
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2009

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

Commission File Number 001-32892

MUELLER WATER PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware

20-3547095

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1200 Abernathy Road N.E.

Suite 1200

Atlanta, GA 30328

(Address of principal executive offices)

(770) 206-4200

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

There were 154,326,064 shares of Series A common stock of the registrant outstanding at January 31, 2010.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31,	September 30,
	<u>2009</u>	<u>2009</u>
	(in millions)	
Assets:		
Cash and cash equivalents	\$ 124.0	\$ 61.5
Receivables, net	140.6	216.3
Inventories	303.0	342.8
Deferred income taxes	29.0	30.8
Assets held for sale	35.6	13.9
Other current assets	57.9	80.8
Total current assets	<u>690.1</u>	<u>746.1</u>
Property, plant and equipment, net	286.8	296.4
Identifiable intangible assets, net	656.2	663.6
Other noncurrent assets	32.8	33.4
Total noncurrent assets	<u>975.8</u>	<u>993.4</u>
Total assets	<u>\$ 1,665.9</u>	<u>\$ 1,739.5</u>
Liabilities and stockholders' equity:		
Current portion of long-term debt	\$ 11.7	\$ 11.7
Accounts payable	74.3	111.7
Other current liabilities	74.1	97.4
Total current liabilities	160.1	220.8
Long-term debt	725.7	728.5
Deferred income taxes	180.4	180.0
Other noncurrent liabilities	169.8	173.9
Total liabilities	<u>1,236.0</u>	<u>1,303.2</u>
Commitments and contingencies (Note 13)		
Series A common stock: 600,000,000 shares authorized; 154,295,036 shares and 153,790,887 shares outstanding at December 31, 2009 and September 30, 2009, respectively		
	1.5	1.5
Additional paid-in capital	1,598.8	1,599.0
Accumulated deficit	(1,089.0)	(1,078.3)
Accumulated other comprehensive loss	(81.4)	(85.9)
Total stockholders' equity	<u>429.9</u>	<u>436.3</u>
Total liabilities and stockholders' equity	<u>\$ 1,665.9</u>	<u>\$ 1,739.5</u>

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

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended	
	December 31,	
	2009	2008
	(in millions, except per share amounts)	
Net sales	\$ 313.1	\$ 367.7
Cost of sales	<u>257.2</u>	<u>292.7</u>
Gross profit	<u>55.9</u>	<u>75.0</u>
Operating expenses:		
Selling, general and administrative	55.2	62.3
Impairment	-	400.0
Restructuring	<u>0.4</u>	<u>(0.2)</u>
Total operating expenses	<u>55.6</u>	<u>462.1</u>
Income (loss) from operations	0.3	(387.1)
Interest expense, net	16.8	17.3
Gain on repurchase of debt	<u>-</u>	<u>(1.5)</u>
Loss before income taxes	(16.5)	(402.9)
Income tax benefit	<u>(5.8)</u>	<u>(2.9)</u>
Net loss	<u>\$ (10.7)</u>	<u>\$ (400.0)</u>
Basic and diluted net loss per share	<u>\$ (0.07)</u>	<u>\$ (3.47)</u>
Weighted average basic and diluted shares outstanding	<u>154.0</u>	<u>115.4</u>
Dividends declared per share	<u>\$ 0.0175</u>	<u>\$ 0.0175</u>

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

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED DECEMBER 31, 2009
(UNAUDITED)

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumu- lated deficit</u> (in millions)	<u>Accumulated other comprehensive loss</u>	<u>Total</u>
Balance at September 30, 2009	\$ 1.5	\$ 1,599.0	\$ (1,078.3)	\$ (85.9)	\$ 436.3
Net loss	-	-	(10.7)	-	(10.7)
Dividends declared	-	(2.7)	-	-	(2.7)
Stock-based compensation	-	2.4	-	-	2.4
Stock issued under stock compensation plans	-	0.1	-	-	0.1
Net unrealized gain on derivatives	-	-	-	1.1	1.1
Foreign currency translation	-	-	-	2.5	2.5
Minimum pension liability	-	-	-	0.9	0.9
Balance at December 31, 2009	<u>\$ 1.5</u>	<u>\$ 1,598.8</u>	<u>\$ (1,089.0)</u>	<u>\$ (81.4)</u>	<u>\$ 429.9</u>

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

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended December 31,	
	2009	2008
	(in millions)	
Operating activities:		
Net loss	\$ (10.7)	\$ (400.0)
Adjustments to reconcile loss to net cash provided by (used in) operating activities:		
Depreciation	13.0	15.5
Amortization	7.8	7.3
Impairment	-	400.0
Gain on repurchase of debt	-	(1.5)
Stock-based compensation	2.4	3.3
Deferred income taxes	(1.1)	1.1
Other, net	(0.4)	4.3
Changes in assets and liabilities:		
Receivables	62.6	84.2
Inventories	20.0	(34.6)
Other assets	25.2	(9.9)
Accounts payable and other liabilities	(58.7)	(87.6)
Net cash provided by (used in) operating activities	<u>60.1</u>	<u>(17.9)</u>
Investing activities:		
Capital expenditures	(8.7)	(10.0)
Proceeds from sales of assets	14.0	3.9
Net cash provided by (used in) investing activities	<u>5.3</u>	<u>(6.1)</u>
Financing activities:		
Increase (decrease) in outstanding checks	1.8	(0.3)
Debt paid and repurchased	(2.8)	(4.9)
Common stock issued	0.1	0.2
Dividends paid	(2.7)	(2.0)
Net cash used in financing activities	<u>(3.6)</u>	<u>(7.0)</u>
Effect of currency exchange rate changes on cash	<u>0.7</u>	<u>(1.1)</u>
Net change in cash and cash equivalents	62.5	(32.1)
Cash and cash equivalents at beginning of period	<u>61.5</u>	<u>183.9</u>
Cash and cash equivalents at end of period	<u>\$ 124.0</u>	<u>\$ 151.8</u>

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

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009
(UNAUDITED)

Note 1. Organization and Basis of Presentation

Mueller Water Products, Inc., a Delaware corporation, together with its consolidated subsidiaries, operates in three business segments: Mueller Co., U.S. Pipe and Anvil. Mueller Co. manufactures valves for water and gas systems, including butterfly, iron gate, tapping, check, plug and ball valves, as well as dry-barrel and wet-barrel fire hydrants and a full range of metering products for the water infrastructure industry. U.S. Pipe manufactures a broad line of ductile iron pipe, joint restraint products, fittings and other ductile iron products. Anvil produces and sources a broad range of products including a variety of fittings, couplings, hangers, nipples and related pipe products. The “Company,” “we,” “us” or “our” refer to Mueller Water Products, Inc. and subsidiaries or their management. With regard to the Company’s segments, “we,” “us” or “our” may also refer to the segment being discussed or its management.

On October 3, 2005, Walter Energy, Inc. (“Walter Energy”, formerly Walter Industries, Inc.) acquired all outstanding shares of a predecessor company comprising the current Mueller Co. and Anvil businesses (the “Mueller Acquisition”) and contributed them to its U.S. Pipe business to form the Company as it currently exists. We completed an initial public offering of our Series A common stock (NYSE: MWA) on June 1, 2006 and, on December 14, 2006, Walter Energy distributed all of our then-outstanding Series B common stock to its shareholders (the “Spin-off”). On January 28, 2009, each share of Series B common stock was converted into one share of Series A common stock. On September 23, 2009, we completed a public offering of our Series A common stock.

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which require us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. All significant intercompany balances and transactions have been eliminated. In our opinion, all normal and recurring adjustments that we consider necessary for a fair financial statement presentation have been made. The condensed consolidated balance sheet data at September 30, 2009 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. Certain reclassifications have been made to previously reported amounts to conform to current period presentation.

Note 2. Goodwill and other identifiable intangible assets

Goodwill. As a result of a deterioration of U.S. equity markets during the three months ended December 31, 2008, we performed a preliminary assessment of goodwill at December 31, 2008 and concluded that the carrying values of our U.S. Pipe and Mueller Co. segments exceeded their estimated fair values. Accordingly, we reported estimated goodwill impairment losses of \$400.0 million. During the three months ended March 31, 2009, our common stock began trading at prices significantly lower than prior periods. Our lower market capitalization prompted us to perform a second interim impairment assessment at March 31, 2009. This testing led to the conclusion that all of our remaining goodwill was fully impaired and during the three months ended March 31, 2009, we recorded additional goodwill impairment losses of \$469.5 million. In performing these analyses, we relied upon both Level 2 data (publicly observable data such as market interest rates, our stock price, the stock prices of peer companies and the capital structures of peer companies) and Level 3 data (internal data such as our operating and cash flow projections).

The changes in the carrying amount of goodwill in the year ended September 30, 2009 are presented below.

	<u>Mueller Co.</u>	<u>U.S. Pipe</u> (in millions)	<u>Anvil</u>	<u>Total</u>
Gross goodwill at October 1, 2008	\$ 719.2	\$ 59.5	\$ 92.8	\$ 871.5
Impairment recognized at December 31, 2008	(340.5)	(59.5)	-	\$ (400.0)
Adjustment related to preacquisition tax contingencies at December 31, 2008	(0.7)	-	(0.1)	(0.8)
Impairment recognized at March 31, 2009	(376.8)	-	(92.7)	(469.5)
Adjustment related to preacquisition tax contingencies at March 31, 2009	(1.2)	-	-	(1.2)
Balances at September 30, 2009:				
Gross goodwill	717.3	59.5	92.7	869.5
Accumulated impairment losses	(717.3)	(59.5)	(92.7)	(869.5)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other identifiable intangible assets. In conjunction with the testing of goodwill for impairment, we also compared the estimated fair values of our identified other intangible assets to their respective carrying values and determined that the carrying amount of trade names at Mueller Co. had been impaired. At March 31, 2009, we recorded an impairment charge against these assets of \$101.4 million. In performing this analysis, we relied upon both Level 2 data, most notably market interest rates and operating margins of peer companies, and Level 3 data, including our projections of Mueller Co. net sales and operating margins. Mueller Co.'s trade names have a remaining carrying value of \$263.0 million at December 31, 2009.

We expense legal and other costs associated with the renewal or extension of our recognized intangible assets as incurred. Such expenses were not material in the three months ended December 31, 2009 or 2008.

Note 3. Divestitures, Assets Held for Sale, and Acquisition

Anvil sold certain of the assets of Picoma, its electrical fittings business, in November 2009 in exchange for cash and certain assets of Seminole Tubular Company that complement our existing mechanical pipe nipple business. These Picoma assets were classified as held for sale at September 30, 2009. We recorded a pre-tax gain of \$1.6 million to selling, general and administrative expenses in connection with this transaction. The estimated values of assets classified as held for sale at September 30, 2009, the book values of the assets sold and the fair values of assets received during the three months ended December 31, 2009 are presented below.

	December 31,	September 30,
	<u>2009</u>	<u>2009</u>
	(in millions)	
Assets sold:		
Receivables	\$ 5.0	\$ 5.2
Inventories	4.4	4.7
Other current assets	0.3	-
Property, plant, and equipment, net	2.5	2.7
Identifiable intangible assets	<u>1.3</u>	<u>1.3</u>
	<u>\$ 13.5</u>	<u>\$ 13.9</u>
Severance liability incurred	<u>\$ 0.6</u>	
Assets acquired:		
Cash	\$ 12.3	
Receivables	1.6	
Inventories	1.3	
Identifiable intangible assets	<u>0.5</u>	
	<u>\$ 15.7</u>	

In January 2010, we sold Anvil's Mueller Flow Control ("MFC") business for \$46.4 million, subject to post closing adjustments. The assets of MFC were classified as held for sale at December 31, 2009. MFC is a wholesale distributor in Canada and primarily sells third party sourced products and products manufactured by Anvil, Mueller Co. and their subsidiaries directly to contractors and other end use customers. MFC's fiscal 2009 net sales were approximately \$107, million and its operating income was not material to the Company's operating income. In connection with this transaction, we also entered into a 3 1/2 year supply agreement with the buyer requiring the buyer to purchase at least a specified amount of products from Anvil. The estimated fair values of MFC's net assets are presented below.

	December 31,	September 30,
	<u>2009</u>	<u>2009</u>
	(in millions)	
Receivables	\$ 15.8	\$ 19.3
Inventories	22.6	25.2
Prepaid expenses and other current assets	0.3	-
Property, plant, and equipment, net	4.9	4.7
Identifiable intangible assets	-	3.5
Accounts payable and accrued liabilities	<u>(8.0)</u>	<u>(10.7)</u>
	<u>\$ 35.6</u>	<u>\$ 42.0</u>

Note 4. Income Taxes

At December 31, 2009 and September 30, 2009, the gross liabilities for unrecognized income tax benefits were \$13.4 million and \$16.2 million, respectively. The decrease in gross unrecognized tax benefits was primarily related to the effective settlement of certain state tax matters, including payments of \$2.0 million.

We recognize interest related to uncertain income tax positions as interest expense and would recognize any penalties that may be incurred as selling, general and administrative expenses. At December 31, 2009 and September 30, 2009, we had \$2.5 million and \$2.7 million, respectively, of accrued interest related to uncertain tax positions. In the three months ended December 31, 2009, we reversed to income \$0.2 million of tax-related accrued interest, primarily due to state tax settlements. We reversed to income \$0.3 million of such accrued interest in the three months ended December 31, 2008.

Tax years dating back to 2003 generally remain open to examination by various U.S. and foreign taxing authorities.

The effective income tax rate applied to our operating loss in the three months ended December 31, 2009 was 35.2%, which included state income tax benefits of 4.9% offset by the unfavorable effect of nondeductible expenses and miscellaneous other items totaling 4.7%. Our effective income tax rate on the operating loss before the impact from the goodwill impairment was 100.0% in the three months ended December 31, 2008 due primarily to the release of a \$1.2 million valuation allowance related to nondeductible compensation and a \$0.4 million favorable resolution of state tax matters.

Note 5. Borrowing Arrangements

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

	December 31, 2009	September 30, 2009
	(in millions)	
2007 Credit Agreement:		
Term Loan A	\$ 64.5	\$ 66.5
Term Loan B	251.2	252.0
7 ³ / ₈ % Senior Subordinated Notes	420.0	420.0
Other	1.7	1.7
	<u>737.4</u>	<u>740.2</u>
Less current portion	(11.7)	(11.7)
	<u>\$ 725.7</u>	<u>\$ 728.5</u>

2007 Credit Agreement. At December 31, 2009, our amended credit agreement (the “2007 Credit Agreement”) consisted of a \$200 million senior secured revolving credit facility (the “Revolver”), a \$64.5 million term loan (“Term Loan A”) and a \$251.2 million term loan (“Term Loan B”). The 2007 Credit Agreement contains customary covenants and events of default, including covenants that limit our ability to incur debt, pay dividends and make investments. Substantially all of our real and personal property has been pledged as collateral under the 2007 Credit Agreement.

Borrowings under the 2007 Credit Agreement bear interest at a floating rate equal to LIBOR plus a margin ranging from 500 to 600 basis points depending on our consolidated senior secured first lien leverage ratio, as defined in the 2007 Credit Agreement. At December 31, 2009, the applicable margin was 500 basis points.

The Revolver terminates in May 2012, and there were no outstanding borrowings under the Revolver at December 31, 2009. For any unused borrowing capacity under the Revolver, we pay a commitment fee, which ranges from 50 to 75 basis points depending on our consolidated senior secured first lien leverage ratio. At December 31, 2009, the applicable fee was 50 basis points. The borrowing capacity under the Revolver is subject to the financial covenants and is reduced by outstanding letters of credit, which totaled \$39.8 million at December 31, 2009.

In January 2010, we settled an interest rate swap contract with a notional value of \$50 million with a payment of \$4.0 million and made principal payments of \$8.2 million on our Term Loan A and \$31.8 million on our Term Loan B. As a result, the required quarterly principal payments declined.

Term Loan A matures in May 2012. The 2007 Credit Agreement requires quarterly payments of \$1.8 million and payment of the remaining balance at maturity. At December 31, 2009, the weighted-average effective interest rate was 8.4%, including the margin and the effects of interest rate swap contracts. Based on information provided by an external source, we estimate the fair value of the outstanding borrowings for Term Loan A was \$64.1 million at December 31, 2009.

Term Loan B matures in May 2014. The 2007 Credit Agreement requires quarterly payments of \$0.7 million and payment of the remaining balance at maturity. The weighted-average effective interest rate was 9.9%, including the margin and the effects of interest rate swap contracts at December 31, 2009. Based on information provided by an external source, we estimate the fair value of the outstanding borrowings for Term Loan B was \$248.2 million at December 31, 2009.

7 3/8 % Senior Subordinated Notes. The 7 3/8 % Senior Subordinated Notes (the "Notes") mature in June 2017 and bear interest at 7.375%, paid semi-annually. Based on quoted market prices, the outstanding Notes had a fair value of \$389.6 million at December 31, 2009.

In the three months ended December 31, 2008, we acquired \$5.0 million in principal of the Notes in the open market for \$3.4 million in cash. This resulted in a gain on repurchase of debt of \$1.5 million after writing off related deferred financing fees of \$0.1 million.

The indenture securing the Notes contains customary covenants and events of default, including covenants that limit our ability to incur debt, pay dividends and make investments. Substantially all of our United States subsidiaries guarantee the Notes.

We were in compliance with all applicable debt covenants at December 31, 2009.

Note 6. Derivative Financial Instruments

We are exposed to certain risks relating to our ongoing business operations that we manage to some extent using derivative instruments. These are interest rate risk, foreign exchange risk and commodity price risk. We enter into interest rate swap contracts to manage interest rate risk associated with our variable-rate borrowings. We enter into natural gas swap contracts to manage the price risk associated with future purchases of natural gas used in our manufacturing processes. We enter into foreign currency forward exchange contracts to manage foreign currency exchange risk associated with our Canadian-dollar denominated intercompany loan.

We have designated our interest rate swap contracts and natural gas swap contracts as cash flow hedges of our future interest payments and purchases of natural gas, respectively. As a result, the effective portion of the gain or loss on these contracts is reported as a component of other comprehensive loss and reclassified into earnings in the same periods during which the hedged transactions affect earnings. Gains and losses on those contracts representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Interest Rate Swap Contracts. Our interest rate swap contracts result in payments of interest at fixed rates ranging from 3.4% to 5.0% and expire at various dates through September 2012. Our outstanding interest rate swap contracts at December 31, 2009 and September 30, 2009 are presented below. We also had a \$100.0 million total notional amount forward-starting interest rate swap contract that will begin at a future date. This interest rate swap contract is also designated as a cash flow hedge of future interest payments.

<u>Rate benchmark</u>	<u>Hedged loan principal</u>	
	<u>December 31, 2009</u>	<u>September 30, 2009</u>
	(in millions)	
90-day LIBOR	\$ 275.0	\$ 275.0

The effects of our interest rate swap contracts on the consolidated statements of operations are presented below.

	<u>Three months ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in millions)	
Gain (loss) recognized in other comprehensive loss	\$ 1.1	\$ (10.6)
Loss reclassified from accumulated other comprehensive loss into income	(3.0)	(1.1)

In January 2010, we settled a \$50.0 million notional value interest rate swap contract with a payment of \$4.0 million and made principal payments of \$40.0 million on term loan borrowings, including \$7.8 million that had been hedged.

Natural Gas Swap Contracts. Our natural gas swap contracts result in fixed natural gas purchase prices ranging from \$5.60 per MMBtu to \$6.05 per MMBtu through September 2010. Our outstanding natural gas swap contracts at December 31, 2009 and September 30, 2009 are presented below.

<u>Rate benchmark</u>	<u>Hedged MMBtu</u>	
	<u>December 31, 2009</u>	<u>September 30, 2009</u>
NYMEX natural gas	348,000	434,000

The effects of our natural gas swap contracts on the consolidated statements of operations are presented below.

	<u>Three months ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in millions)	
Gain (loss) recognized in other comprehensive loss	\$ -	\$ (0.4)
Gain (loss) reclassified from accumulated other comprehensive loss into income	0.1	(0.4)
Ineffectiveness loss recognized in income	(0.3)	(0.3)

Foreign Currency Forward Contracts. Our outstanding foreign currency forward contracts at December 31, 2009 and September 30, 2009 are presented below.

<u>Rate benchmark</u>	<u>Hedged Canadian dollars</u>	
	<u>December 31, 2009</u>	<u>September 30, 2009</u>
	(in millions)	
Canadian dollar	28.0	28.0

Gains and losses on our foreign currency forward contracts are included in selling, general, and administrative expenses, where they offset transaction losses and gains recorded in connection with intercompany loans. The effects of our foreign currency forward contracts on the consolidated statements of operations are presented below.

	Three months ended	
	December 31,	
	<u>2009</u>	<u>2008</u>
	(in millions)	
Gain (loss) recognized in income	\$ (0.6)	\$ (3.3)

In January 2010, we settled our outstanding foreign currency forward contracts with a payment of \$1.7 million.

Our derivative contracts were recorded at fair value using publicly observable data such as market interest rates, and market natural gas prices. The fair values of our derivative contracts are presented below.

	December 31, 2009		September 30, 2009	
	<u>Balance sheet location</u>	<u>Fair value</u>	<u>Balance sheet location</u>	<u>Fair value</u>
		(in millions)		
Liability derivatives:				
Derivatives designated as hedging instruments:				
Interest rate swaps	Other noncurrent liabilities	\$ 17.0	Other noncurrent liabilities	\$ 18.8
Natural gas swaps	Other current liabilities	0.1	Other current liabilities	-
		17.1		18.8
Derivatives not designated as hedging instruments:				
Foreign currency forwards	Other current liabilities	1.3	Other noncurrent liabilities	0.7
		<u>\$ 18.4</u>		<u>\$ 19.5</u>

Note 7. Retirement Plans

The components of net periodic benefit cost for defined benefit pension plans and other postretirement benefit plans are as follows.

	Three months ended December 31,			
	Pension plans		Other plans	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(in millions)			
Components of net periodic benefit cost:				
Service cost	\$ 1.1	\$ 1.0	\$ -	\$ 0.1
Interest cost	5.2	5.8	0.1	0.1
Expected return on plan assets	(5.5)	(5.4)	-	-
Amortization of prior service cost (gain)	0.2	0.2	(0.7)	(0.8)
Amortization of net loss (gain)	2.4	0.8	(0.3)	(0.4)
Net periodic benefit cost (gain)	<u>\$ 3.4</u>	<u>\$ 2.4</u>	<u>\$ (0.9)</u>	<u>\$ (1.0)</u>

The amortization of unrecognized prior service cost and of actuarial net losses, net of tax, are recorded as components of accumulated other comprehensive loss. We recorded a decrease to accumulated other comprehensive

loss of \$0.9 million during the three months ended December 31, 2009 and an increase to accumulated other comprehensive loss of \$0.1 million during the three months ended December 31, 2008.

During the three months ended December 31, 2009, we contributed \$2.6 million to our defined benefit pension plans. We estimate we will contribute \$23 million to \$25 million to our pension plans during the year ending September 30, 2010. We also expect to contribute \$0.7 million to our other postretirement benefit plans in the year ending September 30, 2010.

Note 8. Stock-based Compensation Plans

We granted equity awards under our Mueller Water Products, Inc. Amended and Restated 2006 Stock Incentive Plan and Mueller Water Products, Inc. 2006 Employee Stock Purchase Plan during the three months ended December 31, 2009 as follows.

	<u>Number of instruments</u> (in millions, except per instrument value)	<u>Weighted average fair value per instrument</u>	<u>Total fair value</u>
Three months ended December 31, 2009:			
Restricted stock units	0.8	\$ 5.05	\$ 4.1
Non-qualified stock options	1.3	1.70	2.3
Employee stock purchase plan instruments	<u>0.1</u>	1.51	<u>0.1</u>
	<u>2.2</u>		<u>\$ 6.5</u>

We recorded stock-based compensation expense of \$2.4 million in the three months ended December 31, 2009. At December 31, 2009, there was approximately \$12.0 million of unrecognized compensation expense related to stock awards.

We recorded net losses in the three months ended December 31, 2009 and 2008. Because the effect of including normally dilutive securities in the earnings per share calculation would have been antidilutive, all stock-based compensation instruments were excluded from the calculation of diluted net loss per share for the three months ended December 31, 2009 and 2008.

Note 9. Supplemental Balance Sheet Information

Selected supplemental balance sheet information is presented below.

	December 31,	September 30,
	<u>2009</u>	<u>2009</u>
	(in millions)	
Inventories:		
Purchased materials and manufactured parts	\$ 55.9	\$ 56.7
Work in process	83.8	83.8
Finished goods	<u>163.3</u>	<u>202.3</u>
	<u>\$ 303.0</u>	<u>\$ 342.8</u>
Other current assets:		
Income taxes	\$ 19.2	\$ 42.0
Maintenance and repair tooling	31.5	31.3
Other	<u>7.2</u>	<u>7.5</u>
	<u>\$ 57.9</u>	<u>\$ 80.8</u>
Property, plant and equipment, net:		
Land	\$ 24.4	\$ 24.9
Buildings	91.3	97.9
Machinery and equipment	601.7	633.8
Construction in progress	<u>18.2</u>	<u>17.2</u>
	735.6	773.8
Accumulated depreciation	<u>(448.8)</u>	<u>(477.4)</u>
	<u>\$ 286.8</u>	<u>\$ 296.4</u>
Other current liabilities:		
Compensation and benefits	\$ 27.7	\$ 40.5
Cash discounts and rebates	15.9	14.2
Taxes other than income taxes	5.5	10.1
Interest	6.6	14.7
Warranty	3.7	4.0
Severance	0.2	0.2
Restructuring	2.5	3.4
Income taxes	0.2	0.3
Environmental	0.3	0.5
Foreign currency swap contracts	1.3	-
Other	<u>10.2</u>	<u>9.5</u>
	<u>\$ 74.1</u>	<u>\$ 97.4</u>

Note 10. Comprehensive Loss

Comprehensive losses in the three months ended December 31 are presented below.

	Three months ended December 31,	
	2009	2008
	(in millions)	
Net loss	\$ (10.7)	\$ (400.0)
Adjustments, net of tax, to:		
Net unrealized gain (loss) on derivative instruments	1.1	(11.0)
Foreign currency translation	2.5	(11.1)
Minimum pension liability	<u>0.9</u>	<u>(0.1)</u>
Comprehensive loss	<u>\$ (6.2)</u>	<u>\$ (422.2)</u>

Accumulated other comprehensive loss is presented below.

	December 31,	September 30,
	2009	2009
	(in millions)	
Net unrealized loss on derivatives	\$ (10.3)	\$ (11.4)
Foreign currency translation	6.5	4.0
Minimum pension liability	<u>(77.6)</u>	<u>(78.5)</u>
Accumulated other comprehensive loss	<u>\$ (81.4)</u>	<u>\$ (85.9)</u>

Note 11. Non-cash Transactions

In connection with the Picoma transaction described in Note 3, we acquired receivables with a fair value of \$1.6 million, inventories with a fair value of \$1.3 million and identifiable intangible assets with a fair value of \$0.5 million in a non-cash transaction.

During the three months ended December 31, 2008, we resolved certain tax matters relating to Mueller Co. and Anvil involving periods prior to the Mueller Acquisition. The resolution of these matters had the effect of decreasing goodwill and accrued liabilities by \$0.8 million each.

Note 12. Segment Information

Segment assets consist primarily of receivables, inventories, property, plant and equipment and intangible assets. Summarized financial information for our segments is as follows.

	Three months ended December 31,	
	2009	2008
	(in millions)	
Net sales, excluding intersegment sales:		
Mueller Co.	\$ 133.3	\$ 119.6
U.S. Pipe	79.7	115.7
Anvil	100.1	132.4
	<u>\$ 313.1</u>	<u>\$ 367.7</u>
Intersegment sales:		
Mueller Co.	\$ 3.9	\$ 4.3
U.S. Pipe	0.4	0.3
Anvil	0.2	0.2
	<u>\$ 4.5</u>	<u>\$ 4.8</u>
Income (loss) from operations*:		
Mueller Co.	\$ 15.9	\$ (332.0)
U.S. Pipe	(12.2)	(65.8)
Anvil	4.5	21.3
Corporate	(7.9)	(10.6)
	<u>\$ 0.3</u>	<u>\$ (387.1)</u>
Depreciation:		
Mueller Co.	\$ 5.7	\$ 6.1
U.S. Pipe	4.2	5.9
Anvil	3.0	3.3
Corporate	0.1	0.2
	<u>\$ 13.0</u>	<u>\$ 15.5</u>
Amortization of identifiable intangible assets:		
Mueller Co.	\$ 6.7	\$ 6.2
U.S. Pipe	0.2	0.2
Anvil	0.9	0.9
	<u>\$ 7.8</u>	<u>\$ 7.3</u>
Capital expenditures:		
Mueller Co.	\$ 3.7	\$ 3.3
U.S. Pipe	4.0	3.4
Anvil	1.0	3.2
Corporate	-	0.1
	<u>\$ 8.7</u>	<u>\$ 10.0</u>

* Income (loss) from operations during the three months ended December 31, 2008 includes goodwill impairment of \$340.5 million for Mueller Co. and \$59.5 million for U.S. Pipe.

Note 13. Commitments and Contingencies

We are involved in various legal proceedings that have arisen in the normal course of operations, including the proceedings summarized below. We accrue expenses relating to these matters when a loss is probable and the amount is reasonably estimable. We expense administrative and defense costs related to these matters as incurred. The effect of the outcome of these matters on our future results of operations cannot be predicted with certainty as any such effect depends on future results of operations and the amount and timing of the resolution of such matters. Other than the litigation described below, we do not believe that any of our outstanding litigation would have a material adverse effect on our businesses, operations or prospects.

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

In September 1987, we implemented an Administrative Consent Order (“ACO”) for our Burlington 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 we have completed, and have received final approval on, the soil cleanup required by the ACO. We are continuing to address ground water issues at this site. Further remediation could be required. Long-term ground water monitoring is also required to verify natural attenuation. We do not know how long ground water monitoring will be required and do not believe monitoring or further remediation costs will have a material adverse effect on our consolidated financial condition or results of operations.

In June 2003, Solutia Inc. and Pharmacia Corporation (collectively “Solutia”) filed suit against U.S. Pipe and a number of co-defendant foundry-related companies in the U.S. District Court for the Northern District of Alabama for contribution and cost recovery allegedly incurred and to be incurred by Solutia in performing remediation of polychlorinated biphenyls (“PCBs”) and heavy metals in Anniston, Alabama, pursuant to a partial consent decree with the United States Environmental Protection Agency (“EPA”). U.S. Pipe and certain co-defendants subsequently reached a settlement with the EPA concerning their liability for certain contamination in and around Anniston, which was memorialized in an Administrative Agreement and Order on Consent (“AOC”) that became effective in January 2006. U.S. Pipe has reached a settlement agreement whereby Phelps Dodge Industries, Inc., a co-defendant and co-respondent on the AOC, has assumed U.S. Pipe’s obligation to perform the work required under the AOC.

U.S. Pipe and the other settling defendants contend that the legal effect of the AOC extinguishes Solutia’s claims and they filed a motion for summary judgment to that effect. Discovery in this matter had been stayed while the motion for summary judgment was pending. In June 2008, the court issued a summary judgment order, holding that plaintiffs’ claims for contribution are barred by the AOC but giving plaintiffs the right to seek to recover cleanup costs they voluntarily incurred. The court granted a motion for immediate appeal to the Eleventh Circuit Court of Appeals, but the Eleventh Circuit declined to take the appeal. The parties engaged in fact discovery in 2009, and U.S. Pipe has moved for reconsideration of the June 2008 summary judgment order; that order permitted plaintiffs to proceed with their claims to seek recovery of clean up costs under Section 107(a) of CERCLA. We currently have no basis to form a view with respect to the probability or amount of liability in this matter.

U.S. Pipe and a number of co-defendant foundry-related companies were named in a putative civil class action case originally filed in April 2005 in the Circuit Court of Calhoun County, Alabama, and removed by defendants 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 in December 2006. The amended complaint alleged 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 originally sought damages for real and personal property and for other unspecified personal injury. In June 2007, a motion to dismiss was granted to U.S. Pipe and certain co-defendants as to the claims for negligence, failure to warn, nuisance, trespass and outrage. The remainder of the complaint was dismissed with leave to file an amended complaint. On July 6, 2007, plaintiffs filed a second amended complaint, which dismissed prior claims relating to U.S. Pipe’s former facility located at 2101 West 10th Street in Anniston, Alabama and no longer alleges personal injury claims. Plaintiffs filed a third amended complaint on July 27, 2007. U.S. Pipe and the other defendants have moved to dismiss the third amended complaint. In September 2008, the court

issued an order on the motion, dismissing the claims for wantonness and permitting the plaintiffs to move forward with their claims of nuisance, trespass and negligence. Management believes that numerous procedural and substantive defenses are available. We currently have no basis to form a view with respect to the probability or amount of liability in this matter.

In the acquisition agreement pursuant to which a predecessor to Tyco International Ltd. (“Tyco”) sold our Mueller Co. and Anvil businesses to the prior owners of these businesses in August 1999, Tyco agreed to indemnify Mueller Co., Anvil and their affiliates, among other things, for all “Excluded Liabilities”. Excluded Liabilities include, among other things, substantially all liabilities of Mueller Co., Anvil and their affiliates prior to August 1999. The indemnity survives indefinitely and is not subject to any deductibles or caps. However, we 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 us or the operation of our businesses after August 1999, nor does it cover liabilities arising with respect to businesses or sites acquired after August 1999. In June 2007, Tyco was separated into three separate, publicly traded companies. Should the entity or entities that assume Tyco’s obligations under the acquisition agreement ever become financially unable or fail to comply with the terms of the indemnity, we may be responsible for such obligations or liabilities.

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

Other Litigation. We are parties to a number of other lawsuits arising in the ordinary course of our businesses, including product liability cases for products manufactured by us and by third parties. 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, management believes that the final outcome of such other litigation is not likely to have a materially adverse effect on our consolidated financial statements.

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

A dispute exists with regard to federal income taxes for fiscal years 1980 through 1994 allegedly owed by the Walter Energy consolidated group, which included U.S. Pipe during these periods. According to Walter Energy’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, Walter Energy’s management estimated that the amount of tax claimed by the Internal Revenue Service was approximately \$34.0 million for issues currently in dispute in bankruptcy court for matters unrelated to us. This amount is subject to interest and penalties. In addition, the Internal Revenue Service has issued a Notice of Proposed Deficiency assessing additional tax of \$82.2 million for the fiscal years ended May 31, 2000, December 31, 2000 and December 31, 2001. As a matter of law, the Company is jointly and severally liable for any final tax determination, which means that in the event Walter Energy is unable to pay any amounts owed, we would be liable. Walter Energy disclosed in the above mentioned Form 10-Q that it believes its filing positions have substantial merit and that it intends to defend vigorously any claims asserted.

Walter Energy effectively controlled all of our tax decisions for periods during which we were a member of the Walter Energy consolidated group for federal income tax purposes and certain combined, consolidated or unitary state and local income tax groups. Under the terms of the income tax allocation agreement between us and Walter Energy dated May 26, 2006, we generally compute our tax liability on a stand-alone basis, but Walter Energy has sole authority to respond to and conduct all tax proceedings (including tax audits) relating to our federal income and combined state returns, to file all such returns on our behalf and to determine the amount of our liability to (or entitlement to payment from) Walter Energy for such previous periods. This arrangement may result in conflicts between Walter Energy and us. The Spin-off was intended to qualify as a tax-free spin-off under Section 355 of the Internal Revenue Code of 1986, as amended. In addition, the tax allocation agreement provides that if the Spin-off is determined not to be tax-free

pursuant to Section 355 of the Internal Revenue Code of 1986, as amended, we generally will be responsible for any taxes incurred by Walter Energy or its shareholders if such taxes result from certain of our actions or omissions and for a percentage of any such taxes that are not a result of our actions or omissions or Walter Energy's actions or omissions or taxes based upon our market value relative to Walter Energy's market value. Additionally, to the extent that Walter Energy was unable to pay taxes, if any, attributable to the Spin-off and for which it is responsible under the tax allocation agreement, we could be liable for those taxes as a result of being a member of the Walter Energy consolidated group for the year in which the Spin-off occurred.

In accordance with the income tax allocation agreement, Walter Energy used certain tax assets of a predecessor to the Company in its calendar 2006 tax return for which payment to us is required. The income tax allocation agreement only requires Walter Energy to make the payment upon realization of the tax benefit by receiving a refund or otherwise offsetting taxes due. Walter Energy currently owes us \$10.9 million that is payable pending completion of an Internal Revenue Service audit of Walter Energy's 2006 tax year and the related refund of tax from that year. We do not expect payment during the year ending September 30, 2010.

Note 14. Subsequent Events

We have evaluated these financial statements for subsequent events through the filing of these financial statements with the Securities and Exchange Commission on February 9, 2010.

In January 2010, we sold Anvil's Mueller Flow Control ("MFC") business for \$46.4 million, subject to post closing adjustments. MFC is a wholesale distributor in Canada and primarily sells third party sourced products and products manufactured by Anvil, Mueller Co. and their subsidiaries directly to contractors and other end use customers. See Note 3 for more information.

In January 2010, we settled a \$50 million notional value interest rate swap contract with a payment of \$4.0 million and made principal payments of \$8.2 million on our Term Loan A and \$31.8 million on our Term Loan B. As a result, the required quarterly principal payments declined to \$1.8 million for Term Loan A and \$0.7 million for Term Loan B.

In January 2010, we settled our outstanding foreign currency forward contracts with a payment of \$1.7 million.

On January 28, 2010, we declared a dividend of \$0.0175 per share on our Series A common stock, payable on February 22, 2010 to stockholders of record at the close of business on February 10, 2010.

In February 2010, we announced our intent to close U.S. Pipe's ductile iron pipe manufacturing plant in North Birmingham, Alabama by March 31, 2010, eliminating approximately 260 positions. Production from the North Birmingham plant will be managed using existing capacity at U.S. Pipe's Bessemer, Alabama and Union City, California facilities. In connection with this closing, we expect to record a restructuring charge of approximately \$15 million, consisting of approximately \$9 million of employee-related and other charges and approximately \$6 million of asset impairment charges.

Note 15. Consolidating Guarantor and Non-Guarantor Financial Information

The following information is included as a result of the guarantee by certain of our wholly-owned U.S. subsidiaries, both direct and indirect, (the "Guarantor Companies") of the Notes. None of our other subsidiaries guarantee the Notes. Each of the guarantees is joint and several and full and unconditional. The Guarantor Companies at December 31, 2009 are as follows.

Name	State of incorporation or organization
Anvil 1, LLC	Delaware
Anvil 2, LLC	Delaware
Anvil International, LP	Delaware
AnvilStar, LLC	Delaware
Fast Fabricators, LLC	Delaware
Henry Pratt Company, LLC	Delaware
Henry Pratt International, LLC	Delaware
Hersey Meters Co., LLC	Delaware
Hunt Industries, LLC	Delaware
Hydro Gate, LLC	Delaware
J.B. Smith Mfg. Co., LLC	Delaware
James Jones Company, LLC	Delaware
MCO 1, LLC	Alabama
MCO 2, LLC	Alabama
Milliken Valve, LLC	Alabama
Mueller Co. Ltd.	Alabama
Mueller Financial Services, LLC	Delaware
Mueller Group, LLC	Delaware
Mueller Group Co-Issuer, Inc.	Delaware
Mueller International, Inc.	Delaware
Mueller International, L.L.C.	Delaware
Mueller International Finance, Inc.	Delaware
Mueller International Finance, L.L.C.	Delaware
Mueller Service California, Inc.	Delaware
Mueller Service Co., LLC	Delaware
Mueller Technologies, LLC	Delaware
United States Pipe and Foundry Company, LLC	Alabama
U.S. Pipe Valve & Hydrant, LLC	Delaware

Mueller Water Products, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2009

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u> (in millions)	<u>Eliminations</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 92.5	\$ (2.1)	\$ 33.6	\$ -	\$ 124.0
Receivables, net	-	115.8	24.8	-	140.6
Inventories	-	261.6	41.4	-	303.0
Deferred income taxes	28.6	-	0.4	-	29.0
Assets held for sale	-	35.6	-	-	35.6
Other current assets	22.2	33.6	2.1	-	57.9
Total current assets	<u>143.3</u>	<u>444.5</u>	<u>102.3</u>	<u>-</u>	<u>690.1</u>
Property, plant and equipment	2.3	269.0	15.5	-	286.8
Goodwill	-	-	-	-	-
Identifiable intangible assets, net	-	656.2	-	-	656.2
Other noncurrent assets	27.3	3.8	1.7	-	32.8
Investment in subsidiaries	(79.5)	19.1	-	60.4	-
Total noncurrent assets	<u>(49.9)</u>	<u>948.1</u>	<u>17.2</u>	<u>60.4</u>	<u>975.8</u>
Total assets	<u>\$ 93.4</u>	<u>\$ 1,392.6</u>	<u>\$ 119.5</u>	<u>\$ 60.4</u>	<u>\$ 1,665.9</u>
Liabilities and equity:					
Current portion of debt	\$ 11.1	\$ 0.6	\$ -	\$ -	\$ 11.7
Accounts payable	5.2	59.6	9.5	-	74.3
Other current liabilities	17.0	53.7	3.4	-	74.1
Total current liabilities	33.3	113.9	12.9	-	160.1
Intercompany accounts	(1,305.3)	1,218.7	86.6	-	-
Long-term debt	724.9	0.8	-	-	725.7
Deferred income taxes	179.9	-	0.5	-	180.4
Other noncurrent liabilities	30.7	138.7	0.4	-	169.8
Total liabilities	<u>(336.5)</u>	<u>1,472.1</u>	<u>100.4</u>	<u>-</u>	<u>1,236.0</u>
Equity	<u>429.9</u>	<u>(79.5)</u>	<u>19.1</u>	<u>60.4</u>	<u>429.9</u>
Total liabilities and equity	<u>\$ 93.4</u>	<u>\$ 1,392.6</u>	<u>\$ 119.5</u>	<u>\$ 60.4</u>	<u>\$ 1,665.9</u>

Mueller Water Products, Inc. and Subsidiaries
Consolidating Balance Sheet
September 30, 2009

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies</u> (in millions)	<u>Eliminations</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 41.7	\$ (0.2)	\$ 20.0	\$ -	\$ 61.5
Receivables, net	-	183.1	33.2	-	216.3
Inventories	-	295.7	47.1	-	342.8
Deferred income taxes	30.4	-	0.4	-	30.8
Assets held for sale	-	13.9	-	-	13.9
Other current assets	44.7	33.9	2.2	-	80.8
Total current assets	<u>116.8</u>	<u>526.4</u>	<u>102.9</u>	<u>-</u>	<u>746.1</u>
Property, plant and equipment	2.4	278.5	15.5	-	296.4
Identifiable intangible assets, net	-	663.6	-	-	663.6
Other noncurrent assets	25.3	6.2	1.9	-	33.4
Investment in subsidiaries	(90.6)	21.7	-	68.9	-
Total noncurrent assets	<u>(62.9)</u>	<u>970.0</u>	<u>17.4</u>	<u>68.9</u>	<u>993.4</u>
Total assets	<u>\$ 53.9</u>	<u>\$ 1,496.4</u>	<u>\$ 120.3</u>	<u>\$ 68.9</u>	<u>\$ 1,739.5</u>
Liabilities and equity:					
Current portion of debt	\$ 11.1	\$ 0.6	\$ -	\$ -	\$ 11.7
Accounts payable	4.7	95.2	11.8	-	111.7
Other current liabilities	29.5	62.3	5.6	-	97.4
Total current liabilities	<u>45.3</u>	<u>158.1</u>	<u>17.4</u>	<u>-</u>	<u>220.8</u>
Intercompany accounts	(1,367.5)	1,287.3	80.2	-	-
Long-term debt	727.7	0.8	-	-	728.5
Deferred income taxes	179.4	-	0.6	-	180.0
Other noncurrent liabilities	32.7	140.8	0.4	-	173.9
Total liabilities	<u>(382.4)</u>	<u>1,587.0</u>	<u>98.6</u>	<u>-</u>	<u>1,303.2</u>
Equity	<u>436.3</u>	<u>(90.6)</u>	<u>21.7</u>	<u>68.9</u>	<u>436.3</u>
Total liabilities and equity	<u>\$ 53.9</u>	<u>\$ 1,496.4</u>	<u>\$ 120.3</u>	<u>\$ 68.9</u>	<u>\$ 1,739.5</u>

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Operations
Three Months Ended December 31, 2009

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies (in millions)</u>	<u>Eliminations</u>	<u>Total</u>
Net sales	\$ -	\$ 258.6	\$ 54.5	\$ -	\$ 313.1
Cost of sales	<u>-</u>	<u>209.9</u>	<u>47.3</u>	<u>-</u>	<u>257.2</u>
Gross profit	<u>-</u>	<u>48.7</u>	<u>7.2</u>	<u>-</u>	<u>55.9</u>
Operating expenses:					
Selling, general and administrative	7.8	40.7	6.7	-	55.2
Impairment	-	-	-	-	-
Restructuring	<u>-</u>	<u>0.4</u>	<u>-</u>	<u>-</u>	<u>0.4</u>
Total operating expenses	<u>7.8</u>	<u>41.1</u>	<u>6.7</u>	<u>-</u>	<u>55.6</u>
Income (loss) from operations	(7.8)	7.6	0.5	-	0.3
Interest expense, net	<u>16.8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16.8</u>
Income (loss) before income taxes	(24.6)	7.6	0.5	-	(16.5)
Income tax expense (benefit)	(8.6)	2.7	0.1	-	(5.8)
Equity in income of subsidiaries	<u>5.3</u>	<u>0.4</u>	<u>-</u>	<u>(5.7)</u>	<u>-</u>
Net income (loss)	<u>\$ (10.7)</u>	<u>\$ 5.3</u>	<u>\$ 0.4</u>	<u>\$ (5.7)</u>	<u>\$ (10.7)</u>

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Operations
Three Months Ended December 31, 2008

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies (in millions)</u>	<u>Eliminations</u>	<u>Total</u>
Net sales	\$ -	\$ 308.1	\$ 59.6	\$ -	\$ 367.7
Cost of sales	-	241.0	51.7	-	292.7
Gross profit	-	67.1	7.9	-	75.0
Operating expenses:					
Selling, general and administrative	10.2	46.8	5.3	-	62.3
Goodwill impairment	-	400.0	-	-	400.0
Restructuring	-	(0.2)	-	-	(0.2)
Total operating expenses	10.2	446.6	5.3	-	462.1
Operating income (loss)	(10.2)	(379.5)	2.6	-	(387.1)
Interest expense, net	17.3	-	-	-	17.3
Gain on repurchase of debt	(1.5)	-	-	-	(1.5)
Income (loss) before income taxes	(26.0)	(379.5)	2.6	-	(402.9)
Income tax expense (benefit)	(11.4)	7.4	1.1	-	(2.9)
Equity in income (loss) of subsidiaries	(385.4)	1.5	-	383.9	-
Net income (loss)	<u>\$ (400.0)</u>	<u>\$ (385.4)</u>	<u>\$ 1.5</u>	<u>\$ 383.9</u>	<u>\$ (400.0)</u>

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Cash Flows
Three Months Ended December 31, 2009

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies (in millions)</u>	<u>Eliminations</u>	<u>Total</u>
Operating activities:					
Net cash provided by (used in) operating activities	\$ 56.2	\$ (9.1)	\$ 13.0	\$ -	\$ 60.1
Investing activities:					
Capital expenditures	-	(8.6)	(0.1)	-	(8.7)
Proceeds from sales of assets	-	14.0	-	-	14.0
Net cash provided by (used in) investing activities	-	5.4	(0.1)	-	5.3
Financing activities:					
Increase in outstanding checks	-	1.8	-	-	1.8
Debt paid and repurchased	(2.8)	-	-	-	(2.8)
Common stock issued	0.1	-	-	-	0.1
Dividends paid	(2.7)	-	-	-	(2.7)
Net cash provided by (used in) financing activities	(5.4)	1.8	-	-	(3.6)
Effect of currency exchange rate changes on cash	-	-	0.7	-	0.7
Net change in cash and cash equivalents	50.8	(1.9)	13.6	-	62.5
Cash and cash equivalents at beginning of period	41.7	(0.2)	20.0	-	61.5
Cash and cash equivalents at end of period	\$ 92.5	\$ (2.1)	\$ 33.6	\$ -	\$ 124.0

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Cash Flows
Three Months Ended December 31, 2008

	<u>Issuer</u>	<u>Guarantor companies</u>	<u>Non- guarantor companies (in millions)</u>	<u>Eliminations</u>	<u>Total</u>
Operating activities:					
Net cash provided by (used in) operating activities	\$ (22.6)	\$ 8.0	\$ (3.3)	\$ -	\$ (17.9)
Investing activities:					
Capital expenditures	(0.1)	(8.1)	(1.8)	-	(10.0)
Proceeds from sales of assets	-	-	3.9	-	3.9
Net cash provided by (used in) investing activities	(0.1)	(8.1)	2.1	-	(6.1)
Financing activities:					
Decrease in outstanding checks	-	(0.3)	-	-	(0.3)
Debt paid and repurchased	(4.9)	-	-	-	(4.9)
Common stock issued	0.2	-	-	-	0.2
Dividends paid	(2.0)	-	-	-	(2.0)
Net cash used in financing activities	(6.7)	(0.3)	-	-	(7.0)
Effect of currency exchange rate changes on cash	-	-	(1.1)	-	(1.1)
Net change in cash and cash equivalents	(29.4)	(0.4)	(2.3)	-	(32.1)
Cash and cash equivalents at beginning of period	179.1	(4.6)	9.4	-	183.9
Cash and cash equivalents at end of period	<u>\$ 149.7</u>	<u>\$ (5.0)</u>	<u>\$ 7.1</u>	<u>\$ -</u>	<u>\$ 151.8</u>

ITEM 2. 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 in the Company's Annual Report on Form 10-K for the year ended September 30, 2009 and with the condensed consolidated financial statements that appear elsewhere in this report. 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, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended. All statements, other than statements of historical fact, that address activities, events or developments that the Company's 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 management in light of their experience and their perception of historical trends, current condition and, expected future developments. 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" in Item 1A of the Annual Report on Form 10-K.

Mueller Water Products, Inc., a Delaware corporation, together with its consolidated subsidiaries operates in three business segments: Mueller Co., U.S. Pipe and Anvil. Mueller Co. manufactures and sells fire hydrants and various valves and related products used in residential water and gas systems. U.S. Pipe manufactures and sells a broad line of ductile iron pressure pipe, joint restraint products, fittings and other products. Anvil manufactures and sells a variety of pipe fittings, couplings, pipe hangers, pipe nipples and related products.

The "Company," "we," "us" or "our" refers to Mueller Water Products, Inc. and subsidiaries or their management. With regard to the Company's segments, "we," "us" or "our" may also refer to the segment being discussed or its management.

Except as otherwise noted, all financial and operating data has been presented on a fiscal year and fiscal quarter basis. Our fiscal year ends on September 30, and our interim fiscal quarters end on December 31, March 31 and June 30.

Business Developments and Trends

The impact of the overall weakness of the U.S. economy on our end markets continues to affect our operations adversely. Net sales have decreased significantly from fiscal 2008 levels. Our manufacturing operations include significant fixed costs. As shipment volumes decline, these fixed costs represent a relatively higher percentage of total costs to manufacture our products and our profitability is reduced. Reduced profitability consumes our available capital and adversely affects compliance with the financial covenants contained in our credit agreement and indentures. See "Liquidity and Capital Resources" for a detailed description of these financial covenants.

We are dependent upon residential and municipal water infrastructure construction activities, which are seasonal due to the impact of cold weather conditions. Net sales and operating results have historically been lowest in the three month periods ending December 31 and March 31 when the northern United States and all of Canada generally experience weather that significantly restricts construction activity.

A significant portion of our net sales is directly related to residential construction, municipal water infrastructure and non-residential construction activity in the United States. Various external sources forecast annualized housing starts to increase 12% to 40% in calendar 2010 compared to calendar 2009. We expect our related sales to lag any recovery in the residential construction market. In addition, we believe municipal water infrastructure spending could be influenced by an increase in demand in the second half of fiscal 2010 primarily driven by stimulus spending. We also expect non-residential construction to decrease in fiscal 2010 as a result of a slowdown in general economic activity. Independent forecasts of calendar 2010 non-residential construction activity indicate a decline of 16% compared to calendar 2009.

As a result, most of our manufacturing facilities are operating significantly below their optimal capacities. Since the end of fiscal 2008, we have reduced headcount, consolidated facilities, reduced operating days and reduced overall spending activities in response to lower demand for our products. During the third and fourth quarters of fiscal 2009, however, we increased production at Mueller Co. and U.S. Pipe compared to the second quarter of fiscal 2009 due to a seasonal up-tick in demand. We continually monitor our production activities in response to evolving business conditions and expect to take additional steps to improve financial results. Restructuring actions at U.S. Pipe's North Birmingham facility resulted in lower fixed costs, reduced capacity and a \$38.5 million non-cash restructuring charge, primarily for impairment of property, plant and equipment, in the three months ended March 31, 2009.

In February 2010, we announced our intent to close U.S. Pipe's ductile iron pipe manufacturing plant in North Birmingham, Alabama by March 31, 2010, eliminating approximately 260 positions. Production from the North Birmingham plant will be managed using existing capacity at U.S. Pipe's Bessemer, Alabama and Union City, California facilities. In connection with this action, we expect to record a restructuring charge of approximately \$15 million, consisting of approximately \$9 million of employee-related and other charges and approximately \$6 million of asset impairment charges.

In addition to reduced demand in water infrastructure markets, we believe our distributors have reduced their inventory levels in response to current economic conditions. We expect our distributors to maintain lower inventory levels for the near future.

An analysis of the funded status of our U.S. pension plan will be performed as of January 1, 2010 for purposes of determining funding thresholds under provisions of the Pension Protection Act. A significant portion of the assets invested in our defined benefit pension plans is invested in equity securities. Equity markets generally have been very volatile during the period between September 30, 2008 and December 31, 2009. We may lower our estimated rate of return on these assets, which would cause pension expense to increase and require higher levels of Company contributions to these plans. The total market value of our U.S. pension plan assets was \$273.5 million and \$270.0 million at December 31, 2009 and September 30, 2009, respectively. During the three months ended December 31, 2009, the investment performance of these assets was a gain of \$7.3 million. We currently estimate contributing \$23 million to \$25 million to our pension plans during fiscal 2010.

We amended our primary credit agreement in June 2009 (the "2007 Credit Agreement"). The amendment resulted in, among other things, increased covenant flexibility and increased interest rate spreads. At December 31, 2009, the applicable margin on outstanding borrowings under the 2007 Credit Agreement was 500 basis points, which was 325 basis points higher than the applicable margin immediately prior to the date of the amendment.

In January 2010, we sold Anvil's Mueller Flow Control ("MFC") business for \$46.4 million, subject to post closing adjustments. MFC is a wholesale distributor in Canada and primarily sells third party sourced products and products manufactured by Anvil, Mueller Co. and their subsidiaries directly to contractors and other end use customers. MFC's fiscal 2009 net sales were approximately \$107 million, and its operating income was not material to the Company's operating income. MFC had approximately \$35.6 million of net assets at December 31, 2009 consisting principally of \$15.8 million of receivables, \$22.6 million of inventories, \$0.3 million of prepaid expenses and other current assets, \$4.9 million of property plant and equipment and \$8.0 million of accounts payable and accrued liabilities. In connection with this transaction, Anvil also entered into a 3 ¹/₂ year supply agreement with the buyer requiring the buyer to purchase at least a specified amount of products from Anvil.

Results of Operations

Three Months Ended December 31, 2009 Compared to the Three Months Ended December 31, 2008

	Three months ended December 31, 2009				
	<u>Mueller Co.</u>	<u>U.S. Pipe</u>	<u>Anvil</u> (in millions)	<u>Corporate</u>	<u>Total</u>
Net sales	\$ 133.3	\$ 79.7	\$ 100.1	\$ -	\$ 313.1
Gross profit (loss)	\$ 36.9	\$ (4.0)	\$ 23.0	\$ -	\$ 55.9
Operating expenses:					
Selling, general and administrative	20.9	7.9	18.5	7.9	55.2
Impairment	-	-	-	-	-
Restructuring	0.1	0.3	-	-	0.4
Total operating expenses	21.0	8.2	18.5	7.9	55.6
Income (loss) from operations	\$ 15.9	\$ (12.2)	\$ 4.5	\$ (7.9)	0.3
Interest expense, net					16.8
Loss before income taxes					(16.5)
Income tax benefit					(5.8)
Net loss					\$ (10.7)

	Three months ended December 31, 2008				
	<u>Mueller Co.</u>	<u>U.S. Pipe</u>	<u>Anvil</u> (in millions)	<u>Corporate</u>	<u>Total</u>
Net sales	\$ 119.6	\$ 115.7	\$ 132.4	\$ -	\$ 367.7
Gross profit	\$ 31.2	\$ 2.5	\$ 41.3	\$ -	\$ 75.0
Operating expenses:					
Selling, general and administrative	22.7	9.0	20.0	10.6	62.3
Goodwill impairment	340.5	59.5	-	-	400.0
Restructuring	-	(0.2)	-	-	(0.2)
Total operating expenses	363.2	68.3	20.0	10.6	462.1
Income (loss) from operations	\$ (332.0)	\$ (65.8)	\$ 21.3	\$ (10.6)	(387.1)
Interest expense, net					17.3
Gain on repurchase of debt					(1.5)
Loss before income taxes					(402.9)
Income tax benefit					(2.9)
Net loss					\$ (400.0)

Consolidated Analysis

Net sales in the three months ended December 31, 2009 were \$313.1 million compared to \$367.7 million in the prior year period. Net sales decreased \$38.7 million due to lower shipment volumes and \$22.3 million due to lower sales pricing. U.S. Pipe and Anvil experienced shipment volume declines, partially offset by higher shipment volumes at Mueller Co. Lower sales pricing occurred primarily at U.S. Pipe. Favorable changes in Canadian currency exchange rates increased net sales by \$6.4 million.

Gross profit in the three months ended December 31, 2009 was \$55.9 million compared to \$75.0 million in the prior year period. Gross profit decreased \$22.3 million due to lower sales prices, \$22.5 million due to higher per-unit overhead costs on products sold due to lower production and \$10.9 million due to lower shipment volumes. These decreases were partially offset by \$25.5 million of lower raw material costs and \$12.4 million of manufacturing cost savings, including personnel-related cost savings. Gross margin decreased to 17.9% in the three months ended December 31, 2009 compared to 20.4% in the prior year period. Gross margin decreased primarily due to higher per-unit overhead costs on products sold, especially at Anvil and U.S. Pipe. This decrease was partially offset by lower shipments of lower margin U.S. Pipe products.

Selling, general and administrative expenses in the three months ended December 31, 2009 and 2008 were \$55.2 million and \$62.3 million, respectively. Selling, general and administrative expenses declined primarily due to lower shipment volumes, cost saving actions and lower professional fees. The three months ended December 31, 2008 included \$1.2 million of fees related to the conversion of Series B common stock into Series A common stock.

In the three months ended December 31, 2009, we recorded restructuring charges of \$0.4 million related primarily to headcount reductions.

Interest expense, net was \$16.8 million in the three months ended December 31, 2009 compared to \$17.3 million in the three months ended December 31, 2008. The components of interest expense, net in the three months ended December 31, 2009 and 2008 are detailed below.

	Three months ended December 31,	
	2009	2008
	(in millions)	
2007 Credit Agreement, including swap contracts	\$ 7.6	\$ 9.5
7 ³ / ₈ % Senior Subordinated Notes	7.7	7.8
Deferred financing fee amortization	0.8	0.5
Other interest expense	0.7	0.3
Interest income	-	(0.8)
	<u>\$ 16.8</u>	<u>\$ 17.3</u>

Interest expense declined primarily due to lower principal balances partially offset by higher interest rates. Interest income declined due to lower interest rates and lower invested cash balances in the three months ended December 31, 2009.

The effective income tax rate applied to our operating loss for the three months ended December 31, 2009 was 35.2%, which includes state income tax benefits of 4.9% offset by the unfavorable effect of nondeductible expenses and miscellaneous other items totaling 4.7%. Our effective income tax rate on the operating loss before the goodwill impairment was 100.0% for the three months ended December 31, 2008 due primarily to the release of a \$1.2 million valuation allowance related to nondeductible compensation and a \$0.4 million favorable resolution of state tax matters.

Segment Analysis

Mueller Co.

Net sales in the three months ended December 31, 2009 were \$133.3 million compared to \$119.6 million in the prior year period. Net sales increased \$13.6 million primarily due to of higher shipment volumes of iron gate valves, hydrants and brass service products.

Gross profit in the three months ended December 31, 2009 was \$36.9 million compared to \$31.2 million in the prior year period. Gross profit increased \$4.9 million due to higher shipment volumes, \$4.9 million due to lower raw material costs and \$4.4 million due to manufacturing cost savings. These increases were partially offset by \$7.0 million due to higher per-unit overhead costs on products sold due to lower production. Gross margin was 27.7% in the three

months ended December 31, 2009 compared to 26.1% in the prior year period. Gross margin increased primarily due to lower raw material costs.

Excluding impairment and restructuring charges, income from operations in the three months ended December 31, 2009 was \$16.0 million compared to \$8.5 million in the prior year period. This increase was primarily due to increased gross profit. Selling, general and administrative expenses were \$1.8 million lower in the three months ended December 31, 2009 compared to the prior year period primarily due to lower personnel expenses.

U.S. Pipe

Net sales in the three months ended December 31, 2009 were \$79.7 million compared to \$115.7 million in the prior year period. Net sales decreased \$20.3 million due to lower prices and \$15.7 million due to lower shipment volumes.

Gross loss in the three months ended December 31, 2009 was \$4.0 million compared to gross profit of \$2.5 million in the prior year period. Gross profit decreased \$20.3 million due to lower sales prices, \$8.2 million due to higher per-unit overhead costs on products sold due to lower production and \$4.2 million due to lower shipment volumes. These factors were partially offset by \$22.7 million of lower raw material costs and \$6.6 million of manufacturing cost savings. Gross loss margin was 5.0% in the three months ended December 31, 2009 compared to a gross profit margin of 2.2% in the prior year period. Gross margin decreased primarily due to higher per-unit overhead costs on products sold in the current period and lower shipments of higher margin products.

In the three months ended December 31, 2009, we continued to reduce headcount in response to reduced demand for our products. We recorded restructuring charges of \$0.3 million, primarily for severance.

Excluding impairment and restructuring charges, the loss from operations was \$11.9 million in the three months ended December 31, 2009 compared to a loss from operations of \$6.5 million in the prior year period. This decrease was due to \$6.5 million of lower gross profit partially offset by \$1.1 million of lower selling, general and administrative expenses.

Anvil

Net sales in the three months ended December 31, 2009 were \$100.1 million compared to \$132.4 million in the prior year period. Net sales decreased due to \$36.6 million of lower shipment volumes partially offset by \$4.2 million due to favorable changes in Canadian currency exchange rates.

Gross profit in the three months ended December 31, 2009 was \$23.0 million compared to \$41.3 million in the prior year period. Gross profit decreased \$11.6 million due to lower shipment volumes and \$7.3 million due to higher per-unit overhead costs on products sold due to lower production. These decreases were partially offset by \$1.4 million of manufacturing cost savings. Gross margin was 23.0% in the three months ended December 31, 2009 compared to 31.2% in the prior year period. Gross margin decreased primarily due to higher per-unit overhead costs on products sold.

Income from operations in the three months ended December 31, 2009 was \$4.5 million compared to \$21.3 million in the prior year period. This decrease was due to \$18.3 million of lower gross profit, partially offset by \$1.5 million of lower selling, general and administrative expenses. Selling, general and administrative expenses in the three months ended December 31, 2009 included a gain of \$1.6 million from the sale of Picoma assets. The three months ended December 31, 2008, included a gain of \$3.5 million from the sale of a building.

Corporate

Selling, general and administrative expenses were \$7.9 million in the three months ended December 31, 2009 compared to \$10.6 million in the prior year period. Lower corporate expenses reflect cost savings actions, and the three months ended December 31, 2008 included \$1.2 million of fees related to the conversion of Series B common stock into Series A common stock.

Liquidity and Capital Resources

We had cash and cash equivalents of \$124.0 million at December 31, 2009. Our available borrowing capacity under the revolving credit facility component of our 2007 Credit Agreement was \$160.2 million at December 31, 2009. In January 2010, we received \$46.4 million from the sale of MFC and we paid \$40.0 million of term debt.

We expect cash provided by operating activities to be positive in the fiscal year ending September 30, 2010. Cash flows from operating activities are categorized below.

	Three months ended December 31,	
	2009	2008
	(in millions)	
Collections from customers	\$ 376.4	\$ 456.4
Disbursements, other than interest and income taxes	(318.6)	(441.5)
Interest payments, net	(24.4)	(24.7)
Income tax refunds (payments), net	26.7	(8.1)
Cash provided by operating activities	<u>\$ 60.1</u>	<u>\$ (17.9)</u>

Collections of receivables were lower in the three months ended December 31, 2009 compared to the prior year period primarily due to lower year over year shipment volumes.

Disbursements, other than interest and income taxes, in the three months ended December 31, 2009 were lower compared to the prior year period due to timing differences, lower per-unit material costs and lower volumes of material, labor and overhead purchased.

Capital expenditures were \$8.7 million in the three months ended December 31, 2009 compared to \$10.0 million in the prior year period and \$39.7 million in fiscal 2009. Total capital expenditures in fiscal 2010 are expected to be between \$45 million and \$50 million.

An analysis of the funded status of our U.S. pension plan will be performed as of January 1, 2010 for purposes of determining funding thresholds under provisions of the Pension Protection Act. A significant portion of the assets invested in our defined benefit pension plans is invested in equity securities. Equity markets generally have been very volatile during the period between September 30, 2008 and December 31, 2009. We may lower our estimated rate of return on these assets, which would cause pension expense to increase and require higher levels of Company contributions to these plans. We currently estimate contributing \$23 million to \$25 million to our pension plans during fiscal 2010.

We anticipate that our existing cash, cash equivalents and borrowing capacity combined with our expected operating cash flows will be sufficient to meet our anticipated operating expenses, capital expenditures, pension contributions and scheduled debt service obligations as they become due for at least the next twelve months. However, our ability to make scheduled payments of principal, to pay interest or to refinance our debt and to satisfy our other debt obligations 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.

2007 Credit Agreement

The 2007 Credit Agreement includes Term Loan A, Term Loan B and a revolving credit facility. Borrowings under the 2007 Credit Agreement bear interest at a floating rate equal to LIBOR plus a margin ranging from 500 to 600 basis points depending on our consolidated senior secured first lien leverage ratio, as defined in the 2007 Credit Agreement. Term Loan A had a balance of \$64.5 million at December 31, 2009 and is payable \$1.8 million per quarter with the balance due May 2012. Term Loan B had a balance of \$251.2 million at December 31, 2009 and is payable \$0.7 million per quarter with the balance due May 2014. The revolving credit facility provides for borrowings of up to \$200 million, including letters of credit, and terminates in May 2012. At December 31, 2009, letters of credit outstanding under the revolving credit facility were \$39.8 million. The margin on borrowings under the 2007 Credit Agreement was 500 basis points at December 31, 2009.

We pay a commitment fee on the unused portion of the revolving credit facility. This fee is payable quarterly in arrears and upon the maturity or termination of the revolving credit facility. The fee is subject to adjustment based on the consolidated senior secured first lien leverage ratio. The fee was 50 basis points at December 31, 2009.

The 2007 Credit Agreement is subject to mandatory prepayments with excess cash flow, as defined in the 2007 Credit Agreement, and net cash proceeds from debt and equity issuances and from the sale or other disposition of property or assets, subject to permitted reinvestments and other specified exceptions.

All of our material direct and indirect U.S. subsidiaries are guarantors of the 2007 Credit Agreement. Our obligations under the 2007 Credit Agreement are secured by:

- a first priority perfected lien on substantially all of our existing and after-acquired personal property, a pledge of all of the stock or membership interest of all of our existing or future U.S. subsidiaries (including of each guarantor) and a pledge of all intercompany indebtedness in favor of us or any guarantor;
- first-priority perfected liens on all of our material existing and after-acquired real property, subject to customary permitted liens described in the 2007 Credit Agreement; and
- restrictions on the sale of our assets.

The 2007 Credit Agreement contains customary negative covenants and restrictions on our ability to engage in specified activities, contains financial covenants requiring us to maintain a specified consolidated leverage ratio, consolidated senior secured first lien leverage ratio and consolidated interest charge coverage ratio and limits our capital expenditures. Borrowings under the revolving credit facility are subject to significant conditions, including compliance with the financial ratios included in the 2007 Credit Agreement and the absence of any material adverse change.

Senior Subordinated Notes

We also owed \$420.0 million of principal of 7 ³/₈ % Senior Subordinated Notes (“Notes”) at December 31, 2009. Interest on the Notes is payable semi-annually and the principal is due June 2017. We may redeem any portion of the Notes after May 2012 at specified redemption prices, or prior to June 2010 we may redeem up to 35% of the Notes at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. Upon the occurrence of a change in control, we must offer to repurchase the Notes at 101% of their principal amount, plus accrued and unpaid interest. The Notes are secured by the guarantees of essentially all of our U.S. subsidiaries, but are subordinate to the borrowings under the 2007 Credit Agreement.

Financial Ratio Covenants

The consolidated leverage ratio compares consolidated funded indebtedness at any date of determination to consolidated EBITDA, all as defined in the 2007 Credit Agreement. Consolidated funded indebtedness is defined generally as the sum of the outstanding principal amount of all obligations for borrowed money and capital leases. For financial covenant ratio purposes, consolidated EBITDA is defined generally as the sum, for the trailing four fiscal quarter period most recently reported, of (a) consolidated net income plus (b) net interest expense for the period plus (c) income tax expense for the period plus (d) depreciation and amortization expenses for the period plus (e) cash restructuring expense up to a specified maximum amount plus (f) other non-cash expenses less other non-cash gains.

The consolidated interest charge coverage ratio compares consolidated EBITDA to the trailing four fiscal quarter period consolidated cash interest charges, as defined in the 2007 Credit Agreement, at the close of each fiscal quarter. Consolidated cash interest charges are defined generally as net interest expense during the period, excluding any prepayment or similar premiums paid in connection with any prepayment, repurchase or redemption of outstanding debt and the amortization of deferred financing fees.

The consolidated senior secured first lien leverage ratio compares consolidated senior secured first lien indebtedness at any date of determination to consolidated EBITDA. Consolidated senior secured first lien indebtedness is defined generally as all consolidated funded indebtedness secured by a first priority lien on any asset or property.

The threshold ratios permitted under the 2007 Credit Agreement at December 31, 2009 and for the subsequent four quarters and our actual ratios at December 31, 2009 are presented below.

	<u>Consolidated Leverage Ratio</u>	<u>Consolidated Interest Charge Coverage Ratio</u>	<u>Consolidated Senior Secured First Lien Leverage Ratio</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
December 31, 2009	7.00:1.00	1.53:1.00	3.00:1.00
	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>

Threshold ratios for fiscal quarters ending:

December 31, 2009	9.50:1.00	1.25:1.00	5.25:1.00
March 31, 2010	9.25:1.00	1.25:1.00	5.25:1.00
June 30, 2010	7.75:1.00	1.45:1.00	4.50:1.00
September 30, 2010	7.25:1.00	1.55:1.00	4.00:1.00
December 31, 2010	7.00:1.00	1.60:1.00	4.00:1.00

We were in compliance with these financial covenants at December 31, 2009.

Our credit ratings issued by Moody's and Standard & Poor's were as follows.

	<u>December 31, 2009</u>		<u>September 30, 2009</u>	
	Standard &		Standard &	
	<u>Moody's</u>	<u>Poor's</u>	<u>Moody's</u>	<u>Poor's</u>
Corporate credit rating	B2	B	B2	B
2007 Credit Agreement	B1	BB-	B1	BB-
Notes	Caa1	B-	Caa1	B-
Outlook	Stable	Stable	Stable	Stable

On February 8, 2010, Moody's raised their rating for the 2007 Credit Agreement to Ba3 and their rating for the Notes to B3.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not have any undisclosed borrowings or debt or any derivative contracts other than those described in "Item 3. Qualitative and Quantitative Disclosure About Market Risk" or synthetic leases. Therefore, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

We use letters of credit and surety bonds in the ordinary course of business to ensure our performance of contractual obligations. At December 31, 2009, we had \$39.8 million of letters of credit and \$27.8 million of surety bonds outstanding.

Seasonality

Our business is dependent upon the construction industry, which is seasonal due to the impact of cold weather conditions. Net sales and operating income have historically been lowest in the three month periods ending December 31 and March 31 when the northern United States and all of Canada generally face weather conditions that restrict significant construction activity.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Swap Contracts

We used interest rate swap contracts with a cumulative total notional amount of \$275 million in force at December 31, 2009 to hedge against cash flow variability arising from changes in LIBOR in conjunction with our LIBOR-indexed variable rate borrowings that expire at various dates through September 2012. We also had \$100 million total notional amount forward-starting swap contracts that will hedge against cash flow variability beginning with the forward starting date. These swap contracts fix the interest rates on a portion of our borrowings to rates ranging from 3.4% to 5.0%. All of these swap contracts were accounted for as effective hedges. We recorded after tax-gain of \$1.1 million for the three months ended December 31, 2009 and an after tax-loss of \$10.5 million for the three months ended December 31, 2008, which were reported as components of accumulated other comprehensive loss. Interest expense associated with these swap contracts was \$3.0 million and \$1.1 million for the three months ended December 31, 2009 and 2008, respectively. These interest rate swap contracts had a liability fair value of \$17.0 million at December 31, 2009, which was included in other noncurrent liabilities.

In January 2010, we settled a \$50 million notional value interest rate swap contract with a payment of \$4.0 million and made principal payments of \$40.0 million on term loan borrowings, including \$7.8 million that had been hedged.

Natural Gas Swap Contracts

We used natural gas swap contracts with a cumulative total notional amount of approximately 348,000 MMBtu at December 31, 2009 to hedge against cash flow variability arising from changes in natural gas prices in conjunction with our anticipated purchases of natural gas through September 2010. These swap contracts fix the rates on portions of our natural gas purchases to rates ranging from \$5.60 per MMBtu to \$6.05 per MMBtu for various periods through September 2010. These swap contracts were accounted for as effective hedges, although we did record a loss of \$0.3 million related to hedge ineffectiveness as a component of cost of sales for the three months ended December 31, 2009. Additional cost of sales associated with settlements under these swap contracts was \$(0.1) million and \$0.4 million for the three months ended December 31, 2009 and 2008, respectively. These natural gas swap contracts had a liability fair value of \$0.1 million at December 31, 2009, which was included in other current liabilities.

Foreign Currency Forward Contracts

We used foreign currency forward contracts to reduce exposure to currency fluctuations from Canadian dollar-denominated intercompany loans. Gains and losses on these instruments were included in selling, general and administrative expenses. Net losses associated with these contracts were \$0.6 million and \$3.3 million for the three months ended December 31, 2009 and December 31, 2008, respectively. These instruments had a liability fair value of \$1.3 million at December 31, 2009, which was included in other current liabilities, and were settled in January 2010 with a payment of \$1.7 million.

ITEM 4. CONTROLS AND PROCEDURES

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

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls can prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and, while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this quarterly report. Based on this evaluation, those officers have concluded that our disclosure controls and procedures were effective at December 31, 2009.

There have been no significant changes in our internal procedures that significantly affected, or are reasonably likely to affect, our disclosure controls during the three months ended December 31, 2009.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Refer to the information provided in Note 13 to the notes to the condensed consolidated financial statements presented in Item 1 of Part I of this report.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2009, all of which could materially affect our business, financial condition or future results. These described risks are not the only risks facing us. Additional risks and uncertainties not currently known to us that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended December 31, 2009, we repurchased shares of our Series A common stock as follows.

<u>Period</u>	<u>Total number of shares purchased (1)</u>	<u>Average price paid per share</u>	<u>Total number of shares purchased as part of publicly announced plans or programs</u>	<u>Maximum number of shares that may yet be purchased under the plans or programs</u>
October 1-31, 2009	-	\$ -	-	-
November 1-30, 2009	27,258	5.13	-	-
December 1-31, 2009	23,316	5.18	-	-
Total	<u>50,574</u>	<u>\$ 5.15</u>	<u>-</u>	<u>-</u>

- (1) The total number of shares purchased consists of shares surrendered to us to pay the tax withholding obligations of employees in connection with the vesting of restricted stock units issued to them.

Item 6. Exhibits**(a) Exhibits**

Exhibit No.	Document
10.20	Mueller Water Products, Inc. 2010 Management Incentive Plan.
10.21	Mueller Water Products, Inc. 2006 Second Amended and Restated 2006 Stock Incentive Plan Notice of Stock Option Grant.
10.22	Mueller Water Products, Inc. Amended and Restated 2006 Stock Incentive Plan Restricted Stock Unit Award Agreement Effective November 30, 2009.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MUELLER WATER PRODUCTS, INC.

Date: February 9, 2010

By: /s/ E VAN L. H ART

Evan L. Hart
Chief Financial Officer

MUELLER WATER PRODUCTS, INC.
2010 MANAGEMENT INCENTIVE PLAN

*Adopted by the Compensation and Human Resources Committee
on December 1, 2009*

Adopted by the Stockholders on January 28, 2010

I. Purpose

This Management Incentive Plan (the “Plan”), is intended to promote the interests of Mueller Water Products, Inc. by offering an incentive opportunity to certain officers, key executives, and other employees. Certain bonus awards under the Plan are intended to qualify as “performance-based compensation” under Section 162(m) of the Internal Revenue Code of 1986, as amended.

II. Definitions

As used in this Plan, the terms below shall have the following meanings ascribed to them:

- A. “Administrator” shall mean the Committee, with respect to the Covered Participants and with respect to all other employees, the Chief Executive Officer or his designee.
- B. “Base Pay” shall mean base salary as of the beginning day of the Fiscal Year, before taxes, Social Security and other deductions.
- C. “Board of Directors” shall mean the Board of Directors of the Company.
- D. “Code” shall mean the Internal Revenue Code of 1986, as amended.
- E. “Committee” shall mean a committee of two or more members consisting solely of members of the Compensation and Human Resources Committee of the Board, or in the absence of such a Committee, the Board, who qualify as “outside directors” under Section 162(m) of the Code.
- F. “Company” shall mean Mueller Water Products, Inc., including its subsidiaries and affiliates.
- G. “Covered Participant” means a Participant who is a “covered employee,” as defined in Section 162(m) of the Code and the regulations or other guidance promulgated by the Internal Revenue Service under Section 162(m) of the Code, or any successor statute, and such other key executives as the Committee shall determine.
- H. “Disability” shall mean a permanent disability which would entitle the employee to benefits under the Company’s long-term disability plan.
- I. “Fiscal Year” shall mean the Company’s then current fiscal year, which currently commences on October 1 and ends on September 30.
- J. “Participant” shall mean any employee who has been selected to participate in the Plan for the Performance Period.

- K. “ Performance-Based Compensation ” shall mean compensation that qualifies for the “qualified performance-based compensation exception” under Section 162(m) of the Code, or any successor provisions.
- L. “ Performance Goal ” shall mean such goals as are identified as such in Section V of this Plan.
- M. “ Performance Period ” shall mean the Company’s Fiscal Year, or such shorter period as determined by the Committee.

III. Administration

The Plan shall be administered by the Committee, no member of which serving shall be eligible to receive an award under the Plan. The Committee shall have the authority to amend, modify and interpret the Plan and to make all determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. Decisions of the Committee on all matters relating to the Plan shall be binding and conclusive on all parties, including the Company and the Participants. The Chief Executive Officer may administer the Plan for employees who are not Covered Participants.

IV. Participation

The Committee shall determine the Covered Participants eligible to participate in the Plan for each Performance Period. The Chief Executive Officer shall determine the eligibility of other employees in the Plan for each Performance Period.

V. Operation of the Plan

A. *Establishment of Performance Goals*

No later than ninety (90) days after the start of the Fiscal Year (or such shorter period as shall be required by the Code in the event a Performance Period is shorter than a Fiscal Year) the Administrator shall establish in writing certain performance goals for each Participant. Each Participant will be assigned performance goals that are selected from the performance measures listed below. Performance goals may be based on a combination of individual performance objectives and/or financial and operational objectives, except that performance goals upon which the payment or vesting of a bonus award to a Covered Participant that is intended to qualify as Performance-Based Compensation shall be limited to the financial and operational performance goals in V.B.

In the event that a Participant’s position is substantially tied to one or more business segments, subsidiaries or divisions of the Company, then the performance goals may relate, in whole or in part, to the performance of such segments, subsidiaries or divisions rather than to the Company as a whole.

B. *Financial and Operational Performance Goals*

Any one or more of the following performance measures may be used by the Administrator as a performance goal for all or part of a bonus award, based on the relative or absolute attainment of specified levels of one or any combination of the performance measures:

- (a) Net sales or growth in net sales,

-
- (b) Earnings, as determined by GAAP or before or after discontinued operations, interest, taxes, or depreciation and/or amortization (“EBITDA”),
 - (c) Earnings per share (including diluted earnings per share),
 - (d) Net income,
 - (e) Operating income before or after discontinued operations and/or taxes,
 - (f) Cash flow (including free cash flow) or cash position,
 - (g) Gross or operating margin,
 - (h) Stock price appreciation,
 - (i) Market share,
 - (j) Return (before or after taking into account taxation or tax rates) on sales, assets, equity, investment or invested capital,
 - (k) Cost reductions,
 - (l) Improvement of financial ratings,
 - (m) Working capital or working capital relative to some other measure (e.g., as a percent of net sales or return on net assets),
 - (n) Days of working capital, and
 - (o) Total stockholder return.

The selected levels may be absolute in their terms or measured against or in relationship to net sales or other companies comparably, similarly or otherwise situated. Wherever feasible, the Administrator will establish target, threshold (as hereinafter defined) and maximum objectives for each performance goal.

C. Individual Performance Goals

The Administrator may establish individual performance goals for all Participants. All such goals shall be set with target, minimum (or threshold) and maximum objectives for each performance goal.

D. General Matters

As to each performance goal, the relevant measurement of performance shall be computed in accordance with generally accepted accounting principles, if applicable, except that at the time the Committee establishes the relevant performance goal, the Committee may specify that any performance goal shall be adjusted to include or exclude, as applicable, any one or more of

- i. Extraordinary, unusual or non-recurring items,

-
- ii. Gains or losses on dispositions or the effect of discontinued operations, or mergers or acquisitions,
 - iii. The cumulative effects of changes in accounting principles or changes in laws or regulations affecting GAAP results (including tax laws and regulations),
 - iv. The writedown of assets,
 - v. Charges for reorganization and restructuring,
 - vi. Material litigation, claims, judgments or settlements, and
 - vii. Cash pension funding in excess of predetermined levels.

In the case of a bonus award to a Covered Participant that is intended to qualify as Performance-Based Compensation, a performance goal must be objective, such that a third party having knowledge of the relevant facts could determine whether the goal is met. All adjustments exercised under this Section V shall be made in a manner that complies with Section 162(m) of the Code and applicable regulations such that an otherwise available exemption of the award under Section 162(m) of the Code will not be lost. In making any determination under this paragraph, the Committee shall be entitled to rely on the advice of counsel.

E. *Assignment of Bonus Award*

No later than ninety (90) days after the start of the Fiscal Year (or such shorter period as shall be required by the Code in the event a Performance Period is shorter than a Fiscal Year), the Administrator shall assign in writing each Participant with a target bonus. The Administrator shall determine the relative percentage weight to be assigned to the achievement of each financial, operational or individual performance goal by the Participant. Each Participant shall then be notified of his/her respective performance goals and the percentage assigned to each such performance goal.

F. *Means of Earning Bonus*

If the Participant achieves the target assigned to a performance goal, the Participant will receive the bonus award assigned to the target. If the Participant achieves the lowest assigned target (the "threshold") assigned to any performance goal, the Participant will be entitled to the minimum bonus award assigned to the performance goal. For performance less than the target but greater than the threshold, the Participant will receive a bonus award that is proportionately graded, as determined by the Administrator. If the Participant receives less than the threshold assigned to any performance goal, the Participant will not receive any bonus award under this Plan.

If the Participant achieves more than 100% of the target assigned to a performance goal, then the Participant will be eligible to receive an additional bonus up to a total of 200% of the percentage weight allocated to such bonus goal, up to 200% of a Participant's target bonus percentage on a graduated or other basis, as determined by the Administrator.

Notwithstanding the foregoing, all bonus awards approved by the Committee with respect to Covered Participants will be subject to the negative discretion of the Committee, or adjustment by the Committee to reflect the relative performance of the Participant against a performance goal.

G. *Maximum Bonus Award*

Notwithstanding any calculation made above, the maximum amount of any bonus award that a Participant may be awarded for a Fiscal Year shall be Four Million Dollars (\$4,000,000).

VI. Determination and Payment of Bonus Award

As soon as practicable after the receipt of audited financial statements for the Fiscal Year (or the receipt of the relevant financial information in the event a Performance Period is shorter than a Fiscal Year), the Administrator shall determine and certify in writing the amount of the bonus awards for each Participant based on the extent to which such Participant has attained the applicable performance goals.

With respect to Covered Participants, the Committee may, in its sole discretion, decrease the actual amount of the bonus awarded to a Covered Participant from the amount calculated, but the Committee may not increase the actual amount. In exercising its discretion, the Committee may take into account the attainment of individual goals, as well as other factors that the Committee deems appropriate.

After the Administrator's certification, the bonus awards shall be paid to the Participants in cash, less applicable taxes.

VII. Miscellaneous

A. Time of Payment; Retirement, Death, Disability, Change in Control, or Other Termination

Any payments which may be made to a Participant under the terms of this provision shall be made at the same time as payments are made to the other Participants in accordance with the provisions of Article VI hereof. A Participant shall not be entitled to receive a bonus award unless actively employed by the Company or one of its subsidiaries on the day the bonus award is scheduled to be paid as provided above. The Administrator may make exceptions to the requirement set forth in the preceding sentence in the case of retirement, death, or disability as determined in its sole discretion at the time of the Participant's termination of employment.

Additionally, the Committee shall have sole discretion to determine payments up to the pre-approved target levels for the Performance Period in the event of a change of more than 50% of the ownership or control of the Company, or a change of more than 50% of the directors of the Company in a single year.

Payments made hereunder shall be made by the 15th day of the third month following the end of any Performance Period or at a time that is permissible under Section 409A of the Code, unless determined otherwise by the Committee for any Participant, provided that no such determination shall be made in such a manner as to cause any payment under this Plan to fail to comply with the "short-term deferred exception" under Section 409A of the Code and the regulations promulgated thereunder.

B. Tax Withholding

The Company shall deduct from all awards any federal, state, or local taxes required by law to be withheld with respect thereto.

C. Claim to Awards and Employee Rights

No employee or other person shall have any right to be granted an award under the Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained by the Company, nor shall any action taken hereunder be construed as entitling the Company to the services of any Participant for any period of time. All payments shall be made from the general funds of the Company or its applicable subsidiary and nothing contained in this Plan or any action taken pursuant to its

provisions shall create or be construed to create a trust or fiduciary relationship of any kind between the Company and any Participant, beneficiary, legal representative of other person.

D. *Nontransferability*

A person's rights and interests under this Plan, including amounts payable, may not be assigned, pledged, or transferred, except as required by law.

E. *Applicable Law*

This Plan shall be construed and governed in accordance with the laws of the State of Delaware. This Plan is not intended to be subject to the Employee Retirement Security Income Act of 1974, as amended.

F. *Stockholder Approval*

The Plan is subject to approval by vote of the stockholders of the Company at the next annual or special meeting of stockholders following adoption by the Board or the Committee. Any amendments hereto requiring stockholder approval are subject to approval by vote of the stockholders of the Company at the next annual or special meeting of stockholders following adoption of the amendment by the Board or the Committee.

G. *Amendment, Modification and Termination*

Subject to the terms of the Plan, the Committee may at any time and from time to time, alter, amend, suspend, or terminate the Plan in whole or in part; provided that unless the Committee specifically provides otherwise, any revision or amendment that would cause the Plan to fail to comply with any requirement of applicable law, regulation, or rule if such amendment were not approved by the stockholders of the Company shall not be effective unless and until stockholder approval is obtained.

H. *Section 409A*

To the extent a bonus award would be subject to the requirements of Code Section 409A and the regulations thereunder, the Plan shall be construed and administered so that the bonus award complies with Code Section 409A.

I. *Clawback Policy*

(a) In addition to any other remedies available to the Company, if the Board or the Committee of the Board determines that any bonus award or other payment made to any person under this program resulted from (1) illegal conduct by that person or another person acting in concert with such person, (2) a material violation of any Company policy or (3) financial impropriety by such person that results in (a) a restatement of the financial statements of the Company for any period within the last three years, or (b) a material breach of Company policy or laws or regulations that could result in a termination for cause (whether or not the person's employment is terminated), then the Company may recover from such person such portion of the bonus award or other payment as it considers appropriate under the circumstances. The Board has the sole discretion to make any and all determinations under this policy, but such authority may be delegated to the Committee.

(b) The Company shall have the right to offset future compensation to any person – including at its sole discretion compensation in the form of stock awards or proceeds of the sale of Company securities – to recover any amounts that may be recovered by the Company or any

subsidiary hereunder, provided that such right may be deferred and limited as necessary to comply with Section 409A of the Code.

**Mueller Water Products, Inc.
Second Amended and Restated 2006 Stock Incentive Plan
Notice of Stock Option Grant**

Unless otherwise defined herein, all capitalized terms in this Notice of Stock Option Grant (“Notice of Grant”) shall have the meanings ascribed to them in the Mueller Water Products, Inc. Second Amended and Restated 2006 Stock Incentive Plan (the “Plan”).

[Participant Name]

[Address Line 1]

[Address Line 2]

The person named above (the “Optionholder”) has been granted an option (the “Option”) to purchase shares of Series A Common Stock of Mueller Water Products, Inc. (the “Company”), subject to the terms and conditions of the Plan, this Notice of Grant, and the Stock Option Agreement (attached hereto as Exhibit A), as follows:

Date of Grant:

Exercise Price per Share: \$

Total Number of Shares Granted:

Total Exercise Price: \$

Type of Option (check one): Incentive Stock Option Nonstatutory Stock Option

Term/ Expiration Date: Not later than [insert date that is 10 years from date of grant]

Payment:

By one or a combination of the following items (as described in greater detail in the Stock Option Agreement and the Plan):

- By cash or check
- By a “same day sale” arrangement
- By delivery of other shares of Common Stock

Vesting Schedule:

This Option may be exercised, in whole or in part, in accordance with the following schedule:

1/3rd of shares of Common Stock subject to the Option shall vest on each of the first three anniversaries of the Date of Grant, subject to the Optionholder’s Continuous Service with the Company on such dates. If, on any vesting date, this Vesting Schedule would result in the vesting of a fraction of a share, such fraction shall be rounded to the nearest whole share in a manner acceptable to management or any independent third party administering any terms of the Plan for the Company. This Option will vest upon the Optionholder’s death, Disability or Retirement.

The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Notice of Grant, the Stock Option Agreement, and the Plan, both of which are made a part of this document. The Optionholder has reviewed the Plan, the Notice of Grant and the Stock Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Notice of Grant. Optionholder further acknowledges that as of the Date of Grant, this Notice of Grant, the Stock Option Agreement, and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionholder, and (ii) the following agreements only:

Other Agreements (if any) : _____

The Optionholder acknowledges that if no other agreements are listed above, no other agreements on the subject hereof exist. By signing the Notice of Grant, the Optionholder agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors (or any Committee to whom the Board has delegated administration of the Plan) upon any questions relating to the Plan, the Notice of Grant and the Option Agreement.

OPTIONHOLDER:

MUELLER WATER PRODUCTS, INC.

(Signature)

/s/ GREGORY E. HYLAND

(Signature)

(Date)

Gregory E. Hyland, Chairman of the Board of Directors,
President and Chief Executive Officer

EXHIBIT A

**MUELLER WATER PRODUCTS, INC.
SECOND AMENDED AND RESTATED 2006 STOCK INCENTIVE PLAN**

STOCK OPTION AGREEMENT

1. Grant of Option . The Company hereby grants to the Optionholder named in the Notice of Grant attached to this Agreement (the “Optionholder”) an option (the “Option”) to purchase the number of shares of Series A Common Stock (“Shares”) of the Company, as set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the “Exercise Price”), subject to the terms and conditions of the Plan, which is incorporated by reference into this Stock Option Agreement (the “Option Agreement”), the Option Agreement and the Notice of Grant. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option (“ISO”), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an Incentive Stock Option, to the extent that the aggregate Fair Market Value of the Common Stock subject to the Option (as determined at the time of grant) exceeds the \$100,000 rule of Code Section 422(d), it shall be treated as a Nonstatutory Stock Option (“NSO”).

2. Exercise of Option .

(a) Right to Exercise . This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise . This Option is exercisable by delivery of an exercise notice, in the form attached hereto (the “Exercise Notice”), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan and the Option Agreement. The Exercise Notice shall be completed by the Optionholder and delivered to the Company’s Stock Plan Administrator, as designated by the Company from time to time. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. The Optionholder shall also be required to make adequate provision for all withholding taxes relating to the exercise of the Option as a condition to the exercise of the Option. This Option shall be deemed to be exercised only upon receipt by the Company of such fully executed Exercise Notice accompanied by the payment of such aggregate Exercise Price and arrangement for the adequate provision for the withholding taxes relating to the exercise.

(c) Compliance . No Shares shall be issued pursuant to the exercise of this Option unless such issuance, exercise, and the method of payment of consideration for such Shares complies with Applicable Law. This Option may not be exercised for a fraction of a share. Assuming such compliance, for income tax purposes the Exercised Shares shall be considered transferred to the Optionholder on the date the Option is exercised with respect to such Exercised Shares. Notwithstanding the foregoing, the Company shall not be liable to the Optionholder for damages relating to any delays in issuing the certificates for the Exercised Shares to the Optionholder, any loss of the certificates, or any mistakes or errors in the issuance of the certificates or in the certificates themselves.

3. Method of Payment . Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionholder:

(a) cash or check;

(b) consideration received by the Company under a “same day sale” program implemented by the Company in connection with the Plan; or

(c) by delivery to the Company of other shares of Common Stock of the Company; provided, however, that if the Exercise Price of Shares acquired pursuant to this Option is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, the Exercise Price shall be paid only by shares of the Common Stock of the Company that have been held by the Optionholder for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). The Optionholder may, subject to procedures satisfactory to the Board, satisfy such delivery requirement by presenting proof of beneficial ownership of such Common Stock.

4. Period for Exercise . Subject to the provisions of the Plan, the Notice of Grant and this Option Agreement, the Optionholder may exercise this Option as to any vested Shares at any time prior to the earliest to occur of the following:

(a) the Term/Expiration Date set forth in the Notice of Grant;

(b) two (2) years following the date of the Optionholder's termination of Continuous Service as a result of death, Disability or Retirement;

(c) three (3) months following the date of the Optionholder's termination of Continuous Service by the Company without Cause (and other than as a result of death, Disability or Retirement) or by the Optionholder for any reason; and

(d) the date of the Optionholder's termination of Continuous Service by the Company for Cause.

5. Non-Transferability of Option . This Option may not be transferred in any manner other than by will or by the laws of descent or distribution and may be exercised during the lifetime of the Optionholder only by the Optionholder. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionholder.

6. Notice of Disqualifying Disposition of ISO Shares . If the Optionholder sells or otherwise disposes of any of the Shares acquired pursuant to an ISO ("ISO Shares") on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, the Optionholder shall immediately notify the Company in writing of such disposition. The Optionholder understands and agrees that he or she may be subject to income tax withholding by the Company on the compensation income recognized from such early disposition of ISO Shares by payment in cash or out of the current earnings paid to the Optionholder.

7. Lock-Up . By exercising the Option, the Optionholder agrees that the Company (or a representative of the underwriter(s)) may, in connection with the first underwritten registration of the offering of any equity securities of the Company under the Securities Act (and/or any underwritten registration of any securities of the Company prior to that time), require that the Optionholder not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by the Optionholder, for a period of time specified by the underwriter(s) (not to exceed one hundred eighty (180) days) following the effective date of the registration statement of the Company filed under the Securities Act. The Optionholder further agrees to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop transfer instructions with respect to Shares of Common Stock until the end of such period. The underwriters of the Company's stock are intended third party beneficiaries of this section and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

8. Entire Agreement; Governing Law . The Plan and the Notice of Grant are incorporated herein by reference. Except as expressly set forth in the Notice of Grant, the Plan, the Notice of Grant and this Option Agreement constitute the entire agreement of the parties with respect

to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionholder with respect to the subject matter hereof. The Company may amend the terms of the Option; provided that the rights under any Option shall not be materially impaired by any such amendment except by means of a writing signed by the Company and the Optionholder. The Option is governed by the law of the State of Delaware, without regard to the principles of conflicts of law.

9. NO GUARANTEE OF CONTINUED SERVICE . THE OPTIONHOLDER ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE, DIRECTOR, OR CONSULTANT AT THE WILL OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED AN OPTION OR PURCHASING SHARES HEREUNDER). THE OPTIONHOLDER FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE, DIRECTOR, OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH THE OPTIONHOLDER'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONHOLDER'S RELATIONSHIP (I) AS AN EMPLOYEE AT ANY TIME, WITH OR WITHOUT CAUSE; (II) AS A CONSULTANT PURSUANT TO THE TERMS OF OPTIONHOLDER'S AGREEMENT WITH THE COMPANY OR AN AFFILIATE; OR (III) AS A DIRECTOR PURSUANT TO THE BYLAWS OF THE COMPANY, AND ANY APPLICABLE PROVISIONS OF THE CORPORATE LAW OF THE STATE OR OTHER JURISDICTION IN WHICH THE COMPANY IS DOMICILED, AS THE CASE MAY BE.

**MUELLER WATER PRODUCTS, INC.
SECOND AMENDED AND RESTATED 2006 STOCK INCENTIVE PLAN
EXERCISE NOTICE**

Mueller Water Products, Inc.
1200 Abernathy Road
Atlanta, GA 30328

Attention: Stock Plan Administrator

1. Exercise of Option . Effective as of today, _____, 20 __, the undersigned (“Purchaser”) hereby elects to purchase _____ shares (the “Shares”) of the Common Stock of Mueller Water Products, Inc. (the “Company”) under and pursuant to the Second Amended and Restated 2006 Stock Incentive Plan (the “Plan”) and the Notice of Stock Option Grant and Stock Option Agreement dated _____, 20__ (the “Option Agreement”) with the Grant Number _____. The total purchase price for the Shares shall be \$ _____, as required by the Option Agreement.

2. Delivery of Payment . Purchaser herewith delivers to the Company the full purchase price for the Shares in the form of:

- Cash or check in the amount of \$ _____, with any checks made payable to Mueller Water Products, Inc.
- Irrevocable instructions to sell shares acquired upon exercise in accordance with the terms of the Company’s “same day sale” program.
- _____ shares of Common Stock, with a fair market value of \$ _____, as to which I am attesting ownership pursuant to the form of Tender of Already-Owned Shares by Attestation of Share Ownership Rather than Physical Delivery of Shares attached hereto as Attachment 2 (as further described in Attachment 1, Exercise via Attestation). *[where are these attachments?]*

3. Tax Withholding . Purchaser has contacted the Company’s Stock Plan Administrator to confirm that the tax withholding due upon exercise of the Option is \$ _____.

4. Representations of Purchaser .

(a) Purchaser has received, read and understood the Plan, the Notice of Grant and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

(b) Purchaser agrees: (i) to provide such additional documents as the Company may require pursuant to the terms of the Plan, (ii) to provide for the payment by Purchaser to the Company (in the manner designated by the Company) of the Company’s withholding obligation, if any, relating to the exercise of this Option, and (iii) if this exercise relates to an ISO, to notify the Company in writing promptly after the date of any disposition of any of the Shares of Common Stock issued upon exercise of this Option that occurs within two (2) years after the date of grant of the Option or within one (1) year after such Shares of Common Stock are issued upon exercise of the Option.

(c) Purchaser hereby makes the following certifications and representations with respect to the Shares, which are being acquired by the Purchaser for his or her own account (or otherwise in compliance with applicable law) upon exercise of the Option as set forth above:

(i) If Purchaser is an officer and/or director of the Company, Purchaser has contacted the Company’s Stock Plan Administrator to determine whether he or she is subject to Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and if so:

- Purchaser has reviewed his or her transactions relative to Section 16 of the Exchange Act (“Section 16”);
- The Company has informed the Purchaser that the grant of the Option is exempt from Section 16(b) of the Exchange Act either because (i) it was approved by the Company’s Board of Directors or a committee duly authorized by the Board pursuant to the rules issued under Section 16, or (ii) Purchaser has held the Option for six (6) months or more, and, therefore, this transaction may not be matched with a non-exempt purchase; and
- Purchaser understands that the filing of a Form 4 with the U.S. Securities and Exchange Commission may be required because of this transaction.

(ii) Purchaser understands that if he or she is an officer and/or director of the Company, Purchaser may be deemed an “affiliate” of the Company and is therefore subject to certain of the conditions set forth in Rule 144 of the Securities Act.

(iii) Purchaser further acknowledges that all certificates representing any of the Shares subject to the provisions of the Option shall have endorsed thereon appropriate legends reflecting the foregoing limitations, as well as any legends reflecting restrictions pursuant to Applicable Law. Purchaser agrees that the Shares are being acquired in accordance with and subject to the terms, provisions and conditions of his or her option documents and the Plan, to all of which the Purchaser hereby expressly assents. This agreement shall inure to the benefit of and be binding upon the Purchaser’s heirs, executors, administrators, successors and assigns.

(iv) If Purchaser is selling some or all of these Shares in accordance with the terms of the Company’s “same day sale” program, Purchaser does not have access to, nor is Purchaser aware of, any nonpublic, material information regarding the Company that could or has influenced his or her decision to sell these Shares.

(v) Purchaser hereby agrees to notify the Company upon the transfer or sale or other disposition of the Shares acquired under any ISO exercise and agrees to hold harmless the Company regarding the reporting of income subject to the disposition of these Shares.

(vi) Purchaser further acknowledges that he or she has received a copy of the prospectus prepared by the Company, which provides information regarding the Company, the Plan and the Shares.

(vii) Purchaser represents that he or she is entitled to exercise the Option with respect to the number of Shares that the Purchaser wishes to purchase hereby.

(d) Purchaser agrees that, if required by the Company (or a representative of the underwriters) in connection with the first underwritten registration of the offering of any equity securities of the Company under the Securities Act (or any underwritten registration of the offering of any securities of the Company prior to that time), or the similar laws of a foreign jurisdiction, Purchaser will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Shares or other securities of the Company held by Purchaser, for a period of time specified by the underwriter(s) (not to exceed one hundred eighty (180) days) following the effective date of the registration statement of the Company filed under the Securities Act. Purchaser further agrees to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Shares until the end of such period.

4. Rights as Stockholder . Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the

Shares of the Company's Common Stock subject to the Option, notwithstanding the exercise of the Option. The Shares so acquired shall be issued to the Optionholder as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in the Plan.

5. **Tax Consultation**. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

6. **Entire Agreement; Governing Law**. The Plan, the Notice of Grant and Option Agreement are incorporated herein by reference. This agreement, the Plan, the Notice of Grant and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser's interest except by means of a writing signed by the Company and Purchaser. This agreement is governed by the law of the State of Delaware.

Submitted by:

Accepted by:

PURCHASER:

MUELLER WATER PRODUCTS, INC.

(Signature)

(Signature)

(Print Name)

(Print Name)

Address:

(Date Executed)

(Date Received)

**Amended and Restated 2006 Stock Incentive Plan
Restricted Stock Unit Award Agreement
Effective November 30, 2009**

THIS AGREEMENT, effective as of the Date of Grant set forth below (the “Date of Grant”), represents a grant of restricted stock units (“RSUs”) by Mueller Water Products, Inc., a Delaware corporation (the “Company”), to the Participant named below, pursuant to the provisions of the Mueller Water Products, Inc. Amended and Restated 2006 Stock Incentive Plan (the “Plan”). The Participant has been selected to receive a grant of RSUs pursuant to the Plan, as specified below.

The Plan provides a description of terms and conditions governing the grant of RSUs. If there is any inconsistency between the terms of this Restricted Stock Unit Award Agreement (this “Agreement”) and the terms of the Plan, the Plan’s terms shall completely supersede and replace the conflicting terms of this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein.

Participant:

Date of Grant:

Number of RSUs Granted:

Purchase Price: None

The parties hereto agree as follows:

1. Employment with the Company. Except as may otherwise be provided in Section 6, the RSUs granted hereunder are granted on the condition that the Participant remains in Continuous Service from the Date of Grant by the Company through (and including) the vesting date, as set forth in Section 2 (referred to herein as the “Period of Restriction”).

This grant of RSUs shall not confer any right to the Participant (or any other participant) to be granted RSUs or other Awards in the future under the Plan.

2. Normal Vesting. One-third of the RSUs shall vest on each of the first three anniversaries of the Date of Grant, subject to the Participant’s Continuous Service on such dates. If, on any vesting date, this vesting schedule would result in the vesting of a fraction of an RSU, such fraction shall be rounded to the nearest whole RSU in a manner acceptable to management or any independent third party administering any terms of the Plan for the Company.

3. Timing of Payout. Payout of RSUs shall, with respect to the number of RSUs vesting on each vesting date as set forth in Section 2, be made on or before the thirtieth (30th) day following such vesting date, or as soon as administratively possible thereafter; provided that, in the event of the Participant’s termination of Continuous Service by reason of death, Disability or

Retirement, or after a Change in Control, prior to any such normal vesting date, payout of all RSUs shall be made on or before the thirtieth (30th) day following the date of such termination of Continuous Service, or as soon as administratively possible thereafter.

4. Form of Payout. Vested RSUs will be paid out solely in the form of shares of Series A Common Stock of the Company or such other security as Series A Common Stock shall be converted into in the future.

5. Voting Rights and Dividends. Until such time as the RSUs are paid out in shares of Company Stock, the Participant shall not have voting rights. Further, no dividends shall be paid on any RSUs.

6. Termination of Continuous Service. In the event of the Participant's termination of Continuous Service for any reason other than the Participant's death, Disability or Retirement during the Period of Restriction (and except as otherwise provided in Section 7 with respect to RSUs that become nonforfeitable upon a Change in Control), all RSUs held by the Participant at the time of his or her termination of Continuous Service and still subject to the Period of Restriction shall be forfeited by the Participant to the Company. All RSUs that have not previously vested shall vest upon the Participant's death, Disability, or Retirement.

7. Change in Control. Notwithstanding anything to the contrary in this Agreement, in the event of a Change in Control of the Company during the Period of Restriction and prior to the Participant's termination of Continuous Service, the Period of Restriction imposed on the RSUs shall immediately lapse, with all such RSUs becoming nonforfeitable, subject to applicable federal and state securities laws. Such RSUs shall be paid out at the time(s) they would have been paid out under Section 3 as if the Change in Control had not occurred (*i.e.* , such RSUs shall be paid following each normal vesting date as described in Section 2, or earlier upon the Participant's death, Disability, Retirement or other termination of Continuous Service). Notwithstanding the foregoing, a transaction or series of transactions in which the Company separates one or more of its existing businesses, whether by sale, spin-off or otherwise, and whether or not any such transaction or series of transactions requires a vote of the stockholders, shall not be considered a "Change in Control."

8. Restrictions on Transfer. Unless and until actual shares of stock of the Company are received upon payout, RSUs granted pursuant to this Agreement may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (a "Transfer"), other than by will or by the laws of descent and distribution, except as provided in the Plan. If any Transfer, whether voluntary or involuntary, of RSUs is made, or if any attachment, execution, garnishment, or lien shall be issued against or placed upon the RSUs, the Participant's right to such RSUs shall be immediately forfeited by the Participant to the Company, and this Agreement shall lapse.

9. Recapitalization. In the event of any change in the capitalization of the Company such as a stock split or corporate transaction such as any merger, consolidation, separation, or otherwise, the number and class of RSUs subject to this Agreement shall be equitably adjusted by the Committee, as set forth in the Plan, to prevent dilution or enlargement of rights.

10. Beneficiary Designation. The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and shall be effective only when filed by the Participant in writing with the Secretary of the Company during his or her lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to his or her estate.

11. Continuation of Employment. This Agreement shall not confer upon the Participant any right to continue employment with the Company or its Subsidiaries, nor shall this Agreement interfere in any way with the Company's or its Subsidiaries' right to terminate the Participant's employment at any time. For purposes of this Agreement, "Termination of Employment" shall mean termination or cessation of the Participant's employment with the Company or its Subsidiaries for any reason (or no reason), whether the termination of employment is instituted by the Participant or the Company or a Subsidiary, and whether the termination of employment is with or without cause.

12. Noncompetition. Upon termination other than involuntary termination not for cause, the Participant agrees that, for one year following such termination, he or she will not engage in executive or management services for a company that, within the 12 months prior to the termination, sold products that compete with the products of the Company or its Subsidiaries (a "Competitor," and such products being a "Competitor's Products") within 25 miles of any location in the United States where the Company or its Subsidiaries had sales of products (the "Restricted Area") at the time of such termination.

The Participant acknowledges and agrees that:

- (a) The Participant is familiar with the businesses of the Company and its Subsidiaries and the commercial and competitive nature of the industry and recognizes that the value of the Company's business would be injured if the Participant performed Competitive Services for a Competing Business;
- (b) This covenant not to compete is essential to the continued good will and profitability of the Company;
- (c) In the course of employment with the Company or its Subsidiaries, the Participant will become familiar with the trade secrets and other Confidential Information (as defined below) of the Company and its Subsidiaries, affiliates, and other related entities, and that the Participant's services will be of special, unique, and extraordinary value to the Company; and
- (d) The Participant's skills and abilities should enable him or her to seek and obtain similar employment in a business other than a Competing Business, and the Participant possesses other skills that will serve as the basis for employment opportunities that are not prohibited by this covenant not to compete. Following the Participant's Termination of Employment with the Company, he or she

expects to be able to earn a livelihood without violating the terms of this Agreement.

13. Nonsolicitation of Employees. During the term of the Participant's employment with the Company or its Subsidiaries and for a period of twelve (12) months following the Participant's Termination of Employment, the Participant shall not, either on his or her own account or for any person, entity, business or enterprise within the Restricted Area: (a) solicit any employee of the Company or its Subsidiaries with whom the Participant had contact during the two (2) years prior to his or her Termination of Employment to leave his or her employment with the Company or its Subsidiaries; or (b) induce or attempt to induce any such employee to breach any employment agreement with the Company.

14. Nonsolicitation of Customers. During the term of the Participant's employment with the Company or its Subsidiaries and for a period of two (2) years following the Participant's Termination of Employment, the Participant shall not directly or indirectly solicit or attempt to solicit any current customer of the Company or any of its Subsidiaries with which the Participant had Material Contact (as defined below) during the two (2) years prior to his or her Termination of Employment: (a) to cease doing business in whole or in part with or through the Company or any of its Subsidiaries; or (b) to do business with any other person, entity, business or enterprise which performs services competitive to those provided by the Company or any of its Subsidiaries. This restriction on post-employment conduct shall apply only to solicitation for the purpose of selling or offering products or services that are similar to or which compete with those products or services offered by the Company or its Subsidiaries during the period of the Participant's employment. For purposes of this Section, "Material Contact" shall be defined as any communication intended or expected to develop or further a business relationship and customers about which the employee learned confidential information as a result of his or her employment.

15. Developments. The Participant agrees that all inventions, improvements, trade secrets, reports, manuals, computer programs, systems, tapes and other ideas and materials developed or invented by him or her during the period of his or her employment with the Company or its Subsidiaries, either solely or in collaboration with others, which relate to the actual or anticipated business or research of the Company or its Subsidiaries, which result from or are suggested by any work the Participant may do for the Company or its Subsidiaries, or which result from use of the Company's or its Subsidiaries' premises or the Company's or its Subsidiaries' or their customers' property (collectively, the "Developments") shall be the sole and exclusive property of the Company and its Subsidiaries. The Participant hereby assigns to the Company his or her entire right and interest in any Developments and will hereafter execute any documents in connection therewith that the Company may reasonably request. This Section does not apply to any inventions that the Participant made prior to his or her employment by the Company or its Subsidiaries, or to any inventions that he or she develops entirely on his or her own time without using any of the Company's equipment, supplies, facilities or the Company's or its Subsidiaries' or their customers' confidential information and which do not relate to the Company's or its Subsidiaries' businesses, anticipated research and Developments or the work he or she has performed for the Company or its Subsidiaries.

16. Non-Disparagement. The Participant agrees that neither during his or her employment nor following his or her Termination of Employment and continuing for so long as the Company or any Subsidiary, affiliate, successor or assigns thereof carries on the name or like business within the Restricted Area, the Participant shall not, directly or indirectly, for himself or herself or on behalf of, or in conjunction with, any other person, persons, company, partnership, corporation, business entity or otherwise make any statements that are inflammatory, detrimental, slanderous, or materially negative in any way to the interests of the Company or its Subsidiaries or other affiliated entities.

17. Confidentiality and Nondisclosure.

- (a) The Participant agrees that he or she will not, other than in performance of his or her duties for the Company or its Subsidiaries, disclose or divulge to Third Parties (as defined below) or use or exploit for his or her own benefit or for the benefit of Third Parties any Confidential Information, including trade secrets. For the purposes of this Agreement, "Confidential Information" shall mean confidential and proprietary information, trade secrets, knowledge or data relating to the Company and its Subsidiaries and their businesses, including but not limited to information disclosed to the Participant, or known by the Participant as a consequence of or through employment with the Company or its Subsidiaries, where such information is not generally known in the trade or industry, and where such information refers or relates in any manner whatsoever to the business activities, processes, services, or products of the Company or its Subsidiaries; business and development plans (whether contemplated, initiated, or completed); mergers and acquisitions; pricing information; business contacts; sources of supply; customer information (including customer lists, customer preferences, and sales history); methods of operation; results of analysis; customer lists (including advertising contacts); business forecasts; financial data; costs; revenues; information maintained in electronic form (such as e-mails, computer files, or information on a cell phone, Blackberry, or other personal data device); and similar information. Confidential Information shall not include any data or information in the public domain, other than as a result of a breach of this section of this Agreement. The provisions of this paragraph shall apply to the Participant at any time during his or her employment with the Company or its Subsidiaries and for a period of two (2) years following his or her Termination of Employment or, if the Confidential Information is a trade secret, such longer period of time as may be permitted by controlling trade secret laws.
- (b) The Participant acknowledges and agrees that the Confidential Information is necessary for the Company's ability to compete with its competitors. The Participant further acknowledges and agrees that the prohibitions against disclosure and use of Confidential Information recited herein are in addition to, and not in lieu of, any rights or remedies that the Company or a

Subsidiary may have available pursuant to the laws of the State of Delaware to prevent the disclosure of trade secrets or proprietary information, including but not limited to the Delaware Uniform Trade Secrets Act, 6 Del. Code Ann. §2001, *et seq.* The Participant agrees that this non-disclosure obligation may extend longer than two (2) years following his or her Termination of Employment as to any materials or information that constitutes a trade secret under the Delaware Uniform Trade Secrets Act.

- (c) For purposes of this Agreement, “Third Party” or “Third Parties” shall mean persons, sole proprietorships, firms, partnerships, limited liability partnerships, associations, corporations, limited liability companies, and all other business organizations and entities, excluding the Participant and the Company.
- (d) The Participant agrees to take all reasonable precautions to safeguard and prevent disclosure of Confidential Information to unauthorized persons or entities.

18. Intellectual Property. The Participant agrees that he or she has no right to use for the benefit of the Participant or anyone other than the Company or its Subsidiaries, any of the copyrights, trademarks, service marks, patents, and inventions of the Company or its Subsidiaries.

19. Injunctive Relief. The Participant and the Company recognize that breach of the provisions of this Agreement restricting the Participant’s activities would give rise to immediate and irreparable injury to the Company that is inadequately compensable in damages. In the event of a breach or threatened breach of the restrictions contained in this Agreement regarding noncompetition, nonsolicitation of employees, nonsolicitation of customers, Developments, non-disparagement, confidentiality and nondisclosure of Confidential Information, and intellectual property (collectively, the “Covenants”), the Participant agrees and consents that the Company shall be entitled to injunctive relief, both preliminary and permanent, without bond, in addition to reimbursement from the Participant for all reasonable attorneys’ fees and expenses incurred by the Company in enforcing these provisions, should the Company prevail. The Participant also agrees not raise the defense that the Company has an adequate remedy at law. In addition, the Company shall be entitled to any other legal or equitable remedies as may be available under law. The remedies provided in this Agreement shall be deemed cumulative and the exercise of one shall not preclude the exercise of any other remedy at law or in equity for the same event or any other event.

20. Dispute Resolution; Agreement to Arbitrate.

- (a) The Participant and the Company agree that final and binding arbitration shall be the exclusive remedy for any controversy, dispute, or claim arising out of or relating to this Agreement.
- (b) This Section covers all claims and actions of whatever nature, both at law and in equity, including, but not limited to, any claim for breach of contract (including this Agreement), and includes claims against the Participant and claims against the Company, its Subsidiaries and/or any parents, affiliates,

owners, officers, directors, employees, agents, general partners or limited partners of the Company, to the extent such claims involve, in any way, this Agreement. This Section covers all judicial claims that could be brought by either party to this Agreement, but does not cover the filing of charges with government agencies that prohibit waiver of the right to file a charge.

- (c) The arbitration proceeding will be administered by a single arbitrator (the "Arbitrator") in accordance with the Commercial Arbitration Rules of the American Arbitration Association, taking into account the need for speed and confidentiality. The Arbitrator shall be an attorney or judge with experience in contract litigation and selected pursuant to the applicable rules of the American Arbitration Association.
- (d) The place and situs of arbitration shall be Wilmington, Delaware (or such other location as may be mutually agreed to by the parties). The Arbitrator may adopt the Commercial Arbitration Rules of the American Arbitration Association, but shall be entitled to deviate from such rules in the Arbitrator's sole discretion in the interest of a speedy resolution of any dispute or as the Arbitrator shall deem just. The parties agree to facilitate the arbitration by (a) making available to each other and to the Arbitrator for inspection and review all documents, books and records as the Arbitrator shall determine to be relevant to the dispute, (b) making individuals under their control available to other parties and the Arbitrator and (c) observing strictly the time periods established by the Arbitrator for the submission of evidence and pleadings. The Arbitrator shall have the power to render declaratory judgments, as well as to award monetary claims, provided that the Arbitrator shall not have the power to act (i) outside the prescribed scope of this Agreement, or (ii) without providing an opportunity to each party to be represented before the Arbitrator.
- (e) The Arbitrator's award shall be in writing. The Arbitrator shall allocate the costs and expenses of the proceedings between the parties and shall award interest as the Arbitrator deems appropriate. The arbitration judgment shall be final and binding on the parties. Judgment on the Arbitrator's award may be entered in any court having jurisdiction.

The Participant and the Company agree and understand that by executing this Agreement and agreeing to this Arbitration provision, they are giving up their rights to trial by jury for any dispute related to this Agreement.

_____ (the Participant's initials)

_____ (the Company Representative's initials)

21. Clawback.

(a) In the event of a breach of this Agreement by the Participant or a material breach of Company policy or laws or regulations that could result in a termination for cause (whether or not the Participant is terminated), then the RSUs granted hereby shall be void and of no effect, unless the Committee determines otherwise.

(b) In the event of financial impropriety by the Participant that results in a restatement of the financial statements of the Company for any applicable period (the "Applicable Period"), as determined by the Audit Committee or the Company's independent registered public accounting firm; then, if the award granted hereby is made during the Applicable Period or within 90 days after the end of such Applicable Period, the number of RSUs granted hereunder shall be reduced by a fraction:

(i) The numerator of which is the amount of operating income decline for the Applicable Period caused by such restatement or breach, and

(ii) The denominator of which is the amount of operating income previously determined for the Applicable Period, or if the financial impropriety does not result in a decrease in the amount of operating income, the fraction shall be 50%.

If RSUs have already vested under this Agreement, then the reduction contemplated by this Section 21(b) shall be applied first to the remaining RSUs that have not vested, pro rata, and second to the vested shares and the Participant shall repay the Company by forfeiting to the Company a number of excess shares received that would have exceeded the amount granted hereby, to be taken from the most recent vesting of RSUs or, if such shares have been sold, the proceeds received from the sale of such shares that would otherwise have been forfeited.

As an example of the foregoing, assume the Participant is granted an award of 300 RSUs on December 1, 2009, which vest equally on December 1, 2010, December 1, 2011 and December 1, 2012.

If the Company discovers a breach or financial impropriety by the Participant on June 30, 2011, which leads to a 50% decrease in operating income for the 2009 fiscal year and which could not result in termination for cause, then the award granted would be reduced to 150 RSUs, and the reduction would be applied equally to the remaining RSUs, which would mean that the 100 RSUs vesting on December 1, 2011 would be reduced by 75 to 25 RSUs and the 100 remaining RSUs vesting on December 1, 2012 would be reduced by 75 to 25 RSUs.

If the Company discovers a breach or financial impropriety by the Participant on June 30, 2012, which leads to a 50% decrease in operating income for the 2009 fiscal year and which could not result in termination for cause, then the award granted would be reduced to 150 RSUs, which would be applied to the remaining RSUs, which would mean that the 100 RSUs vesting on December 1, 2012 would be reduced by 100 RSUs to 0 RSUs and the Participant would forfeit 50 shares to the Company, taken from the most recent

vesting on December 1, 2011, or if such shares had been sold, the Participant would pay to the Company the proceeds received from the sale of those 50 shares.

(c) In addition to the foregoing, if the Participant has realized any profits from the sale of other Company securities during the 12-month period prior to the discovery of breach or financial impropriety referred to above, the Participant shall reimburse the Company for those profits to the extent required by the Company's Clawback Policy.

(d) The Company shall have the right to offset future compensation – including at its sole discretion stock compensation – to recover any amounts that may be recovered by the Company hereunder.

22. Miscellaneous.

- (a) This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. The Committee shall have the right to impose such restrictions on any shares acquired pursuant to this Agreement, as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares are then listed and/or traded, under any blue sky or state securities laws applicable to such shares. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Participant.
- (b) The Committee may terminate, amend, or modify the Plan and this Agreement under the terms of and as set forth in the Plan.
- (c) The Participant may elect, subject to any procedural rules adopted by the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold and sell shares having an aggregate Fair Market Value on the date the tax is to be determined, equal to the amount required to be withheld, subject to the restrictions imposed by applicable securities laws and Company policies regarding trading in its shares.

The Company shall have the power and the right to deduct or withhold from the Participant's compensation, or require him or her to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation), domestic or foreign, required by law to be withheld with respect to any payout to him or her under this Agreement.

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- (d) The Participant agrees to take all steps necessary to comply with all applicable provisions of federal and state securities laws in exercising his or her rights under this Agreement.
 - (e) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.
 - (f) This Agreement and the Plan constitute the entire understanding between the Participant and the Company regarding the RSUs granted hereunder. This Agreement and the Plan supersede any prior agreements, commitments or negotiations concerning the RSUs granted hereunder.
 - (g) All rights and obligations of the Company under the Plan and this Agreement, shall inure to the benefit of and be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.
 - (h) To the extent not preempted by the laws of the United States, the laws of the State of Delaware shall be the controlling law in all matters relating to this Agreement without giving effect to principles of conflicts of laws.
 - (i) The Participant acknowledges and agrees that the Covenants and other provisions contained herein are reasonable and valid and do not impose limitations greater than those that are necessary to protect the business interests and Confidential Information of the Company. The Company and the Participant agree that the invalidity or unenforceability of any one or more of the Covenants, other provisions, or parts thereof of this Agreement shall not affect the validity or enforceability of the other Covenants, provisions, or parts thereof, all of which are inserted conditionally on their being valid in law, and in the event one or more Covenants, provisions, or parts thereof contained herein shall be invalid, this Agreement shall be construed as if such invalid Covenants, provisions, or parts thereof had not been inserted. The Participant and the Company agree that the Covenants and other provisions contained in this Agreement are severable and divisible, that none of such Covenants or provisions depend on any other Covenant or provision for their enforceability, that each such Covenant and provision constitutes an enforceable obligation between the Company and the Participant, that each such Covenant and provision shall be construed as an agreement independent of any other Covenant or provision of this Agreement, and that the existence of any claim or cause of action by one party to this Agreement against another party to this Agreement, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by any party to this Agreement of any such Covenant or provision.

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- (j) If any of the provisions contained in this Agreement relating to the Covenants or other provisions contained herein, or any part thereof, are determined to be unenforceable because of the length of any period of time, the size of any area, the scope of activities or similar term contained therein, then such period of time, area, scope of activities or similar term shall be considered to be adjusted to a period of time, area, scope of activities or similar term which would cure such invalidity, and such Covenant or provision in its reduced form shall then be enforced to the maximum extent permitted by applicable law.
 - (k) This Agreement is intended to satisfy the requirements of Section 409A of the Code and shall be construed accordingly. To the extent that any amount or benefit that constitutes nonqualified deferred compensation under Section 409A of the Code, and that is not exempt under Section 409A, is otherwise payable or distributable to the Participant on account of separation from service (within the meaning of Section 409A of the Code) while he or she is a specified employee (within the meaning of Section 409A of the Code), such amount or benefit shall be paid or distributed on the *later of* time for payment described in Section 3 of this Agreement and that date which is six (6) months after such separation from service.
 - (l) The parties agree that the mutual promises and covenants contained in this Agreement constitute good and valuable consideration.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of the Date of Grant.

Mueller Water Products, Inc.

By: _____
Gregory E. Hyland
Chairman, President, and
Chief Executive Officer

ATTEST:

Participant

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

I, Gregory E. Hyland, certify that:

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

Date: February 9, 2010

By: /s/ GREGORY E. HYLAND

Gregory E. Hyland
Chief Executive Officer

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

I, Evan L. Hart, certify that:

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

Date: February 9, 2010

By: /s/ E VAN L. H ART

Evan L. Hart

Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q of Mueller Water Products, Inc. (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Gregory E. Hyland, the Chief Executive Officer of Mueller Water Products, Inc., certify that, to the best of my knowledge:

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

Date: February 9, 2010

By: /s/ GREGORY E. HYLAND

Gregory E. Hyland
Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q of Mueller Water Products, Inc. (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Evan L. Hart, the Chief Financial Officer of Mueller Water Products, Inc., certify that, to the best of my knowledge:

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

Date: February 9, 2010

By: /s/ E VAN L. H ART

Evan L. Hart

Chief Financial Officer