, the holders of our debt would be able to declare it immediately due and payable. Upon the occurrence of an event of default under our senior credit facilities, the lenders could also terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure the indebtedness under our senior credit facilities. We have pledged substantially all of our assets (including our intellectual property), other than the assets of our foreign subsidiaries, as security under our senior credit facilities. If the lenders under our senior credit facilities or noteholders of the notes accelerate the repayment of borrowings, we may not have sufficient assets to repay our senior credit facilities and our other indebtedness, which could negatively impact the value of our stock and our ability to operate as a going concern.

Certain of our brass valve products may not be in compliance with NSF standards, which could limit the ability of municipalities to buy our products.

The National Sanitary Foundation (NSF) is a non-profit entity that was contracted by the U.S. Environmental Protection Agency (EPA) to promulgate standards for the water industry. NSF has issued NSF 61, which governs the leaching characteristics of valves and devices that are part of drinking water distribution networks, including certain of our products made from brass. In recent years, a growing majority of states have adopted, by statute or regulation, a requirement that water distribution systems utilize products that comply with NSF 61 and/or are certified as NSF 61 compliant. We, along with others in the industry, are engaged in the lengthy process of attempting to obtain certification of NSF 61 compliance for all of our relevant products. Our sales of brass valve products were approximately 6% our 2006 sales. To date we have obtained certification of approximately 95% of our brass valve and fitting products. Approximately 26% of our certified products use low lead brass to comply with current NSF 61 requirements. We intend to have a certified version of all brass products after completion of the closure of the Mueller segment s James Jones facility and subsequent transfer of production to the Decatur, Illinois facility. In the event that some of our brass valve products are found not to be in compliance with NSF 61, those products may not be accepted by various municipalities or we may be forced to modify non-conforming products with substitute materials which may require increased cost, thereby impairing our profitability. In addition, if our competitors develop a complete line of NSF 61 compliant brass valve products before we do, we may be placed at a competitive disadvantage which may, in turn, impair our profitability.

Our business may be harmed by work stoppages and other labor relations matters.

We are subject to a risk of work stoppages and other labor relations matters because our hourly workforce is highly unionized. As of September 30, 2006, approximately 84% of our hourly workforce was represented by unions. These employees are represented by locals from approximately six different unions, including the Glass, Molders, Pottery, Plastics and Allied Workers International Union, which is our largest union. Our labor agreements will be negotiated as they expire at various times through September 2010. Work stoppages for an extended period of time could impair our business. Labor costs are a significant element of the total expenditures involved in our manufacturing process, and an increase in the costs of labor could therefore harm our business. In addition, the freight companies who deliver our products to our distributors generally use unionized truck drivers, and our business could suffer if our contractors face work stoppages or increased labor costs.

Our revenues are influenced by weather conditions and the level of construction activity at different times of the year; we may not be able to generate revenues that are sufficient to cover our expenses during certain periods of the year.

Some of our products, including ductile iron pipe, are moderately seasonal, with lower sales in the winter months. This seasonality in demand has resulted in fluctuations in our revenues and operating results. Because much of our overhead and expenses are fixed payments, seasonal trends can cause reductions in our profit margin and financial condition, especially during our slower periods.

We may be subject to product liability or warranty claims that could require us to make significant payments.

We would be exposed to product liability claims in the event that the use of our products results, or is alleged to result, in bodily injury and/or property damage. There is a risk that we will experience product liability or warranty losses in the future or that we will incur significant costs to defend such claims. Such losses and costs may be material. While we currently have product liability insurance, our product liability insurance coverage may not be adequate for any liabilities that may ultimately be incurred or the coverage may not continue to be available on terms acceptable to us. A successful claim brought against us in excess of our available insurance coverage could require us to make significant payments or a requirement to participate in a product recall may harm our reputation or profitability.

We rely on Tyco to indemnify us for certain liabilities and there is a risk that Tyco may become unable or fail to fulfill its obligations.

Under the terms of the purchase agreement (the Tyco Purchase Agreement) relating to the August 1999 sale by Tyco International Ltd. (Tyco) of the Mueller and Anvil businesses to our prior owners, we are indemnified by Tyco 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. The indemnity survives forever and is not subject to any dollar limits. In the past, Tyco has made substantial payments and/or assumed defense of claims pursuant to this indemnification provision. However, we may be responsible for these liabilities in the event that Tyco ever becomes financially unable or fails to comply with, the terms of the indemnity. In addition, Tyco s indemnity does not cover product liabilities to the extent caused by our products manufactured after that transaction. On January 14, 2006, Tyco s board of directors announced that it approved a plan to separate Tyco into three separate, publicly traded companies. At this time, we do not know which of the new entities will assume the indemnity provided under the terms of the Tyco Purchase Agreement if this plan is implemented. Should the entity or entities that assume Tyco s obligations under the Tyco Purchase Agreement ever become financially unable or fail to comply with the terms of the indemnity, we may be responsible for such obligations or liabilities. For more information, see Item 3 Legal Proceedings.

Environmental, health and safety laws and regulations could subject us to liability for fines, clean-ups and other damages, require us to incur significant costs to modify our operations and increase our manufacturing costs.

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, or imposition of penalties, suspension of production, a required upgrade or change to equipment or processes or a cessation of operations at one or more of our facilities. Because these laws are complex, constantly changing and may be applied retroactively, there is a risk that these requirements, in particular as they change in the future, may impair our business, profitability and results of operations.

In addition, we will be required to incur costs to comply with the EPA s National Emissions Standards for Hazardous Air Pollutants (NESHAP) for iron and steel foundries and for our foundries painting operations. These costs may be substantial. See Item 1 Business Environmental Matters. We may be required to conduct investigations and perform remedial activities that could require us to incur material costs in the future. Our operations involve the use of hazardous substances and the disposal of hazardous wastes. We may incur costs to manage these substances and wastes and may be subject to claims for damage for personal injury, property damages or damage to natural resources.

Our U.S. Pipe segment has been identified as a potentially responsible party liable under federal environmental laws for a portion of the clean-up costs with regard to two sites, one in Alabama and one in California, and is currently subject to an administrative consent order requiring certain monitoring and clean-up with regard to its Burlington, New Jersey facility. Such clean-up costs could be substantial and could have a negative effect on our profitability and cash flows in any given reporting period. As described in the immediately preceding risk factor, we rely on Tyco to indemnify us for certain liabilities and there is a risk that Tyco may become unable or fail to fulfill its obligation. For more information about our environmental compliance and potential environmental liabilities, see Item 1 Business Environmental Matters.

Compliance with the securities laws and regulations is likely to make it more difficult and expensive for us to obtain directors and officers liability insurance and to attract and retain qualified members of our board of directors.

We expect the Sarbanes-Oxley Act and the rules and regulations subsequently implemented by the SEC and the PCAOB to make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These new rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and executive officers.

We may not be able to achieve the anticipated synergies in connection with our integration and rationalization plans.

We are pursuing several initiatives designed to rationalize our manufacturing facilities and to use our manufacturing expertise to reduce our costs. In fiscal 2006, we achieved integration synergies between our Mueller and U.S. Pipe segments by closing the U.S. Pipe Chattanooga, Tennessee production facility and integrating it into the Mueller Chattanooga and Albertville, Alabama production facilities. We have initiated the implementation of plant and distribution combination and production efficiency strategies within our Mueller and Anvil segments, which efforts will continue through fiscal years 2007 and the beginning of 2008. Our Mueller segment sales force has begun to integrate U.S. Pipe products as complementary product offerings as part of their sales efforts. We also have begun to use our combined purchasing leverage to reduce raw material and overall product costs. If we fail to implement our integration and rationalization plans at the economic levels or within the time periods expected, we may not be able to achieve the projected levels of synergies and cost savings. In addition, we expect to incur substantial severance, environmental and impairment costs in connection with our integration and rationalization plans.

We are a holding company and may not have access to the cash flow and other assets of our subsidiaries.

We are a holding company that has no operations of our own and derives all of our revenues and cash flow from our subsidiaries. The terms of the indentures governing our senior discount notes and senior subordinated notes and our senior credit facilities significantly restrict our subsidiaries from paying dividends and otherwise transferring assets to us. Furthermore, our subsidiaries are permitted under the terms of our senior credit facilities and other indebtedness to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by such subsidiaries to us. A breach of any of those covenants would be a default under the applicable debt instrument that would permit the holders thereof to declare all amounts due thereunder immediately payable. As a result, we may not have access to our subsidiaries cash flow to finance our cash needs.

If we fail to protect our intellectual property, our business and ability to compete could suffer.

Our business depends upon our technology and know-how, which is largely developed internally. While we believe that none of our operating units is substantially dependent on any single patent, trademark, copyright, or other form of intellectual property, we rely on a combination of patent protection, copyright and trademark laws, trade secrets protection, employee and third party confidentiality and nondisclosure agreements and technical measures to protect our intellectual property rights. There is a risk that the measures that we take to protect our intellectual property rights may not be adequate to deter infringement or misappropriation or independent third-party development of our technology or to prevent an unauthorized third party from obtaining or using information or intellectual property that we regard as proprietary or to keep others from using brand names similar to our own. The disclosure, misappropriation or infringement of our intellectual property could harm our ability to protect our rights and our competitive position In addition, our actions to enforce our rights may result in substantial costs and diversion of management and other resources. We may also be subject to intellectual property infringement claims from time to time, which may result in our incurring additional expenses and diverting company resources to respond to these claims.

If transportation for our ductile iron pipe products becomes unavailable or uneconomic for our customers, our ability to sell ductile iron pipe products would suffer.

Transportation costs are a critical factor in a customer s purchasing decision. Increases in transportation costs could make our ductile iron pipe products less competitive with the same or alternative products from competitors with lower transportation costs.

We typically depend upon rail, barge and trucking systems to deliver our products to customers. While our 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 resulting in lost sales and reduced profitability.

Risks Relating to our Relationship with Walter Industries

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

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 controlled group, which included the Company (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, the Company could be liable under such provisions in the event any such liability is incurred, and not discharged, by any other member of the Walter consolidated or controlled group for any period during which the Company was included in the Walter consolidated or controlled group.

A dispute exists with regard to federal income taxes allegedly owed by the Walter consolidated group for fiscal years 1980 through 1994 and 1999 through 2001. It is estimated that the amount of tax presently claimed by the IRS is approximately $34.0 million for issues currently in dispute in bankruptcy court and $80.4 million for the 1999 through 2001 period, each of which is for matters unrelated to the Company. These amounts are subject to interest and penalties. However, Walter has advised the Company that its tax filing positions have substantial merit and intends to defend vigorously any claims asserted. Walter believes that it has accruals sufficient to cover the estimated probable loss, including interest and penalties.

The tax allocation agreement between the Company and Walter gives Walter control over our pre-IPO taxes and allocates to us certain tax risks associated with the spin-off of our Series B common stock.

Walter effectively controlled all of our tax decisions for periods during which we were a member of the Walter consolidated federal income tax group and certain combined, consolidated or unitary state and local income tax groups. Under the terms of the income tax allocation agreement between Walter and the Company dated as of May 26, 2006 Walter had 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 behalf of us and to determine the amount of our liability to (or entitlement to payment from) Walter for such periods. This arrangement may result in conflicts of interests between the Company and Walter. In addition, the tax allocation agreement provides that if the spin-off of our Series B common stock by Walter is determined not to be tax-free pursuant to Section 355 of the Internal Revenue Code of 1986, as amended, the Company generally will be responsible for any taxes incurred by Walter or its stockholders 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 s actions or omissions taxes based upon our market value relative to Walter s market value.

Because we have limited experience operating as a stand-alone entity, our future business prospects are difficult to evaluate and our business could suffer as a result of the separation of our business from Walter.

As of the close of business on December 14, 2006, Walter distributed all of its holding of our Series B common stock to Walter shareholders, thus making the Company a stand-alone entity. Our operations as a stand-alone entity may place significant demands on our management, operational, and technical resources. Our future performance will depend on our ability to function as a stand-alone entity and on our ability to finance and manage expanding operations and to adapt our information systems to changes in its business. We rely on contractual arrangements, including the transition services agreement between Walter and the Company dated as of May 26, 2006, that require Walter and its affiliates to provide or procure certain critical transitional services and shared arrangements to us such as:

- certain tax and accounting services;
- certain human resources services, including benefit plan administration;
- communications systems;
- insurance; and
- supply arrangements.

After the termination of these arrangements, we may not be able to replace these services and arrangements in a timely manner or on terms and conditions, including service levels and cost, as favorable as those we have received from Walter and its affiliates. There is a risk that our separation from Walter will not be successful, which could significantly impair our business, our results and our financial reporting ability.

Furthermore, the financial information included in this document may not necessarily reflect what the operating results and financial condition would have been had we been a separate, stand-alone entity during the periods presented or be indicative of our future operating results and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following chart describes our principal properties.

Mueller Segment

Location	Activity	Size (sq. ft.)	Owned or Leased
Albertville, AL	Foundry, fabrication, machine shop	358,000	Leased
Aurora, IL	Fabrication, machine shop	146,880	Owned
Bethlehem, PA	Fabrication, machine shop	104,000	Leased
Brownsville, TX	Machine shop	48,540	Leased
Chattanooga, TN	Foundry, fabrication, machine shop	578,164	Owned
Chattanooga, TN	Machine shop	26,500	Leased
Cleveland, NC	Machine shop	190,000	Owned
Cleveland, TN	Fabrication, machine shop	70,000	Owned
Decatur, IL	Foundry, fabrication, machine shop, administrative headquarters	467,044	Owned
Dixon, IL**	Fabrication, machine shop	146,880	Owned
El Monte, CA**	Foundry, fabrication, machine shop	64,000	Owned
Hammond, IN	Fabrication, machine shop	51,160	Owned
Jingmen, China	Machine shop	154,377	Owned
Milton, Ontario*	Closed	127,000	Leased
Murfreesboro, TN	Assembly	11,400	Owned
Murfreesboro, TN	Fabrication, assembly	12,000	Leased
Salem, VA*	Closed	5,250	Leased
St. Jerome, Quebec	Foundry, machine shop	55,000	Owned

* Closed in fiscal 2006

** To be closed in fiscal 2007

U.S. Pipe Segment

Location	Activity	Size (sq. ft.)	Owned or Leased
Birmingham, AL	Administrative headquarters	66,000	Owned
Bessemer, AL	Foundry, machine shop	648,000	Owned
N. Birmingham, AL	Foundry, machine shop	360,000	Owned
Union City, CA	Foundry, machine shop	139,000	Owned
Burlington, NJ	Foundry, machine shop, assembly	329,000	Owned

Anvil Segment

Location	Activity	Size (sq. ft.)	Owned or Leased
Portsmouth, NH	Administrative headquarters	13,740	Leased
Aurora, OH	Pipe cutting, machine shop	39,650	Leased
Columbia, PA	Foundry, galvanizing, painting, assembly, machine shop	663,000	Owned
Greencastle, PA	Bending, pipe cutting, machine shop	132,743	Owned
Henderson, TN	Stamping, fabrication, assembly, machine shop	236,479	Owned
Houston, TX	Machine shop	45,988	Owned
Longview, TX	Assembly, machine shop	95,650	Owned
North Kingstown, RI	Painting, fabrication, assembly, machine shop	134,498	Leased
Pottstown, PA	Forming, fabrication, assembly, machine shop	46,000	Owned
Santa Fe Springs, CA	Pipe cutting, machine shop	37,815	Leased
Simcoe, Ontario	Fabrication, machine shop	145,000	Owned
Waynesboro, PA	Pipe cutting, machine shop	72,836	Owned

Corporate

Location	Activity	Size (sq. ft.)	Owned or Leased
Atlanta, GA	Corporate headquarters	24,728	Leased

Our leased properties have terms that expire between June 2008 and September 2017.

We also operate four leased regional distribution centers in the United States for our Anvil products. See Business Sales, Marketing and Distribution. The United States centers are located in University Park, Illinois; Sparks, Nevada; Columbia, Pennsylvania; Grand Prairie, Texas and have lease terms that expire between February 2007 and December 2013. In addition, we operate 24 smaller warehouses throughout the United States and Canada to support our Anvil operations.

Our Mueller segment operates two regional distribution centers in Canada. The centers are located in Barrie, Ontario and Calgary, Alberta and have lease terms that expire between March 2011 and May 2011.

We consider our plants and equipment to be well-maintained and believe our plants will have sufficient capacity to meet our present and anticipated future needs for the next five years. All of our domestic facilities, leases and leasehold interests are encumbered by liens securing our obligations under the 2005 Mueller Credit Agreement.

Item 3. Legal Proceedings

We are involved in various legal proceedings which have arisen in the normal course of our operations, including the proceedings summarized below. The effect of the outcome of these matters on the Company s 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, operations or prospects.

U.S. Pipe has implemented an Administrative Consent Order (ACO) for its Burlington, New Jersey plant that 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. U.S. Pipe has completed, and has received final approval for the soil cleanup required by the ACO. U.S. Pipe is continuing to address ground water issues at this site. Further remediation could be required. These

remediation costs are expected to be minimal. Long term ground water monitoring will be required to verify natural attenuation. It is not known how long ground water monitoring will be required. Management does not believe monitoring or further cleanup costs, if any, will have a material adverse effect on the financial condition or results of operations of the Company and its subsidiaries.

The Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), generally imposes liability, which may be joint and several and is without regard to fault or the legality of waste generation or disposal, on certain classes of persons, including owners and operators of sites at which hazardous substances are released into the environment (or pose a threat of such release), persons that disposed or arranged for the disposal of hazardous substances at such sites, and persons who owned or operated such sites at the time of such disposal. CERCLA authorizes the EPA, the States and, in some circumstances, private entities to take actions in response to public health or environmental threats and to seek to recover the costs they incur from the same classes of persons. Certain governmental authorities can also seek recovery for damages to natural resources.

Currently, U.S. Pipe has been identified as a potentially responsible party (PRP) by the EPA under CERCLA with respect to cleanup of hazardous substances in Anniston, Alabama. U.S. Pipe is among many PRP s at such sites and a significant number of the PRP s are substantial companies. The PRP s have negotiated an ACO with the EPA and the PRP s have agreed to divide clean-up costs pro-rata subject to later adjustment based on the relative contribution by each PRP to the contamination. Management previously estimated the Company s share of liability for cleanup, after allocation among several PRP s, to be approximately $4.0 million, which was accrued in 2004. In the fourth quarter of 2006, U.S. Pipe and Phelps Dodge (a co-signer of the ACO) agreed that Phelps Dodge would assume U.S. Pipe s obligations and liabilities relating to the ACO. As a result, the Company recognized a pre-tax benefit related to the settlement of this obligation, which was not material to the Company s financial statements. Phelps Dodge had previously entered into similar agreements with all other signatories to the ACO.

Solutia, Inc. and Pharmacia Corporation (Solutia) filed suit against United States Pipe and Foundry Company and Walter on January 5, 2003 (Solutia, Inc. and Pharmacia Corporation v. United States Pipe and Foundry Company, Walter Industries, Inc., et al, Case No. CV-03-PWG-1345-E) in U.S. District Court for the Northern District of Alabama. This is a civil action for contribution and cost recovery by Solutia with respect to costs incurred and to be incurred in performing remediation of polychlorinated biphenyls (PCB) and heavy metals mandated by EPA in Anniston, Alabama with respect to the ACO described above. The ACO provides protection against contribution claims by third parties, such as Solutia. Management believes that the likelihood of liability in the contribution litigation is remote.

The Company s U.S. Pipe subsidiary has been named in a purported civil class action case originally filed on April 8, 2005 in the Circuit Court of Calhoun County, Alabama, and removed to the U.S. District Court for the Northern District of Alabama under the Class Action Fairness Act. The putative plaintiffs in the case filed an amended complaint with the U.S. District Court on December 15, 2006. The case was filed against U.S. Pipe and other foundries in the Anniston, Alabama area alleging state law tort claims (negligence, failure to warn, wantonness, nuisance, trespass and outrage) arising from creation and disposal of foundry sand alleged to contain harmful levels of PCBs and other toxins, including arsenic, cadmium, chromium, lead and zinc. The plaintiffs are seeking damages for real and personal property damage and for other unspecified personal injury. Management believes this matter is still in early stages of litigation and no substantial discovery has taken place. In addition, management believes that both procedural substantive defenses would likely be available should this class action be allowed to proceed. At present, management has no reasonable basis to form a view with respect to the probability of liability in this matter.

The Company and U.S. Pipe recently received a letter from attorneys representing a purported group of residents of the North Birmingham area of Jefferson County, Alabama alleging personal injury, property damage, nuisance, and trespass involving the release of toxic emissions into the North Birmingham environment causing injury. The Company is named in this litigation because of its ownership interests in U.S. Pipe. The allegations against U. S. Pipe result from the use of coal tar products and their emissions into the North Birmingham environment.

The Los Angeles Department of Water and Power, ex rel. Nora Armenta (Armenta) filed suit against our subsidiaries, James Jones Company and Mueller Co. (Superior Court, Los Angeles County, California; Case No. BC 173487) on June 27, 1997. In a related case, on September 15, 2004, the City of Banning and other California municipalities (collectively, City of Banning) filed suit against the Company s subsidiaries, James Jones Company and Mueller Co. (Superior Court, Los Angeles County; Case No. BC 321513). The Armenta matter is a false claims lawsuit brought on behalf of cities, water districts and municipalities against Mueller Co., James Jones Company and others alleging that the defendants sold allegedly non-conforming public water system parts to various government entities. The lawsuit seeks consequential damages, penalties and punitive damages relating to the repair and replacement of the water systems to remove the allegedly non-conforming parts. While James Jones Company has always been a defendant in the Armenta action, in January 2004, Mueller Co. was dismissed as a defendant; however the dismissal was reversed by the California Court of Appeals in August 2006. On September 15, 2004, the Armenta trial court ruled against the intervention of approximately 30 municipalities that had failed to intervene within the time deadlines previously specified by the court. The trial court also ruled that the majority of municipalities that had purchased James Jones products from contractors or distributors were not in privity with the James Jones Company and were not entitled to punitive damages. Following the Armenta court s ruling, on September 15, 2004, the water districts and municipalities filed the City of Banning action against the James Jones Company and Watts (former parent company of James Jones Company), alleging fraud and intentional misrepresentation. This lawsuit is based on the same underlying facts as the Armenta lawsuit. Any liability associated with these lawsuits is covered by the Tyco indemnity, described below, and the defense is being paid for and conducted by Tyco, all in accordance with the indemnity obligation of Tyco.

In the acquisition agreement pursuant to which Tyco International sold the Company s Mueller and Anvil segments to the prior owners of these businesses in August 1999, Tyco agreed to indemnify the Company and its affiliates for all Excluded Liabilities. Excluded Liabilities include, among other things, substantially all liabilities relating to the time prior to the August 1999 Tyco transaction. The indemnity survives indefinitely and is not subject to any deductibles or caps. However, the Company may be responsible for these liabilities in the event that Tyco ever becomes financially unable to or otherwise fails to comply with, the terms of the indemnity. In addition, Tyco s indemnity does not cover liabilities to the extent caused by the Company or the operation of its business after the August 1999 Tyco transaction, nor does it cover liabilities arising with respect to businesses or sites acquired after the August 1999 Tyco transaction.

Some of our subsidiaries have been named as defendants in a small number of asbestos-related lawsuits. We do not believe these lawsuits, either individually or in the aggregate, are material to our financial position or results of operations.

The Company and its subsidiaries are parties to a number of other lawsuits arising in the ordinary course of their businesses. We provide for costs relating to these matters when a loss is probable and the amount is reasonably estimable. 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 will not have a materially adverse effect on our consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended September 30, 2006.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company s Series A common stock has been listed on the New York Stock Exchange under the trading symbol MWA since May 26, 2006. The Company s Series B common stock was listed on the New York Stock Exchange under the trading symbol MWA-B effective December 4, 2006.

The table below sets forth, for the fiscal periods indicated, the range of high and low closing sales prices of the Series A common stock.

	Year ended September 30, 2006 High	Low
3rd Fiscal quarter	$ 18.25	$ 14.23
4th Fiscal quarter	17.52	14.30

On October 26, 2006, subsequent to the fiscal year end, the Company declared its initial quarterly dividend of $0.0175 per share of Series A common stock and Series B common stock, payable on November 20, 2006 to stockholders of record on November 10, 2006. Covenants contained in certain of the debt instruments referred to in Note 8 of Notes to Consolidated Financial Statements may restrict the amount the Company can pay in cash dividends. Future dividends will be declared at the discretion of the board of directors and will depend on the Company s future earnings, financial condition and other factors affecting dividend policy.

As of December 15, 2006, there were 129 shareholders of record of the Series A common stock and the Series B common stock.

After the close of trading on December 14, 2006, Walter distributed to its shareholders approximately 1.65 shares of the Company s Series B common stock for each share of Walter common stock held by the shareholder of record on December 6, 2006, resulting in the distribution of 85,844,920 shares of the Company s Series B common stock. Prior to this distribution, Walter owned all of our Series B common stock, representing approximately 75% of our economic value and approximately 96% of the combined voting power of all the Company s voting stock.

The following table sets forth certain information relating to the Company s equity compensation plans, which relate only to Series A common stock, as of September 30, 2006:

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by Shareholders:			
2006 Stock Incentive Plan	1,277,810	$ 16.03	6,722,190
2006 Employee Stock Purchase Plan	31,235	$ 13.03	3,968,765

On December 15, 2006, in conjunction with the spin-off of the Company by Walter, the Company approved the grant of stock options and restricted stock units for the Company s Series A common stock pursuant to the Company s 2006 Stock Incentive Plan to replace the legacy share-based compensation instruments held by Walter employees that became Company employees upon the Walter spin-off of the Company. As a result, grants of approximately 464,000 non-qualified stock options with exercise prices ranging from approximately $2.00 to $21.00, and grants of approximately 414,000 restricted stock units, were approved by the Company.

Item 6. Selected Financial Data

The selected statement of operations data for the year ended September 30, 2006, for the nine months ended September 30, 2005 and for the year ended December 31, 2004 and the selected balance sheet data as of September 30, 2006 and September 30, 2005 are derived, and qualified by reference to, the audited financial statements included elsewhere in this annual report and should be read in conjunction with those financial statements and notes thereto. The selected statement of operations data for the year ended December 31, 2003 and the selected balance sheet data as of December 31, 2004 have been derived from audited financial statements of U.S. Pipe not included in this annual report. The selected statement of operations data for the twelve months ended September 30, 2005, the nine months ended September 30, 2004 and the year ended December 31, 2002 and the selected balance sheet data as of September 30, 2004 and December 31, 2003 and 2002 have been derived from unaudited financial statements of U.S. Pipe not included in this annual report. The following selected financial and other data should be read in conjunction with, and are qualified by reference to, 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.

	For the twelve months ended September 30,	For the twelve months ended September 30,	For the nine months ended September 30,		For the years ended December 31,		
	2006(a)	**2005**	**2005(i)**	**2004(i)**	**2004**	**2003**	**2002**
	(dollars in millions, except per share amounts)						
Statement of Operations Data:							
Net sales	$ 1,933.4	$ 598.1	$ 456.9	$ 437.2	$ 578.4	$ 465.4	$ 491.8
Cost of sales(b)	1,525.7	530.7	402.2	402.9	531.4	427.4	429.8
Gross profit	407.7	67.4	54.7	34.3	47.0	38.0	62.0
Selling, general and administrative expenses(c)	242.1	39.1	25.9	25.0	38.2	43.5	36.1
Related party corporate charges(d)	8.0	7.3	5.4	5.7	7.7	4.8	6.4
Restructuring and impairment charges(e)	28.6			0.1	0.1	5.9	
Operating income (loss)	129.0	21.0	23.4	3.5	1.0	(16.2)	19.5
Interest expense-other, net of interest income	(115.9)	(0.4)	(0.3)	(0.4)	(0.5)	(0.5)	(0.1)
Interest expense arising from payable to parent, Walter Industries(f)		(21.1)	(15.2)	(13.0)	(18.9)	(16.4)	(9.4)
Income (loss) before income tax expense (benefit)	13.1	(0.5)	7.9	(9.9)	(18.4)	(33.1)	10.0
Income tax expense (benefit)	8.0	3.9	2.8	(3.9)	(2.9)	(12.7)	4.1
Income (loss) before cumulative effect of change in accounting principle	5.1	(4.4)	5.1	(6.0)	(15.5)	(20.4)	5.9
Cumulative effect of change in accounting principle, net of tax						(0.5)	
Net income (loss)	$ 5.1	$ (4.4)	$ 5.1	$ (6.0)	$ (15.5)	$ (20.9)	$ 5.9
Basic income (loss) per share:							
Income (loss) before cumulative effect of change in accounting principle	$ 5.1	$ (4.4)	$ 5.1	$ (6.0)	$ (15.5)	$ (20.4)	$ 5.9
Cumulative effect of change in accounting principle, net of tax						(0.5)	
Earnings (loss) per share(g)	$ 0.05	$ (0.05)	$ 0.06	$ (0.07)	$ (0.18)	$ (0.23)	$ 0.07
Other Data:							
Depreciation and amortization	96.9	25.9	19.4	20.0	26.5	25.2	24.0
Capital expenditures	71.1	24.4	16.5	12.4	20.4	15.7	26.2

	As of September 30,			As of December 31,		
	2006	2005	2004	2004	2003	2002
	(dollars in millions)					
Balance Sheet Data:						
Cash and cash equivalents(h)	$ 81.4	$	$ 0.1	$	$ 0.2	$ 0.1
Working capital	683.6	188.7	176.6	163.5	157.0	139.0
Property, plant and equipment, net	337.0	149.2	152.2	152.9	160.1	172.1
Total assets	2,989.9	514.7	491.6	473.5	452.9	448.6
Intercompany indebtedness to Walter Industries	3.6	443.6	435.4	422.8	409.2	385.2
Total liabilities	1,762.9	669.9	626.7	618.6	581.9	555.3
Total unit/stockholder s equity (net capital deficiency)	1,227.0	(155.2)	(135.1)	(145.1)	(129.0)	(106.7)

(a) Data for the year ended September 30, 2006 and as of September 30, 2006 include results from Predecessor Mueller Water, acquired by the Company on October 3, 2005.

(b) Cost of sales during the nine months ended September 30, 2005 includes warranty cost of $2.3 million related to a construction project in Kansas City, Missouri.

Cost of sales during the twelve months ended September 30, 2006 includes $70.2 million of purchase accounting adjustments related to valuing inventory acquired in the Acquisition at fair value and $21.3 million of inventory write-offs and unabsorbed overhead costs resulting from the closure of the U.S. Pipe Chattanooga manufacturing facility.

(c) Selling, general and administrative expenses include:

Credits for environmental-related insurance settlement benefits of $5.1 million, $5.1 million and $1.9 million for the twelve months ended September 30, 2005, the nine months ended September 30, 2005 and the year ended December 31, 2004, respectively;

Accrual of $4.0 million relating to environmental liabilities for the year ended December 31, 2004 and a reversal of $1.0 million of that accrual for the year ended September 30, 2006; and

Settlement expenses for a commercial dispute of $1.7 million and settlement expenses for litigation matters of $6.5 million for the year ended December 31, 2003.

(d) Related party corporate charges represents costs incurred by Walter that were allocated to U.S. Pipe. As of the spin-off, these charges will no longer be allocated and the Company may incur costs in an amount less than or greater than these costs on a stand-alone basis.

(e) Restructuring and impairment charges for the year ended December 31, 2003 include $5.9 million to cease operations at the castings plant in Anniston, Alabama. These charges primarily included employee benefits costs and the write-off of fixed assets.

Restructuring and impairment charges for the twelve months ended September 30, 2006 include $28.6 million to close U.S. Pipe s Chattanooga, Tennessee plant and transfer the valve and hydrant production of that plant to Mueller Chattanooga, Tennessee and Albertville, Alabama plants. These charges primarily included employee benefits costs and the write-off of fixed assets.

(f) Consists of interest expense allocated by Walter to U.S. Pipe. Following the Acquisition on October 3, 2005, the allocation of the interest expense terminated because the intercompany indebtedness to Walter was contributed to the capital of U.S. Pipe.

(g) Earnings (loss) per share for all periods presented prior to September 30, 2006 was determined using 85.8 million shares, which is the capital structure of the reporting entity immediately following the Acquisition.

(h) Cash and cash equivalents, prior to the acquisition of Predecessor Mueller on October 3, 2005, were transferred daily to Walter, effectively reducing U.S. Pipe cash to virtually zero on a daily basis. Subsequent to October 3, 2005, all cash generated by the Company was maintained by the Company and not transferred to Walter.

(i) Effective December 30, 2005, U.S. Pipe changed its fiscal year to September 30, which coincides with Predecessor Mueller s fiscal year end. This change resulted in a nine-month fiscal year in 2005, the year of adoption. Data for the nine months ended September 30, 2004 (unaudited) is shown for comparative purposes only.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto that appear elsewhere in this annual report. This discussion contains forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ significantly from those projected in such forward-looking statements due to a number of factors, including those set forth in the section entitled Risk Factors.

Overview

Organization

The registrant is Mueller Water Products, Inc., a Delaware corporation (Mueller Water , the Company , we , us , or our). The Company is the surviving corporation of the merger on February 2, 2006 of Mueller Water Products, LLC (Commission File Number: 333-116590) and Mueller Water Products Co-Issuer, Inc. with and into Mueller Holding Company, Inc., a Delaware corporation. On June 1, 2006, Mueller Water completed its initial public offering (IPO) of its Series A common stock (NYSE: MWA). On December 14, 2006, Walter Industries, Inc. (Walter), a diversified New York Stock Exchange traded company (NYSE: WLT), distributed all of the Company s outstanding Series B common stock (NYSE: MWA-B) to Walter s shareholders. From October 3, 2005 through December 14, 2006, the Company was a subsidiary of Walter.

On October 3, 2005, through a series of transactions (the Acquisition), Walter, through a wholly-owned subsidiary, acquired all outstanding shares of capital stock of Mueller Water Products, Inc. (Predecessor Mueller), which immediately was converted into Mueller Water Products, LLC, a Delaware limited liability company and contributed United States Pipe and Foundry Company, LLC (U.S. Pipe), owned by Walter since 1969, to the acquired company. In accordance with accounting principles generally accepted in the United States, for accounting purposes U.S. Pipe is treated as the acquirer of Predecessor Mueller. Accordingly, effective October 3, 2005, U.S. Pipe s basis of accounting is used for the Company and all historical financial data of the Company included in this report on Form 10-K, is that of U.S. Pipe. The results of operations of Predecessor Mueller are included in the Consolidated Statements of Operations beginning October 3, 2005.

The Company was originally organized as United States Pipe and Foundry Company, Inc. (Inc.) and was a wholly-owned subsidiary of Walter. On September 23, 2005, Inc. was dissolved and United States Pipe and Foundry Company, LLC was organized in the state of Alabama, and the operations of Inc. were conducted under the form of a limited liability company.

In December 2005, U.S. Pipe changed its fiscal year-end to September 30, which coincides with the fiscal year end of Predecessor Mueller. Beginning with the quarter ended December 31, 2005, the Company has three operating segments which are named after our leading brands in each segment: Mueller, U.S. Pipe, and Anvil.

Consistent with generally accepted accounting principles, the discussion of the Company s results of operations for the year ended September 30, 2006 includes the financial results of Predecessor Mueller from the Acquisition date. The inclusion of these results, plus the continuing integration process, may render direct comparison with the results for prior periods less meaningful. Accordingly, the discussion below addresses, where appropriate, trends that we believe are significant, separate and apart from the impact of the Acquisition. Supplemental information with comparisons of the year ended September 30, 2006 Statements of Operations data to the pro forma twelve months ended September 30, 2005 Statements of Operations data is provided below under the subheadings Supplemental Information Results of Operations for the Year Ended September 30, 2006 Compared to Pro Forma Results of Operations for the Twelve Months Ended September 30, 2005

Business

We are a leading North American manufacturer of a broad range of water infrastructure and flow control products for use in water distribution networks, water and wastewater treatment facilities, gas distribution and piping systems. We manage our business and report operations through three operating segments, based largely on the products they sell and the markets they serve. Our segments are named after lead brands in each segment:

- *Mueller.* The Mueller segment produces and sells hydrants, valves and related products primarily to the water and wastewater infrastructure markets. Sales of our Mueller segment products are driven principally by spending on water and wastewater infrastructure upgrade, repair and replacement and new water and wastewater infrastructure. Subsequent to the Acquisition, effective January 1, 2006, U.S. Pipe transferred its valve and hydrant business to our Mueller segment. Mueller segment sales are estimated to be approximately 50% for new infrastructure, with the remainder for upgrade, repair and replacement. A significant portion of Mueller s sales are made through its broad distributor network. For most of our Mueller segment products, which are sold through independent distributors, end-users choose the brand or establish product specifications. We believe our reputation for quality, extensive distributor relationships, installed base and coordinated marketing approach have helped our Mueller segment products to be specified as an approved product for use in most major metropolitan areas throughout the United States.

- *U.S. Pipe.* The U.S. Pipe segment produces and sells ductile iron pressure pipe, restraint joints and fittings and related products to the water infrastructure market. U.S. Pipe products are sold primarily to water works distributors, contractors, municipalities, private utilities and other governmental agencies. A substantial percentage of ductile iron pressure pipe orders result from contracts that are bid by contractors or directly issued by municipalities or private utilities. To support our customers inventory and delivery requirements, U.S. Pipe utilizes numerous storage depots throughout the country.

- *Anvil.* The Anvil segment produces, sources and sells pipe, fittings, pipe hangers and pipe nipples and a variety of related products primarily to the commercial fire protection piping systems and HVAC applications market. Sales of our Anvil segment products are driven principally by spending on non-residential construction projects.

Developments and Trends

The Acquisition of Predecessor Mueller on October 3, 2005 and the spin-off of the Company by Walter on December 14, 2006, as well as other developments, trends and factors may impact our future results including the following:

- Recent price increases in brass ingot, which contains approximately 85% copper, have increased the overall cost of manufacturing certain Mueller segment products, including certain hydrant and valve components and brass products. During fiscal 2006, the Mueller segment was able to pass much of these cost increases through to its customers by means of price increases in the middle of the fiscal year of approximately 22% on certain brass products, and approximately 12% on hydrants and iron gate valves containing brass components. These product price increases were in addition to the regular, annual Mueller segment product increases of 5% to 8% made earlier in the fiscal year. We expect these price increases to offset higher material costs and improve margins. During early 2007, the cost of copper has stabilized; however, it may rise again in the future and we may need to implement further pricing actions to offset higher raw material costs.

- As presented herein, the operating results from the Acquisition of Predecessor Mueller were consolidated with those of U.S. Pipe s results from October 3, 2005, the date of Acquisition.

- In the quarter ended December 31, 2005, our wholly-owned subsidiary, Mueller Group, entered into the 2005 Mueller Credit Agreement. Proceeds of the 2005 Mueller Credit Agreement were approximately $1,053.4 million, net of approximately $21.6 million of underwriting fees and expenses which are amortized over the life of the loans. The proceeds were used to refinance Predecessor Mueller s 2004 Credit Facility (2004 Mueller Credit Facility), redeem Predecessor Mueller s second priority senior secured floating rate notes, and finance the acquisition of Predecessor Mueller by Walter. During the period subsequent to September 30, 2005, and prior to Walter acquiring Predecessor Mueller on October 3, 2005, Predecessor Mueller expensed $18.4 million of deferred financing fees related to the 2004 Mueller Credit Facility and wrote off $2.4 million of deferred financing fees related to the second priority senior secured floating rate notes. These expenses are excluded from the results of operations for the periods presented.

- On June 1, 2006, the Company used $245.6 million of the $428.9 million in proceeds from its IPO for a partial redemption of the outstanding 2005 Mueller Term Loan. On July 3, 2006, the Company used $183.3 million of cash proceeds from the IPO as follows: $110.3 million for the partial redemption of the 10% senior subordinated notes; $52.5 million for the partial redemption of the 14.75% senior discount notes; $1.8 million for accrued interest on the 10% senior subordinated notes; and $18.7 million for prepayment premiums and other debt repayment costs.

- In the period subsequent to September 30, 2005 and prior to Walter acquiring Predecessor Mueller on October 3, 2005, Predecessor Mueller expensed transaction fees of approximately $20.1 million and transaction bonuses of $10.0 million. These fees were contingent upon completion of the sale of Predecessor Mueller to Walter. Non-contingent legal and other fees and expenses of approximately $3.1 million associated solely with the Acquisition were expensed by Predecessor Mueller during the fiscal year ended September 30, 2005. These expenses are excluded from the results of operations for the periods presented.

- We have implemented a synergy plan, which was formalized prior to the acquisition of Predecessor Mueller, designed to streamline our manufacturing operations, add incremental volume through combining sales efforts for complementary products and create savings through a coordinated purchasing plan to reduce raw material and overall production costs. We expect to substantially complete the implementation of the synergy plan by early fiscal 2008. Through September 30, 2006, we achieved annual run-rate synergy benefits of approximately $35.0 million. Operating income for

the year ended September 30, 2006 includes approximately $28.0 million of net realized synergy benefits, excluding the restructuring charges related to closing U.S. Pipe s Chattanooga plant.

As part of the synergy plan, we announced and have initiated several plant closures and transferred production to existing facilities:

- *Closure of the U.S. Pipe Chattanooga, Tennessee Plant.* Effective January 1, 2006, we transferred the valve and hydrant production of the U.S. Pipe Chattanooga, Tennessee plant to Mueller segment s Chattanooga, Tennessee and Albertville, Alabama plants. The closure of the U.S. Pipe Chattanooga, Tennessee facility occurred in fiscal 2006. Exit costs totaling $49.9 million were recorded as components of operating income for the year ended September 30, 2006 as follows: $21.3 million charged to cost of sales related to inventory obsolescence and additional facility expenses and $28.6 million of restructuring costs primarily related to fixed asset impairments, severance, and net pension curtailment settlement.

- *Closure of the Mueller segment s Henry Pratt (Pratt) Valve Manufacturing Facility in Dixon, Illinois.* On January 26, 2006 we announced the closure of this facility. The eventual closure of the facility is expected occur in fiscal year 2007. The process of transferring the Dixon plant s operations to other Pratt facilities has begun. Severance costs associated with this plant closure of approximately $1.0 million and fixed asset impairment charges of approximately $1.7 million were recorded as adjustments to goodwill in the year ended September 30, 2006. Costs associated with relocating equipment will be expensed as incurred.

- *Closure of the Mueller Canada Milton, Ontario (Milton) Valve and Hydrant Manufacturing Facility.* On April 20, 2006, we announced the closure of this facility. Production was transferred to other Mueller facilities, and the Milton facility was closed in fiscal 2006. Severance costs associated with this plant closure of approximately $2.5 million, fixed asset impairment charges of approximately $0.2 million, and lease run-out costs of $0.6 million were recorded as adjustments to goodwill in the year ended September 30, 2006. Costs associated with relocating the Milton warehouse and equipment were expensed as incurred.

- *Closure of the Mueller segment s James Jones (Jones) Brass Products and Hydrant Manufacturing Facility in El Monte, California.* On October 24, 2006, we announced the closure of this facility by June 2007. The transfer of production to other Mueller facilities in Decatur, Illinois and Albertville, Alabama will begin in the first half of fiscal 2007. Severance costs associated with this plant closure of approximately $0.2 million and fixed asset impairment charges of approximately $0.5 million were recorded as adjustments to goodwill in the year ended September 30, 2006. Costs associated with relocating the equipment will be expensed as incurred.

- The Company has other plans that were formalized prior to the Acquisition to rationalize facilities and substantial cash expenditures in the form of severance and new equipment may be required to implement these plans.

- The IPO of the Company s Series A common stock was completed on June 1, 2006. On December 14, 2006, after the close of trading, Walter distributed approximately 85.8 million shares of Series B common stock of the Company to holders of Walter s common stock on the record date of December 6, 2006. The Series B Common Shares represent approximately 75 % of the outstanding shares of the Company, and approximately 96% of the combined voting power of all of the Company s common stock.

- On January 4, 2006, the Company acquired Hunt Industries, Inc. (Hunt) for $6.8 million in cash. Hunt, based in Murfreesboro, Tennessee, is a manufacturer of meter pits and meter yokes which are sold by the Company s Mueller segment.

- On January 27, 2006, the Company acquired the operating assets of CCNE, L.L.C. (CCNE), a Connecticut-based manufacturer and seller of check valves to the water and wastewater treatment markets, for $8.8 million in cash. The Company acquired certain identifiable intangible assets in conjunction with the CCNE acquisition, resulting in additional annual amortization expense of approximately $1.5 million over the next four and a half years.

- The Company has entered into a tax allocation agreement (Tax Allocation Agreement) with Walter in connection with the IPO of the Company s Common Stock and the spin-off of the Company by Walter. Pursuant to the Tax Allocation Agreement, the Company and Walter will make payments to each other to compensate the payee for income taxes owed and paid by the payee, subject to certain adjustments, that would not have been payable by that party had each party filed separate federal, state and local income tax returns for those periods prior to the spin-off in which the Company filed combined, consolidated or unitary (as applicable) federal, state and local returns as a consolidated subsidiary of Walter. With respect to our tax assets, our right to reimbursement from Walter will be determined based on the usage of such tax assets by the Walter consolidated federal income tax group or the combined, consolidated or unitary state or local income tax group. For all periods prior to the spin-off, Walter will continue to have all the rights of a parent of a consolidated group, will be the sole and exclusive agent for us in any and all matters relating to the combined, consolidated or unitary federal, state and local income tax liabilities of us, will have sole and exclusive responsibility for the preparation and filing of consolidated federal income and consolidated or combined state and local tax returns (or amended returns), and will have the power to contest or compromise any asserted tax adjustment or deficiency and to file, litigate or compromise any claim for refund on behalf of us related to any such combined, consolidated or unitary (as applicable) federal, state or local tax return.

- The Company and Walter have also entered into a transition services agreement, effective as of May 26, 2006, pursuant to which the Company and Walter and certain of their respective subsidiaries will provide to each other certain services, including the provision by Walter to the Company of certain tax and accounting services, certain occupancy rights, certain human resources services (including benefit plan administration), certain communications systems and certain insurance. Services under the agreement are to be provided at a price sufficient to cover the provider s reasonable estimate of its actual costs and, if applicable, consistent with the prices such provider would charge to an affiliate, in each case without taking into account any profit margin or projected savings from increased efficiency. The term of the services to be provided varies on a service-by-service basis.

- On December 14, 2006, the Company and Walter entered into a joint litigation agreement, whereby the Company and Walter allocated responsibilities with respect to pending and future litigation and claims, agreed to share insurance coverages and third-party indeminification rights, where appropriate, and agreed generally to cooperate with each other regarding such litigation claims and rights going forward.

- Effective December 14, 2006, the Company and Walter entered into assignment and assumption agreements with regard to the employment agreements between Walter and each of Gregory E. Hyland and Raymond P. Torok. As of December 14, 2006, the employment of Messrs. Hyland and Torok with Walter was terminated and these executives became full-time executives at the Company. In addition, on December 15, 2006, in conjunction with the spin-off of the Company by Walter, the Company approved the grant of stock options and restricted stock units for the Company s Series A common stock pursuant to the Company s 2006 Stock Incentive Plan to replace the legacy share-based compensation instruments held by Walter employees that became Company employees upon the Walter spin-off of the Company. As a result, grants of approximately 464,000 non-qualified stock options with exercise prices ranging from approximately $2.00 to $21.00, and grants of approximately 414,000 restricted stock units, were approved by the Company.

- As of September 30, 2006, scrap metal costs for our U.S. Pipe segment declined nearly 17% from their peak in 2004. The average cost of scrap iron per ton produced during the three months ended September 30, 2006 increased nearly 24% compared to the average cost during the three months ended September 30, 2005. Recently scrap costs have decreased: the average cost of scrap iron per ton produced during the month of September 2006 decreased 5.2% over the average cost during the three months ended June 30, 2006.

- In the fiscal year ended September 30, 2006 and the twelve months ended September 30, 2005 (on a pro forma basis), approximately 38% and 37%, respectively, of our sales were to our ten largest distributors, and approximately 32% and 30%, respectively, of our sales were to our three largest distributors: Home Depot, Ferguson Enterprises and Groeniger. While our relationships with our ten largest distributors have been long-lasting, distributors in our industry have experienced significant consolidation in recent years. As consolidation among distributors continues, pricing pressure may result, which could lead to a significant decline in our profitability. For example, Home Depot acquired National Waterworks in 2005 and then acquired Hughes Supply in March 2006. As a result, two of our three previous largest distributors have been combined under common control. Moreover, the loss of either of Home Depot or Ferguson Enterprises as a distributor could significantly reduce our levels of sales and profitability.

- U.S. Pipe is considering the construction of a mini mill which will be designed to produce the Company s high-volume ductile iron pipe at costs lower than existing facilities. Construction of this facility could take approximately two to three years at an estimated capital cost of $40 million to $45 million. The timing and capital estimates, however, could change significantly depending on the final design and construction costs. U.S. Pipe plans to finance the construction through operating cash flow, existing cash on hand, local government incentives and funds available under the 2005 Mueller Credit Agreement.

- During the quarter ended December 31, 2005, the Company s U.S. Pipe segment had favorable demand for its ductile iron pipe products as a result of a reduction in the supply of PVC pipe. During this time period, Hurricane Katrina affected the supply of petroleum, which is a primary raw material used in the PVC manufacturing process.

- The Company has historically recorded related party corporate charges from Walter for services performed for the U.S. Pipe segment in the U.S. Pipe segment results. The related party corporate charges will cease on December 14, 2006 due to the spin-off of the Company, and such corporate charges will no longer be reflected in the U.S. Pipe segment results.

Forward-Looking Statements.

This report contains certain statements that may be deemed forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this report are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting our operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

Results of Operations

Fiscal Year Ended September 30, 2006 As Compared to the Twelve Months Ended September 30, 2005

	Fiscal year and twelve months ended September 30, 2006		2005		2006 vs. 2005	
	(dollars in millions)	Percentage of net sales(1)		Percentage of net sales(1)	Increase/ (decrease)	Percentage increase/ (decrease)
Net sales						
Mueller	$ 804.1	41.6 %	$	%	$ 804.1	
U.S. Pipe	594.7	30.8	598.1	100.0	(3.4)	(0.6)%
Anvil	534.6	27.6			534.6	
Consolidated	$ 1,933.4	100.0	$ 598.1	100.0	$ 1,335.3	
Gross profit						
Mueller	$ 223.0	27.7	$		$ 223.0	
U.S. Pipe	62.5	10.5	67.4	11.3	(4.9)	(7.3)
Anvil	122.6	22.9			122.6	
Consolidating eliminations	(0.4)				(0.4)	
Consolidated	$ 407.7	21.1	$ 67.4	11.3	$ 340.3	
Selling, general and administrative						
Mueller	$ 78.3	9.7	$		$ 78.3	
U.S. Pipe	43.2	7.3	39.1	6.5	4.1	10.5
Anvil	90.8	17.0			90.8	
Corporate	29.8	1.5			29.8	
Consolidated	$ 242.1	12.5	$ 39.1	6.5	$ 203.0	
Related party corporate charges						
Mueller	$		$		$	
U.S. Pipe	7.7	1.3	7.3	1.2	0.4	5.5
Anvil						
Corporate	0.3				0.3	
Consolidated	$ 8.0	0.4	$ 7.3	1.2	$ 0.7	9.6
Facility rationalization, restructuring and related costs						
Mueller	$		$		$	
U.S. Pipe	28.6	4.8			28.6	
Anvil						
Consolidated	$ 28.6	1.5	$		$ 28.6	
Income (loss) from operations						
Mueller	$ 144.7	18.0	$		$ 144.7	
U.S. Pipe	(17.0)	(2.9)	21.0	3.5	(38.0)	
Anvil	31.8	5.9			31.8	
Corporate	(30.1)	(1.6)			(30.1)	
Consolidating eliminations	(0.4)				(0.4)	
Consolidated	$ 129.0	6.7	$ 21.0	3.5	$ 108.0	
Interest expense arising from related party payable to Walter	$		$ (21.1)	(3.5)	$ 21.1	
Interest expense, net of interest income	(115.9)	(6.0)	(0.4)	(0.1)	(115.5)	
Income (loss) before income taxes	13.1	0.7	(0.5)	(0.1)	13.6	
Income tax expense	8.0	0.4	3.9	0.7	4.1	
Net income (loss)	$ 5.1	0.3	$ (4.4)	(0.7)	$ 9.5	

(1) Percentages are by segment, if applicable.

Net Sales. Consolidated net sales for the year ended September 30, 2006 were $1,933.4 million, an increase of $1,335.3 million from $598.1 million in the comparable prior year period. The increase was primarily related to the October 3, 2005 Acquisition of Predecessor Mueller, which accounted for almost all of the overall increase.

Mueller segment net sales for the year ended September 30, 2006 were $804.1 million.

U.S. Pipe segment net sales for the year ended September 30, 2006 were $594.7 million, a decrease of $3.4 million, or 0.6% from $598.1 million in the prior year period. This slight decrease was driven primarily by the transfer of $43.3 million of the U.S. Pipe segment valve and hydrant business to the Mueller segment. Offsetting this decrease were increases in ductile iron pipe selling prices and higher shipments in the first quarter of the current year.

Anvil segment net sales for the year ended September 30, 2006 were $534.6 million.

Gross Profit. Consolidated gross profit for the year ended September 30, 2006 was $407.7 million, an increase of $340.3 million compared to $67.4 million in the comparable prior year period. The Acquisition of Predecessor Mueller contributed $345.2 million. Included in cost of sales for the year ended September 30, 2006 was $70.2 million of purchase accounting adjustments related to valuing inventory acquired in the Acquisition at fair value and $21.3 million of inventory write-offs and unabsorbed overhead costs resulting from the closure of the U.S. Pipe Chattanooga manufacturing facility.

Mueller segment gross profit for the year ended September 30, 2006 was $223.0 million. Included in cost of sales for the year ended September 30, 2006 was $52.9 million of purchase accounting adjustments related to valuing inventory at fair value.

U.S. Pipe segment gross profit for the year ended September 30, 2006 was $62.5 million, a decrease of $4.9 million, or 7.3%, compared to $67.4 million in the prior year period. Gross margin decreased to 10.5% in the current period compared to 11.3% in the prior year period. On October 26, 2005 the Company announced that the U.S. Pipe Chattanooga plant would be closed during fiscal 2006 and that production of the U.S. Pipe valves and hydrants would be transferred to the Mueller manufacturing facilities at Albertville, Alabama and Chattanooga, Tennessee. In addition to transferring production to Mueller facilities, the sales responsibility for U.S. Pipe valve and hydrant product sales was transferred to the Mueller segment. In conjunction with this transfer, it was determined that certain U.S. Pipe inventory would not ultimately be sold. As a result, inventory obsolescence write-offs of $11.4 million were recorded to cost of sales during 2006.

In addition, because of the plant closure process, actual production capacity at the U.S. Pipe Chattanooga facility was significantly lower than normal capacity, resulting in facility expenses of $9.0 million and $0.9 million of other costs associated with the plant closure charged directly to cost of sales, which was expensed in 2006.

Excluding the charges for inventory write-offs of $11.4 million, facility expenses of $9.0 million and other costs of $0.9 million, U.S. Pipe gross margins would have been $83.8 million, or 14.1% for the current period, compared to 11.3% in the prior year period. This increase is primarily due to higher ductile iron pipe selling prices.

Anvil segment gross profit for the year ended September 30, 2006 was $122.6 million. Included in cost of sales for the year ended September 30, 2006 was $17.3 million of purchase accounting adjustments related to valuing inventory acquired in the Acquisition at fair value.

Selling, General & Administrative. Consolidated expenses for the year ended September 30, 2006 were $242.1 million, an increase of $203.0 million, compared to $39.1 million in the comparable prior year period. The prior year period included a favorable $5.1 million insurance claim settlement. The Acquisition of Predecessor Mueller accounted for $198.9 million of the increase. Expenses as a percentage of net sales increased to 12.5% in the current period compared to 6.5% in the prior year period. Excluding the $5.1 million favorable insurance settlement, prior year expenses were 7.4% as a percentage of net sales.

Mueller segment expenses for the year ended September 30, 2006 were $78.3 million.

U.S. Pipe segment expenses for the year ended September 30, 2006 were $43.2 million, compared to $39.1 million for the prior year period. As a percentage of net sales, expenses increased to 7.3% in the current period compared to 6.5% in the prior year period. The prior period expense was favorably impacted by a $5.1 million insurance claim settlement. In addition, current year costs include higher management incentive accruals and increased outside sales commissions.

Anvil segment expenses for the year ended September 30, 2006 were $90.8 million.

Corporate segment expenses for the year ended September 30, 2006 were $29.8 million.

Related Party Corporate Charges. Certain costs incurred by Walter such as insurance, executive salaries, professional service fees, human resources, transportation, and other centralized business functions are allocated to its subsidiaries. Costs incurred by Walter that cannot be directly attributed to its subsidiaries are allocated to its subsidiaries based on estimated annual revenues.

Facility Rationalization, Restructuring and Related Costs. The Company expensed $28.6 million of restructuring costs for the year ended September 30, 2006, related to the closure of the U.S. Pipe Chattanooga, Tennessee plant. These costs are comprised of fixed asset impairments of $21.5 million, severance for terminated hourly and salaried employees of $3.8 million, and pension and other post-employment benefit costs of $3.3 million.

Interest Expense Arising from Related Party Payable to Walter. Interest expense was allocated to the Company up to the date of the Acquisition based upon the outstanding balance of the intercompany note. The intercompany note to Walter of $443.6 million was forgiven by Walter prior to October 3, 2005. There was no intercompany interest expense for the year ended September 30, 2006 and $21.1 million for the twelve months ended September 30, 2005.

Interest Expense, Net of Interest Income. Interest expense, net of interest income, for the current period was $115.9 million compared to $0.4 million for the prior period:

	Twelve months ended September 30, 2006 (dollars in millions)	**Twelve months ended September 30, 2005**
Interest expense, net of interest income:		
Contractual interest expense	$ 109.9	$ 0.4
Deferred financing fee amortization	3.1	
Early debt redemption penalty	18.8	
Write off of deferred financing fees and fair value adjustments	(10.2)	
Bridge loan fee	2.5	
Interest rate swap gains	(0.4)	
Interest expense	123.7	0.4
Interest income	(7.8)	
Total interest expense, net of interest income	$ 115.9	$ 0.4

Income Tax Expense. The provision for income taxes for the current period was an expense of $8.0 million as compared to an expense of $3.9 million in the comparable prior year period. The effective tax rate for the year ended September 30, 2006 was 61.1%. The estimated effective tax rate differs from the statutory rate primarily due to non-deductible interest, manufacturing production deductions and state

income taxes. The effective tax rate for the twelve months ended September 30, 2005 was 780% and was impacted by recording the reversal of a $3.6 million valuation allowance against state deferred tax assets at the U.S. Pipe segment.

Nine Months Ended September 30, 2005 As Compared to the Nine Months Ended September 30, 2004

The Company had only one segment, U.S. Pipe, prior to the Acquisition of Predecessor Mueller on October 3, 2005. In December 2005, U.S. Pipe changed its fiscal year-end to September 30, which coincides with the fiscal year end of Predecessor Mueller. The results of operations for the nine months ended September 30, 2005 are compared to the comparable nine month period ended September 30, 2004 as follows:

	For the nine months ended September 30,	
	2005	**2004**
	(dollars in millions)	
Net revenues	$ 456.9	$ 437.2
Cost of sales	402.2	402.9
Gross profit	54.7	34.3
Selling, general and administrative expenses	25.9	25.0
Related party corporate charges	5.4	5.7
Restructuring and impairment charges		0.1
Operating income	23.4	3.5
Interest expense	(15.5)	(13.4)
Income (loss) before income tax expense	7.9	(9.9)
Income tax expense (benefit)	2.8	(3.9)
Net income (loss)	$ 5.1	$ (6.0)

Net Revenues. Net revenues were $456.9 million for the nine months ended September 30, 2005 compared to $437.2 million in the comparable prior year period. The increase was primarily due to a 20% increase in ductile iron pipe selling prices, partially offset by a 11% decrease in ductile iron pipe shipments mainly due to industry-wide delays in construction projects, some of which were due to weather-related problems. Prices were higher than the prior year as the industry has been increasing prices to offset higher scrap metal costs. Scrap metal costs increased from an average of $209 per ton in the nine months ended September 30, 2004 to an average of $223 per ton in the nine months ended September 30, 2005. Our pricing actions since September 2003 have offset scrap metal and other manufacturing cost increases.

Gross Profit. Gross margins increased to 12.0% for the nine months ended September 30, 2005 compared to 7.8% for the nine months ended September 30, 2004 as a result of higher ductile iron pipe selling prices, partially offset by higher scrap metal costs.

Operating Income. Operating income totaled $23.4 million for the nine months ended September 30, 2005 compared to $3.5 million in the comparable prior year period. The increase in operating income of $19.9 million was primarily due to higher pricing and an additional $3.2 million of insurance claim settlements, partially offset by lower volumes and higher scrap metal costs.

Interest Expense. Interest expense primarily relates to interest expense on the intercompany payable to Walter.

Income Tax Expense (Benefit). As more fully described in Note 7 to the financial statements, income tax expense was calculated as if U.S. Pipe filed on a stand alone basis for the nine months ended September 30, 2005, with the exception that the tax sharing agreement in place with Walter provided for

U.S. Pipe to receive an immediate benefit for its tax losses for Federal purposes. Under this historical tax policy, income tax expense was 35.4% of the pre-tax income for the nine months ended September 30, 2005 compared to an income tax benefit of 39.4% of the pre-tax loss for the nine months ended September 30, 2004. The decrease results from the recording of a valuation allowance in the fourth quarter of 2004 for state income tax attributes.

On a pro forma basis, assuming U.S. Pipe s deferred tax assets were evaluated for realization without regard to utilization by Walter, income tax expense would have been $1.6 million, or 20.3% of pre-tax income, for the nine months ended September 30, 2005 compared to a pro forma income tax expense of $7.2 million, or 72.7% of pre-tax loss for the nine months ended September 30, 2004. The change in the pro forma effective tax rate results from the utilization in 2005 of a pro forma net operating loss carryforward generated for the nine months ended September 30, 2004, for which a valuation allowance would have been established during 2004.

Supplemental Information Results of Operations for the Fiscal Year Ended September 30, 2006 Compared to Pro Forma Results of Operations for the Twelve Months Ended September 30, 2005

The unaudited pro forma results of operations for the twelve months ended September 30, 2005 is presented as if the Acquisition of Predecessor Mueller and borrowings under the 2005 Mueller Credit Agreement had taken place on October 1, 2004 and were carried forward through September 30, 2005.

Pro Forma Results of Operations

Actual Fiscal Year Ended September 30, 2006 As Compared to the Pro Forma Twelve Months Ended September 30, 2005

	Fiscal year and twelve months ended September 30, Actual 2006	**Percentage of net sales(1)**	**Pro Forma 2005**	**Percentage of net sales(1)**	**Actual 2006 vs. Pro Forma 2005 Increase/ (decrease)**	**Percentage increase/ (decrease)**
	(dollars in millions)					
Net sales						
Mueller	$ 804.1	41.6 %	$ 664.0	38.0 %	$ 140.1	21.1 %
U.S. Pipe	594.7	30.8	598.1	34.2	(3.4)	(0.6)
Anvil	534.6	27.6	485.0	27.8	49.6	10.2
Consolidated	$ 1,933.4	100.0	$ 1,747.1	100.0	$ 186.3	10.7
Gross profit						
Mueller	$					