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 June 30, 2010

☐ **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	☐	(Do not check if a smaller reporting company)	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 154,564,828 shares of Series A common stock of the registrant outstanding at July 31, 2010.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2010	September 30, 2009
	(in millions)	
Assets:		
Cash and cash equivalents	$ 77.1	$ 61.5
Receivables, net	213.2	216.3
Inventories	275.9	342.8
Deferred income taxes	27.1	30.8
Assets held for sale	—	13.9
Other current assets	58.8	80.8
Total current assets	652.1	746.1
Property, plant and equipment, net	266.7	296.4
Identifiable intangible assets, net	640.0	663.6
Other noncurrent assets	30.2	33.4
Total assets	$ 1,589.0	$ 1,739.5
Liabilities and stockholders' equity:		
Current portion of long-term debt	$ 10.5	$ 11.7
Accounts payable	91.2	111.7
Other current liabilities	79.4	97.4
Total current liabilities	181.1	220.8
Long-term debt	682.2	728.5
Deferred income taxes	160.3	180.0
Other noncurrent liabilities	162.1	173.9
Total liabilities	1,185.7	1,303.2
Commitments and contingencies (Note 13)		
Series A common stock: 600,000,000 shares authorized; 154,561,095 shares and 153,790,887 shares outstanding at June 30, 2010 and September 30, 2009, respectively	1.5	1.5
Additional paid-in capital	1,598.4	1,599.0
Accumulated deficit	(1,116.5)	(1,078.3)
Accumulated other comprehensive loss	(80.1)	(85.9)
Total stockholders' equity	403.3	436.3
Total liabilities and stockholders' equity	$ 1,589.0	$ 1,739.5

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 June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in millions, except per share amounts)			
Net sales	$ 375.9	$ 363.2	$ 990.8	$ 1,053.1
Cost of sales	305.3	305.4	826.1	865.4
Gross profit	70.6	57.8	164.7	187.7
Operating expenses:				
Selling, general and administrative	57.2	62.4	163.0	184.7
Impairment	—	—	—	970.9
Restructuring	0.9	3.9	11.8	45.9
Total operating expenses	58.1	66.3	174.8	1,201.5
Income (loss) from operations	12.5	(8.5)	(10.1)	(1,013.8)
Interest expense, net	15.8	17.2	47.4	51.1
Loss on early extinguishment of debt	—	2.3	0.5	0.8
Loss before income taxes	(3.3)	(28.0)	(58.0)	(1,065.7)
Income tax expense (benefit)	0.5	(9.0)	(19.8)	(79.9)
Net loss	$ (3.8)	$ (19.0)	$ (38.2)	$ (985.8)
Basic and diluted net loss per share	$ (0.02)	$ (0.16)	$ (0.25)	$ (8.52)
Basic and diluted weighted average shares outstanding	154.5	116.0	154.3	115.7
Dividends declared per share	$ 0.0175	$ 0.0175	$ 0.0525	$ 0.0525

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

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED JUNE 30, 2010
(UNAUDITED)

	Series A common stock	Additional paid-in capital	Accumu-lated deficit	Accumulated other comprehensive loss	Total
			(in millions)		
Balance at September 30, 2009	$ 1.5	$ 1,599.0	$ (1,078.3)	$ (85.9)	$ 436.3
Net loss	—	—	(38.2)	—	(38.2)
Dividends declared	—	(8.1)	—	—	(8.1)
Stock-based compensation	—	6.7	—	—	6.7
Stock issued under stock compensation plans	—	0.8	—	—	0.8
Net unrealized gain on derivatives	—	—	—	0.6	0.6
Foreign currency translation	—	—	—	2.5	2.5
Minimum pension liability	—	—	—	2.7	2.7
Balance at June 30, 2010	$ 1.5	$ 1,598.4	$ (1,116.5)	$ (80.1)	$ 403.3

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)

	Nine months ended June 30,	
	2010	**2009**
	(in millions)	
Operating activities:		
Net loss	$ (38.2)	$ (985.8)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	39.9	45.4
Amortization	23.4	22.9
Impairment and non-cash restructuring	6.1	1,009.4
Loss on early extinguishment of debt	0.5	0.8
Stock-based compensation	6.7	10.1
Deferred income taxes	(20.3)	(63.7)
Gain on disposal of assets	(4.9)	(3.0)
Other, net	4.9	15.3
Changes in assets and liabilities:		
Receivables	(10.0)	77.1
Inventories	46.5	70.3
Other assets	24.2	(24.8)
Accounts payable and other liabilities	(43.1)	(105.7)
Net cash provided by operating activities	35.7	68.3
Investing activities:		
Capital expenditures	(21.4)	(22.7)
Acquisition of technology	—	(8.7)
Proceeds from sales of assets	54.5	4.4
Net cash provided by (used in) investing activities	33.1	(27.0)
Financing activities:		
Increase in outstanding checks	0.6	4.4
Debt borrowings	—	539.4
Debt paid or repurchased	(47.5)	(672.1)
Payment of deferred financing fees	—	(9.9)
Common stock issued	0.8	0.6
Dividends paid	(8.1)	(6.1)
Net cash used in financing activities	(54.2)	(143.7)
Effect of currency exchange rate changes on cash	1.0	(1.4)
Net change in cash and cash equivalents	15.6	(103.8)
Cash and cash equivalents at beginning of period	61.5	183.9
Cash and cash equivalents at end of period	$ 77.1	$ 80.1

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

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 manufactures 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 its 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 then Mueller Co. and Anvil businesses (the "Mueller Acquisition") and contributed them to its U.S. Pipe business to form the Company. We completed an initial public offering of our Series A common stock (NYSE: MWA) on June 1, 2006 and Walter Energy distributed all of our then-outstanding Series B common stock to its shareholders on December 14, 2006 (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 37,122,000 shares 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.

	Mueller Co.	U.S. Pipe	Anvil	Total
	(in millions)			
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	(717.3)	(59.5)	(92.7)	(869.5)
	$ —	$ —	$ —	$ —

Other identifiable intangible assets. In conjunction with the testing of goodwill for impairment, we also compared the estimated fair values of our identifiable 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. trade names had a remaining carrying value of $263.0 million at June 30, 2010.

We expense legal and other costs associated with the renewal or extension of our intangible assets as incurred. Such expenses were not material in the three months or nine months ended June 30, 2010 or 2009.

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

Anvil sold certain of the assets of Picoma, its former 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 acquired during the nine months ended June 30, 2010 are presented below.

	Sold /acquired during the nine months ended June 30, 2010	September 30, 2009
	(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	1.3	1.3
	$ 13.5	$ 13.9
Severance liability incurred	$ 0.6	
Assets acquired:		
Cash	$ 12.3	
Receivables	1.6	
Inventories	1.3	
Identifiable intangible assets	0.5	
	$ 15.7	

In January 2010, Anvil sold its Canadian wholesale distribution business for $40.3 million, including post-closing adjustments. This business had fiscal 2009 net sales of approximately $107 million and its income from operations was not material to the Company's income from operations. We recorded a pre-tax gain of $2.9 million to selling, general and administrative expenses 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 at market rates. The book values of assets sold during the nine months ended June 30, 2010 are presented below (in millions).

Receivables	$ 15.8
Inventories	23.3
Other current assets	0.3
Property, plant, and equipment, net	4.9
Identifiable intangible assets	0.6
Accounts payable and other current liabilities	(7.5)
	$ 37.4

Note 4. Restructuring Activities

Activity in accrued restructuring during the nine months ended June 30, 2010 is presented below (in millions).

Balance at September 30, 2009	$ 3.4
Additions	5.7
Payments and other	(7.8)
Balance at June 30, 2010	$ 1.3

In February 2010, we announced our intent to close U.S. Pipe's ductile iron pipe manufacturing plant in North Birmingham, Alabama, eliminating approximately 260 positions. Manufacturing at North Birmingham ceased during April 2010. In connection with this closure, we recorded a restructuring charge of $11.6 million during the nine months ended June 30, 2010, consisting of $6.1 million of asset impairment charges and $5.5 million of employee-related and other charges. We expect to record additional net expenses related to the closure of approximately $3 million to $4 million over the remainder of the fiscal year ending September 30, 2010.

Note 5. Income Taxes

At June 30, 2010 and September 30, 2009, the gross liabilities for unrecognized income tax benefits were $11.4 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 June 30, 2010 and September 30, 2009, we had $2.3 million and $2.7 million, respectively, of accrued interest related to uncertain tax positions. In the three months and nine months ended June 30, 2010, we charged to expense $0.1 million and $0.1 million, respectively, of tax-related accrued interest, primarily due to state tax settlements. We charged to expense $0.1 million of such tax-related interest in the three months and nine months ended June 30, 2009.

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. As a result, we recorded a decrease of $0.8 million to accrued liabilities and a corresponding decrease to goodwill.

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 pre-tax loss in the nine months ended June 30, 2010 was 34.2%, which included state income tax benefits of 5.4% offset by the unfavorable effect of nondeductible expenses and other items totaling (2.4)% and the impact of repatriation of Canadian earnings of (3.8)%. Our effective income tax rate on the pre-tax loss before the goodwill impairment was 38.1% in the nine months ended June 30, 2009.

Note 6. Borrowing Arrangements

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

	June 30, 2010	September 30, 2009
	(in millions)	
2007 Credit Agreement:		
Term Loan A	$ 52.8	$ 66.5
Term Loan B	218.1	252.0
7 3/8% Senior Subordinated Notes	420.0	420.0
Other	1.8	1.7
	692.7	740.2
Less current portion	(10.5)	(11.7)
	$ 682.2	$ 728.5

2007 Credit Agreement . At June 30, 2010, our amended credit agreement (the "2007 Credit Agreement") consisted of a $200 million senior secured revolving credit facility (the "Revolver"), a $52.8 million term loan ("Term Loan A") and a $218.1 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 June 30, 2010, the applicable margin was 500 basis points.

The Revolver terminates in May 2012, and there were no outstanding borrowings under the Revolver at June 30, 2010. 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 June 30, 2010, 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 $37.9 million at June 30, 2010.

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 June 30, 2010, the weighted-average effective interest rate was 5.5%, including the margin. Based on information provided by an external source, we estimate the fair value of the outstanding borrowings for Term Loan A was $52.8 million at June 30, 2010.

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. At June 30, 2010, the weighted-average effective interest rate was 9.9%, 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 B was $218.1 million at June 30, 2010.

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. At June 30, 2010, based on quoted market prices, the outstanding Notes had a fair value of $367.5 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. All of our United States subsidiaries guarantee the Notes.

During the nine months ended June 30, 2010, we prepaid $40.0 million of term loan borrowings and incurred a loss on early extinguishment of debt of $0.5 million. During the three months ended June 30, 2009, we repaid $125

million of borrowings under the 2007 Credit Agreement. This resulted in a loss on early extinguishment of debt of $2.3 million. During 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 early extinguishment of debt of $1.5 million after writing off related deferred financing fees of $0.1 million.

We were in compliance with all applicable debt covenants at June 30, 2010.

Note 7. Derivative Financial Instruments

We are exposed to interest rate risk, commodity price risk and foreign exchange risk relating to our ongoing business operations, which we manage to some extent using derivative instruments. 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 have entered into foreign currency forward exchange contracts to manage foreign currency exchange risk associated with our Canadian-dollar denominated intercompany loan. During the nine months ended June 30, 2010, we settled our only outstanding foreign currency forward contract.

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 4.8% to 5.0% and expire at various dates through September 2012.

During the three months ended March 31, 2010, we recorded a non-cash net credit to interest expense and a pre-tax debit to accumulated other comprehensive loss of $4.7 million related to interest rate swap contracts that had been terminated in September 2009. This amount had been charged to interest expense during the year ended September 30, 2009. It should have been amortized to interest expense over the original term of the terminated contracts, which would have matured at various dates through May 2012. At June 30, 2010, the unamortized portion remaining in accumulated other comprehensive loss was $2.6 million, net of tax.

Our outstanding interest rate swap contracts at June 30, 2010 and September 30, 2009 are presented below. We also have a $100.0 million total notional amount forward-starting interest rate swap contract that will begin at a future date.

	Hedged loan principal	
Rate benchmark	**June 30, 2010**	**September 30, 2009**
	(in millions)	
90-day LIBOR	$ 175.0	$ 275.0

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

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in millions)			
Gain (loss) recognized in other comprehensive loss	$ 0.5	$ 3.0	$ 0.7	$ (6.5)
Loss reclassified from accumulated other comprehensive loss into income	(2.5)	(3.4)	(7.2)	(7.3)

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 June 30, 2010 and September 30, 2009 are presented below.

	Hedged MMBtu	
	June 30,	September 30,
Rate benchmark	2010	2009
NYMEX natural gas	122,000	434,000

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

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in millions)			
Gain (loss) recognized in other comprehensive loss	$ 0.1	$ 0.8	$ (0.1)	$ —
Gain (loss) reclassified from accumulated other comprehensive loss into income	—	(1.2)	0.2	(2.4)
Ineffectiveness gain (loss) recognized in income	(0.2)	(0.3)	(0.6)	(0.5)

Foreign Currency Forward Contracts. We settled our outstanding foreign currency forward contract during the nine months ended June 30, 2010 with a cash payment of $1.7 million. Our outstanding foreign currency forward contracts at June 30, 2010 and September 30, 2009 are presented below.

	Hedged Canadian dollars	
	June 30,	September 30,
Rate benchmark	2010	2009
	(in millions)	
Canadian dollar	—	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 an intercompany loan. The effects of our foreign currency forward contracts on the consolidated statements of operations are presented below.

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in millions)			
Gain (loss) recognized in income	$ —	$ (1.8)	$ (1.0)	$ 2.2

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

	June 30, 2010		September 30, 2009	
	Balance sheet location	Fair value	Balance sheet location	Fair value
	(in millions)			
Liability derivatives:				
Derivatives designated as hedging instruments:				
Interest rate swap contracts	Other noncurrent liabilities	$ 13.4	Other noncurrent liabilities	$ 18.8
Natural gas swap contracts	Other current liabilities	0.1	Other current liabilities	—
		13.5		18.8
Derivatives not designated as hedging instruments:				
Foreign currency forward contracts	Other current liabilities	—	Other noncurrent liabilities	0.7
		$ 13.5		$ 19.5

Note 8. Retirement Plans

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

	Defined benefit pension plans			
	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in millions)			
Components of net periodic benefit cost:				
Service cost	$ 0.8	$ 1.0	$ 3.0	$ 3.0
Interest cost	5.4	5.8	15.8	17.4
Expected return on plan assets	(5.4)	(5.5)	(16.4)	(16.3)
Amortization of prior service cost	0.1	0.2	0.5	0.6
Amortization of net loss	2.0	0.9	6.8	2.5
Loss due to settlement or curtailment	—	—	2.6	—
	$ 2.9	$ 2.4	$ 12.3	$ 7.2

	Other postretirement benefit plans			
	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in millions)			
Components of net periodic benefit cost (gains):				
Service cost	$ —	$ 0.1	$ 0.1	$ 0.2
Interest cost	—	0.1	0.2	0.4
Amortization of prior service gain	(0.5)	(0.8)	(2.0)	(2.5)
Amortization of net gain	(0.2)	(0.4)	(0.8)	(1.2)
Gain due to settlement or curtailment	(1.0)	—	(1.6)	—
	$ (1.7)	$ (1.0)	$ (4.1)	$ (3.1)

The amortization of unrecognized prior service cost or gain and of actuarial losses or gains, net of tax, are recorded as components of accumulated other comprehensive loss. We recorded a decrease to accumulated other comprehensive loss of $2.7 million during the nine months ended June 30, 2010 and an increase to accumulated other comprehensive loss of $0.4 million during the nine months ended June 30, 2009.

In February 2010, we announced our intent to close U.S. Pipe’s North Birmingham plant. In connection with this closure, we recorded pension curtailment expense of $2.6 million and an other postretirement benefit plan curtailment gain of $1.6 million, which were included in restructuring charges for the nine months ended June 30, 2010. We expect to record a gain of $0.3 million related to the curtailment of other postretirement benefit plans during the three months ending September 30, 2010.

During the nine months ended June 30, 2010, we contributed $9.4 million to our defined benefit pension plans. We estimate we will contribute a total of approximately $23 million to our pension plans during the fiscal year ending September 30, 2010. We also expect to contribute a total of $0.7 million to our other postretirement benefit plans in the fiscal year ending September 30, 2010.

Note 9. 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 nine months ended June 30, 2010 as follows.

	Number of instruments	Weighted average fair value per instrument	Total fair value
	(in millions, except per instrument value)		
Six months ended March 31, 2010:			
Restricted stock units	0.9	$ 5.01	$ 4.7
Non-qualified stock options	1.6	1.69	2.6
Employee stock purchase plan instruments	0.1	1.33	0.2
Three months ended June 30, 2010:			
Restricted stock units	—	4.24	—
Non-qualified stock options	—	1.45	—
Employee stock purchase plan instruments	0.1	1.29	0.1
	2.7		$ 7.6

We recorded stock-based compensation expense of $2.0 million and $6.7 million in the three months and nine months ended June 30, 2010, respectively. At June 30, 2010, there was approximately $8.3 million of unrecognized compensation expense related to equity awards.

We recorded net losses in the three months and nine months ended June 30, 2010 and 2009. 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 and nine months ended June 30, 2010 and 2009.

Note 10. Supplemental Balance Sheet Information

Selected supplemental balance sheet information is presented below.

	June 30, 2010	September 30, 2009
	(in millions)	
Inventories:		
Purchased materials and manufactured parts	$ 47.4	$ 56.7
Work in process	75.3	83.8
Finished goods	153.2	202.3
	$ 275.9	$ 342.8
Other current assets:		
Income taxes	$ 16.9	$ 42.0
Maintenance and repair tooling	31.3	31.3
Other	10.6	7.5
	$ 58.8	$ 80.8
Property, plant and equipment, net:		
Land	$ 24.4	$ 24.9
Buildings	93.7	97.9
Machinery and equipment	612.8	633.8
Construction in progress	13.0	17.2
	743.9	773.8
Accumulated depreciation	(477.2)	(477.4)
	$ 266.7	$ 296.4
Other current liabilities:		
Compensation and benefits	$ 37.6	$ 40.5
Cash discounts and rebates	12.8	14.2
Taxes other than income taxes	6.4	10.1
Interest	5.6	14.7
Warranty	2.8	4.0
Severance	0.3	0.2
Restructuring	1.3	3.4
Income taxes	3.0	0.3
Environmental	0.3	0.5
Other	9.3	9.5
	$ 79.4	$ 97.4

Note 11. Comprehensive Loss

Comprehensive losses in the three months and nine months ended June 30 are presented below.

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in millions)			
Net loss	$ (3.8)	$ (19.0)	$ (38.2)	$ (985.8)
Other comprehensive income (loss):				
Effect of net gain (loss) on derivatives	1.1	6.4	5.8	(10.6)
Income tax effects	(0.5)	(2.6)	(2.3)	4.1
Deferral of interest expense on terminated swap contracts	—	—	(4.7)	—
Income tax effects	—	—	1.8	—
	0.6	3.8	0.6	(6.5)
Foreign currency translation	(2.1)	5.0	2.5	(7.5)
Minimum pension liability	1.3	(0.2)	4.5	(0.4)
Income tax effects	(0.5)	0.1	(1.8)	0.1
	0.8	(0.1)	2.7	(0.3)
	$ (4.5)	$ (10.3)	$ (32.4)	$ (1,000.1)

Accumulated other comprehensive loss is presented below.

	June 30, 2010	September 30, 2009
	(in millions)	
Net unrealized loss on derivatives	$ (10.8)	$ (11.4)
Foreign currency translation	6.5	4.0
Minimum pension liability	(75.8)	(78.5)
	$ (80.1)	$ (85.9)

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 presented below.

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in millions)			
Net sales, excluding intersegment sales:				
Mueller Co.	$ 174.6	$ 154.6	$ 449.1	$ 389.0
U.S. Pipe	120.2	96.7	282.9	305.6
Anvil	81.1	111.9	258.8	358.5
	$ 375.9	$ 363.2	$ 990.8	$ 1,053.1
Intersegment sales:				
Mueller Co.	$ 3.6	$ 4.4	$ 11.0	$ 13.0
U.S. Pipe	0.9	0.8	1.6	1.6
Anvil	—	0.1	0.3	0.4
	$ 4.5	$ 5.3	$ 12.9	$ 15.0
Depreciation and amortization:				
Mueller Co.	$ 12.3	$ 12.7	$ 37.2	$ 38.2
U.S. Pipe	4.6	4.3	14.0	16.6
Anvil	3.9	4.4	11.5	13.0
Corporate	0.3	0.2	0.6	0.5
	$ 21.1	$ 21.6	$ 63.3	$ 68.3
Impairment and restructuring:				
Mueller Co.	$ —	$ 0.7	$ 0.1	$ 820.1
U.S. Pipe	0.9	1.5	11.6	100.9
Anvil	—	1.7	0.1	95.6
Corporate	—	—	—	0.2
	$ 0.9	$ 3.9	$ 11.8	$ 1,016.8
Income (loss) from operations:				
Mueller Co.	$ 28.8	$ 12.9	$ 54.4	$ (795.4)
U.S. Pipe	(11.3)	(18.3)	(53.5)	(135.1)
Anvil	4.5	5.0	14.9	(55.5)
Corporate	(9.5)	(8.1)	(25.9)	(27.8)
	$ 12.5	$ (8.5)	$ (10.1)	$ (1,013.8)
Capital expenditures:				
Mueller Co.	$ 2.7	$ 1.7	$ 9.8	$ 7.8
U.S. Pipe	2.1	1.6	7.4	7.1
Anvil	2.0	1.8	4.1	7.5
Corporate	—	—	0.1	0.3
	$ 6.8	$ 5.1	$ 21.4	$ 22.7

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 monitor ground water 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 permitted plaintiffs to proceed with their claims to seek recovery of cleanup costs under Section 107(a) of the Comprehensive Environmental Response, Compensation, and Liability Act. On July 2, 2010, the district court granted summary judgment on the cost recovery claims under Section 107(a) and dismissed those remaining counts against the Company. On July 30, 2010, plaintiffs moved to clarify or amend the district court’s July 2, 2010 order to permit the plaintiffs to pursue a claim under Section 107(a) to recover costs that were not incurred under any removal order or settlement. 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 10 th 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. The court has ordered the parties to mediate the dispute. 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.

On July 13, 2010, Rohcan Investments Limited ("Rohcan"), the former owner of property leased by Mueller Canada and located in Milton, Ontario, filed suit against Mueller Canada and its two directors seeking C$10 million in damages arising from the defendants' alleged environmental contamination of the property and breach of lease. Mueller Canada occupied the property from 1988 through 2006 and paid rent until the lease expired in 2008. We have tendered this lawsuit to the former owner of Mueller Canada for defense and indemnification. 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 us through December 14, 2006, is also jointly and severally liable for pension and benefit funding and termination liabilities of other group members, as well as certain benefit plan taxes. Accordingly, we could be liable under such provisions in the event any such liability is incurred, and not discharged, by any other member of the Walter Energy consolidated group for any period during which we were included in the Walter Energy consolidated group.

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

In addition, the IRS previously issued a Notice of Proposed Deficiency assessing additional tax of $82.2 million for the fiscal years ended May 31, 2000, December 31, 2000 and December 31, 2001. The unresolved issues relate primarily to Walter Energy's method of recognizing revenue on the sale of homes and related interest on the installment notes receivable. The items at issue relate primarily to the timing of revenue recognition and consequently, should the IRS prevail on its positions, Walter Energy's financial exposure should be limited to interest and penalties. As a matter of law, the Company is jointly and severally liable for any final tax determination, which means that we would be liable in the event Walter Energy is unable to pay any amounts owed. Walter Energy has disclosed that it believes its filing positions have substantial merit and that it intends to defend vigorously any claims asserted.

Walter Energy effectively controlled all of our tax decisions for periods during which we were a member of the Walter Energy consolidated group for federal income tax purposes and certain combined, consolidated or unitary state and local income tax groups. Under the terms of the income tax allocation agreement between us and Walter Energy dated May 26, 2006, we generally compute our tax liability on a stand-alone basis, but Walter Energy has sole authority to respond to and conduct all tax proceedings (including tax audits) relating to our federal income and combined state returns, to file all such returns on our behalf and to determine the amount of our liability to (or entitlement to payment from) Walter Energy for such previous periods. This arrangement may result in conflicts between Walter Energy and us. 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 IRS audit of Walter Energy's 2006 tax year and the related refund of tax from that year. We do not expect payment within a year from the current balance sheet date.

Note 14. Subsequent Events

On July 29, 2010, we declared a dividend of $0.0175 per share on our Series A common stock, payable on August 20, 2010 to stockholders of record at the close of business on August 10, 2010.

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 June 30, 2010 are presented below.

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	Delaware
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
June 30, 2010

	Issuer	Guarantor companies	Non-guarantor companies	Eliminations	Total
			(in millions)		
Assets:					
Cash and cash equivalents	$ 52.1	$ (0.7)	$ 25.7	$ —	$ 77.1
Receivables, net	0.2	192.6	20.4	—	213.2
Inventories	—	257.4	18.5	—	275.9
Deferred income taxes	26.2	—	0.9	—	27.1
Other current assets	21.9	35.2	1.7	—	58.8
Total current assets	100.4	484.5	67.2	—	652.1
Property, plant and equipment	2.1	254.6	10.0	—	266.7
Identifiable intangible assets, net	—	640.0	—	—	640.0
Other noncurrent assets	26.3	2.6	1.3	—	30.2
Investment in subsidiaries	(35.1)	25.1	—	10.0	—
Total assets	$ 93.7	$ 1,406.8	$ 78.5	$ 10.0	$ 1,589.0
Liabilities and equity:					
Current portion of long-term debt	$ 9.7	$ 0.8	$ —	$ —	$ 10.5
Accounts payable	4.2	82.9	4.1	—	91.2
Other current liabilities	19.3	53.8	6.3	—	79.4
Total current liabilities	33.2	137.5	10.4	—	181.1
Long-term debt	681.4	0.8	—	—	682.2
Deferred income taxes	159.8	—	0.5	—	160.3
Other noncurrent liabilities	26.7	135.1	0.3	—	162.1
Intercompany accounts	(1,210.7)	1,168.5	42.2	—	—
Total liabilities	(309.6)	1,441.9	53.4	—	1,185.7
Equity	403.3	(35.1)	25.1	10.0	403.3
Total liabilities and equity	$ 93.7	$ 1,406.8	$ 78.5	$ 10.0	$ 1,589.0

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

	Issuer	Guarantor companies	Non-guarantor companies	Eliminations	Total
			(in millions)		
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	116.8	526.4	102.9	—	746.1
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 assets	$ 53.9	$ 1,496.4	$ 120.3	$ 68.9	$ 1,739.5
Liabilities and equity:					
Current portion of long term-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	45.3	158.1	17.4	—	220.8
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
Intercompany accounts	(1,367.5)	1,287.3	80.2	—	—
Total liabilities	(382.4)	1,587.0	98.6	—	1,303.2
Equity	436.3	(90.6)	21.7	68.9	436.3
Total liabilities and equity	$ 53.9	$ 1,496.4	$ 120.3	$ 68.9	$ 1,739.5

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Operations
Three Months Ended June 30, 2010

	Issuer	Guarantor companies	Non-guarantor companies	Eliminations	Total
			(in millions)		
Net sales	$ —	$ 336.1	$ 39.8	$ —	$ 375.9
Cost of sales	(0.2)	272.8	32.7	—	305.3
Gross profit	0.2	63.3	7.1	—	70.6
Operating expenses:					
Selling, general and administrative	9.3	45.3	2.6	—	57.2
Restructuring	—	1.1	(0.2)	—	0.9
Total operating expenses	9.3	46.4	2.4	—	58.1
Income (loss) from operations	(9.1)	16.9	4.7	—	12.5
Interest expense, net	15.8	—	—	—	15.8
Income (loss) before income taxes	(24.9)	16.9	4.7	—	(3.3)
Income tax expense (benefit)	(8.7)	7.6	1.6	—	0.5
Equity in income (loss) of subsidiaries	12.4	3.1	—	(15.5)	—
Net income (loss)	$ (3.8)	$ 12.4	$ 3.1	$ (15.5)	$ (3.8)

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Operations
Nine Months Ended June 30, 2010

	Issuer	Guarantor companies	Non-guarantor companies	Eliminations	Total
			(in millions)		
Net sales	$ —	$ 874.3	$ 116.5	$ —	$ 990.8
Cost of sales	(0.2)	726.7	99.6	—	826.1
Gross profit	0.2	147.6	16.9	—	164.7
Operating expenses:					
Selling, general and administrative	25.6	130.0	7.4	—	163.0
Restructuring	—	11.8	—	—	11.8
Total operating expenses	25.6	141.8	7.4	—	174.8
Income (loss) from operations	(25.4)	5.8	9.5	—	(10.1)
Interest expense, net	47.3	0.1	—	—	47.4
Loss on early extinguishment of debt	0.5	—	—	—	0.5
Income (loss) before income taxes	(73.2)	5.7	9.5	—	(58.0)
Income tax expense (benefit)	(26.4)	3.3	3.3	—	(19.8)
Equity in income (loss) of subsidiaries	8.6	6.2	—	(14.8)	—
Net income (loss)	$ (38.2)	$ 8.6	$ 6.2	$ (14.8)	$ (38.2)

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Operations
Three Months Ended June 30, 2009

	Issuer	Guarantor companies	Non-guarantor companies	Eliminations	Total
			(in millions)		
Net sales	$ —	$ 300.0	$ 63.2	$ —	$ 363.2
Cost of sales	—	249.9	55.5	—	305.4
Gross profit	—	50.1	7.7	—	57.8
Operating expenses:					
Selling, general and administrative	7.9	46.0	8.5	—	62.4
Impairment	—	—	—	—	—
Restructuring	—	3.9	—	—	3.9
Total operating expenses	7.9	49.9	8.5	—	66.3
Income (loss) from operations	(7.9)	0.2	(0.8)	—	(8.5)
Interest expense, net	17.3	(0.1)	—	—	17.2
Loss on early extinguishment of debt	2.3	—	—	—	2.3
Loss before income taxes	(27.5)	0.3	(0.8)	—	(28.0)
Income tax expense (benefit)	(9.5)	0.7	(0.2)	—	(9.0)
Equity in loss of subsidiaries	(1.0)	(0.6)	—	1.6	—
Net loss	$ (19.0)	$ (1.0)	$ (0.6)	$ 1.6	$ (19.0)

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Operations
Nine Months Ended June 30, 2009

	Issuer	Guarantor companies	Non-guarantor companies	Eliminations	Total
			(in millions)		
Net sales	$ —	$ 884.1	$ 169.0	$ —	$ 1,053.1
Cost of sales	—	717.9	147.5	—	865.4
Gross profit	—	166.2	21.5	—	187.7
Operating expenses:					
Selling, general and administrative	26.9	136.9	20.9	—	184.7
Impairment	—	970.9	—	—	970.9
Restructuring	0.2	45.7	—	—	45.9
Total operating expenses	27.1	1,153.5	20.9	—	1,201.5
Income (loss) from operations	(27.1)	(987.3)	0.6	—	(1,013.8)
Interest expense, net	51.2	(0.1)	—	—	51.1
Loss on early extinguishment of debt	0.8	—	—	—	0.8
Income (loss) before income taxes	(79.1)	(987.2)	0.6	—	(1,065.7)
Income tax expense (benefit)	(26.1)	(54.0)	0.2	—	(79.9)
Equity in income (loss) of subsidiaries	(932.8)	0.4	—	932.4	—
Net income (loss)	$ (985.8)	$ (932.8)	$ 0.4	$ 932.4	$ (985.8)

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Cash Flows
Nine Months Ended June 30, 2010

	Issuer	Guarantor companies	Non-guarantor companies	Eliminations	Total
			(in millions)		
Operating activities:					
Net cash provided by (used in) operating activities	$ 65.3	$ (34.6)	$ 5.0	$ —	$ 35.7
Investing activities:					
Capital expenditures	(0.1)	(21.0)	(0.3)	—	(21.4)
Proceeds from sales of assets	—	54.5	—	—	54.5
Net cash provided by (used in) investing activities	(0.1)	33.5	(0.3)	—	33.1
Financing activities:					
Increase in outstanding checks	—	0.6	—	—	0.6
Debt paid or repurchased	(47.5)	—	—	—	(47.5)
Common stock issued	0.8	—	—	—	0.8
Dividends paid	(8.1)	—	—	—	(8.1)
Net cash provided by (used in) financing activities	(54.8)	0.6	—	—	(54.2)
Effect of currency exchange rate changes on cash	—	—	1.0	—	1.0
Net change in cash and cash equivalents	10.4	(0.5)	5.7	—	15.6
Cash and cash equivalents at beginning of period	41.7	(0.2)	20.0	—	61.5
Cash and cash equivalents at end of period	$ 52.1	$ (0.7)	$ 25.7	$ —	$ 77.1

Mueller Water Products, Inc. and Subsidiaries
Consolidating Statement of Cash Flows
Nine Months Ended June 30, 2009

	Issuer	Guarantor companies	Non-guarantor companies	Eliminations	Total
			(in millions)		
Operating activities:					
Net cash provided by operating activities	$ 34.5	$ 27.7	$ 6.1	$ —	$ 68.3
Investing activities:					
Capital expenditures	(0.3)	(19.4)	(3.0)	—	(22.7)
Acquisition of technology	—	(8.7)	—	—	(8.7)
Proceeds from sales of assets	—	0.5	3.9	—	4.4
Net cash provided by (used in) investing activities	(0.3)	(27.6)	0.9	—	(27.0)
Financing activities:					
Decrease in outstanding checks	—	4.4	—	—	4.4
Debt borrowings	539.4	—	—	—	539.4
Debt paid or repurchased	(672.1)	—	—	—	(672.1)
Payment of deferred financing fees	(9.9)	—	—	—	(9.9)
Common stock issued	0.6	—	—	—	0.6
Dividends paid	(6.1)	—	—	—	(6.1)
Net cash provided by (used in) financing activities	(148.1)	4.4	—	—	(143.7)
Effect of currency exchange rate changes on cash	—	—	(1.4)	—	(1.4)
Net change in cash and cash equivalents	(113.9)	4.5	5.6	—	(103.8)
Cash and cash equivalents at beginning of period	179.1	(4.6)	9.4	—	183.9
Cash and cash equivalents at end of period	$ 65.2	$ (0.1)	$ 15.0	$ —	$ 80.1

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, that address activities, events or developments that the Company's management intends, expects, plans, projects, believes or anticipates will or may occur in the future are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding general economic conditions, our ability to increase capacity utilization, increase prices, expenses related to the closure of a ductile iron pipe manufacturing facility in North Birmingham, Alabama and the recovery, if any, of our end markets. Forward-looking statements are based on certain assumptions and assessments made by management in light of their experience and their perception of historical trends, current conditions and expected future developments. Actual results and the timing of events may differ materially from those contemplated by the forward-looking statements due to a number of factors, including regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- *the demand level of manufacturing and construction activity;*
- *our ability to service our debt obligations; and*
- *the other factors that are described in the section entitled "RISK FACTORS" in Item 1A of the Annual Report on Form 10-K.*

Undue reliance should not be placed on any forward-looking statements. The Company does not have any intention or obligation to update forward-looking statements after filing this report, except as required by law.

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 manufactures and sources a broad range of product, 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.

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 adversely affect our operations. Net sales have decreased significantly from fiscal 2008 levels, though shipment volumes in the two most recent quarters were higher than the corresponding prior year periods. Our manufacturing operations include significant fixed costs. With low production volumes, these fixed costs represent a higher percentage of the total cost 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.

A significant portion of our net sales is directly related to municipal water infrastructure spending, residential construction activity and non-residential construction activity in the United States. Annualized housing starts in the first half of calendar 2010 were approximately 60% lower than the 50-year average of about 1.5 million units per year. Based on independent forecasts of housing starts, we do not expect substantial near-term recovery in residential construction, and we expect our related sales growth to lag any recovery in the residential construction market. We 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 17% 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. Capacity utilization increased in the fiscal 2010 third quarter in all three business segments. We continually monitor our production activities in response to evolving business conditions and expect to take additional steps to improve financial results.

U.S. Pipe closed its ductile iron pipe manufacturing facility in North Birmingham, Alabama in April 2010, eliminating approximately 260 positions. In connection with this closure, we recorded a restructuring charge of $11.6 million during the nine months ended June 30, 2010, consisting of $6.1 million of asset impairment charges and $5.5 million of employee-related and other charges. We expect to record additional net expenses of approximately $3 million to $4 million in the three months ending September 30, 2010 for employee-related and other charges.

In January 2010, Anvil sold its Canadian wholesale distribution business for $40.3 million, including post-closing adjustments. This business had fiscal 2009 net sales of approximately $107 million and its operating income was not material to the Company’s operating income. We recorded a pre-tax gain of $2.9 million to selling, general and administrative expenses 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.

U.S. Pipe experienced a 5% decline in ductile iron pipe average per-ton sales prices during the quarter ended June 30, 2010 compared to the quarter ended June 30, 2009. Over that same time period, the costs of U.S. Pipe’s raw materials increased significantly. We expect that these cost increases will negatively impact gross profit during the quarter ending September 30, 2010.

An analysis of the funded status of our U.S. pension plan as of January 1, 2010 will be performed 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. If we lower our estimated rate of return on these assets, this 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 $269.3 million and $270.0 million at June 30, 2010 and September 30, 2009, respectively. During the three months and nine months ended June 30, 2010, the investment performance of these assets was a loss of $8.7 million and a gain of $8.4 million, respectively. We currently estimate contributing a total of approximately $23 million to our pension plans during fiscal 2010.

Results of Operations

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

	Three months ended June 30, 2010				
	Mueller Co.	U.S. Pipe	Anvil	Corporate	Total
			(in millions)		
Net sales	$ 174.6	$ 120.2	$ 81.1	$ —	$ 375.9
Gross profit (loss)	$ 52.1	$ (2.7)	$ 21.1	$ 0.1	$ 70.6
Operating expenses:					
Selling, general and administrative	23.3	7.7	16.6	9.6	57.2
Restructuring	—	0.9	—	—	0.9
Total operating expenses	23.3	8.6	16.6	9.6	58.1
Income (loss) from operations	$ 28.8	$ (11.3)	$ 4.5	$ (9.5)	12.5
Interest expense, net					15.8
Loss before income taxes					(3.3)
Income tax expense					0.5
Net loss					$ (3.8)

	Three months ended June 30, 2009				
	Mueller Co.	U.S. Pipe	Anvil	Corporate	Total
			(in millions)		
Net sales	$ 154.6	$ 96.7	$ 111.9	$ —	$ 363.2
Gross profit (loss)	$ 35.8	$ (6.0)	$ 28.1	$ (0.1)	$ 57.8
Operating expenses:					
Selling, general and administrative	22.2	10.8	21.4	8.0	62.4
Impairment	—	—	—	—	—
Restructuring	0.7	1.5	1.7	—	3.9
Total operating expenses	22.9	12.3	23.1	8.0	66.3
Income (loss) from operations	$ 12.9	$ (18.3)	$ 5.0	$ (8.1)	(8.5)
Interest expense, net					17.2
Loss on early extinguishment of debt					2.3
Loss before income taxes					(28.0)
Income tax benefit					(9.0)
Net loss					$ (19.0)

Consolidated Analysis

Net sales in the three months ended June 30, 2010 were $375.9 million compared to $363.2 million in the prior year period. Net sales increased $43.1 million due to higher shipment volumes and $4.3 million due to favorable changes in Canadian currency exchange rates. These items were partially offset by $30.8 million of 2009 net sales of two Anvil businesses divested earlier this fiscal year and $3.9 million due to lower pricing primarily at U.S. Pipe.

Gross profit in the three months ended June 30, 2010 was $70.6 million compared to $57.8 million in the prior year period. Gross profit increased $12.1 million due to manufacturing and other cost savings, $9.0 million due to higher shipment volumes and $8.3 million due to lower per-unit overhead costs on products sold. These items were partially offset by $6.6 million of higher raw material costs, $4.7 million due to the 2009 contribution from Anvil's divested businesses and $3.9 million due to lower sales pricing. Gross margin increased to 18.8% in the three months ended June 30, 2010 compared to 15.9% in the prior year period. Gross margin increased primarily due to manufacturing and other cost savings and lower per-unit overhead costs on products sold. These items were partially offset by higher raw material costs and lower sales prices.

Selling, general and administrative expenses in the three months ended June 30, 2010 and 2009 were $57.2 million and $62.4 million, respectively. These expenses declined primarily due to Anvil's divested businesses.

In the three months ended June 30, 2010, we recorded restructuring charges of $0.9 million related primarily to closing U.S. Pipe's North Birmingham manufacturing facility. During the three months ended June 30, 2009, we suspended production throughout the Company for varying time periods in response to reduced demand for our products, implemented temporary wage reductions, furloughs and reduced work weeks for certain employees and reduced headcount by approximately 600 people. Severance expense incurred related to these headcount reductions during the three months ended June 30, 2009 was $3.9 million.

Interest expense, net was $15.8 million in the three months ended June 30, 2010 compared to $17.2 million in the three months ended June 30, 2009. The components of interest expense, net in the three months ended June 30, 2010 and 2009 are detailed below.

	Three months ended June 30,	
	2010	2009
	(in millions)	
2007 Credit Agreement, including interest rate swap contracts	$ 6.2	$ 8.6
7 3/8 % Senior Subordinated Notes	7.7	7.8
Deferred financing fees amortization	0.7	0.4
Other interest expense	1.2	0.7
Interest income	—	(0.3)
	$ 15.8	$ 17.2

Interest expense, net declined primarily due to lower debt levels under the 2007 Credit Agreement partially offset by higher interest rates on these borrowings.

During the three months ended June 30, 2009, we repaid $125 million of borrowings under the 2007 Credit Agreement. This resulted in a loss on early extinguishment of debt of $2.3 million.

Income tax expense in the three months ended June 30, 2010 included $2.2 million related to the repatriation of earnings from Canada. After the divestiture of a Canadian business earlier this year, we determined that our remaining Canadian operations no longer needed approximately $21 million of cash which we repatriated in the three months ended June 30, 2010. Excluding this item, income tax expense in the three months ended June 30, 2010 was a benefit of $1.7

million. In the three months ended June 30, 2010 and 2009, the other differences between income taxes and that expected using the U.S. federal statutory rate of 35% related primarily to state income taxes and non-deductible compensation.

Segment Analysis

Mueller Co.

Net sales in the three months ended June 30, 2010 were $174.6 million compared to $154.6 million in the prior year period. Net sales increased $15.2 million due to higher shipment volumes, $4.1 million due to favorable Canadian currency exchange rates and $0.7 million due to higher pricing.

Gross profit in the three months ended June 30, 2010 was $52.1 million compared to $35.8 million in the prior year period. Gross profit increased $7.2 million due to lower per-unit overhead costs on products sold, $5.5 million due to higher shipment volumes and $4.8 million due to manufacturing and other cost savings. Gross margin was 29.8% in the three months ended June 30, 2010 compared to 23.2% in the prior year period. Gross margin increased primarily due to lower per-unit overhead costs and manufacturing and other cost savings.

Selling, general and administrative expenses in the three months ended June 30, 2010 were $23.3 million compared to $22.2 million in the prior year period. These expenses increased primarily due to additional investment expenses in Mueller Systems, our meter and metering technology business.

In the three months ended June 30, 2009, we recorded restructuring charges of $0.7 million.

U.S. Pipe

Net sales in the three months ended June 30, 2010 were $120.2 million compared to $96.7 million in the prior year period. Net sales increased $27.5 million due to higher shipment volumes partially offset by $4.0 million of lower pricing.

Gross loss in the three months ended June 30, 2010 was $2.7 million compared to $6.0 million in the prior year period. Gross loss decreased $5.8 million due to manufacturing and other cost savings, $4.4 million due to higher shipment volumes and $4.1 million due to lower per-unit overhead costs on products sold. These items were partially offset by $6.4 million of higher raw material costs and $4.0 million of lower sales pricing. Gross loss margin was 2.2% in the three months ended June 30, 2010 compared to 6.2% in the prior year period. Gross loss margin improved due to manufacturing and other cost savings, lower per-unit overhead costs and improved product mix. These items were partially offset by higher raw material costs and lower sales prices.

Selling, general and administrative expenses in the three months ended June 30, 2010 were $7.7 million compared to $10.8 million in the prior year period. The prior year amount included $3.0 million of bad debt expense for a specific customer.

In the three months ended June 30, 2009, we restructured manufacturing operations at North Birmingham to lower fixed costs and reduce capacity. We recorded total restructuring charges during this period of $1.5 million. In February 2010, we announced our intent to close North Birmingham, eliminating approximately 260 positions. Manufacturing at North Birmingham ceased during April 2010. In connection with this closure, we recorded a restructuring charge of $0.9 million in the three months ended June 30, 2010, consisting primarily of employee-related and other charges. We expect to record net additional expenses of approximately $3 million to $4 million in the three months ending September 30, 2010 for employee-related and other charges.

Anvil

Net sales in the three months ended June 30, 2010 were $81.1 million compared to $111.9 million in the prior year period. Net sales decreased $30.8 million due to the 2009 net sales of two businesses divested earlier this fiscal year.

Gross profit in the three months ended June 30, 2010 was $21.1 million compared to $28.1 million in the prior year period. Gross profit decreased $4.7 million due to the prior year contribution of the divested businesses, $3.0 million due to higher per-unit overhead costs on products sold primarily due to lower production and $0.9 million due to lower shipment volumes. These items were partially offset by $1.5 million of manufacturing and other cost savings. Gross margin was 26.0% in the three months ended June 30, 2010 compared to 25.1% in the prior year period. Gross margin increased primarily due to the divestiture of relatively low margin businesses partially offset by a less favorable product mix.

Selling, general and administrative expenses in the three months ended June 30, 2010 were $16.6 million compared to $21.4 million in the prior year period. These expenses declined primarily due to the inclusion in the prior year period of expenses associated with the divested businesses.

During the three months ended June 30, 2009, we recorded restructuring charges of $1.7 million.

Corporate

Selling, general and administrative expenses were $9.6 million in the three months ended June 30, 2010 compared to $8.0 million in the prior year period. These expenses increased primarily due to higher professional fees.

Nine Months Ended June 30, 2010 Compared to the Nine Months Ended June 30, 2009

	Nine months ended June 30, 2010				
	Mueller Co.	U.S. Pipe	Anvil	Corporate	Total
			(in millions)		
Net sales	$ 449.1	$ 282.9	$ 258.8	$ —	$ 990.8
Gross profit (loss)	$ 121.2	$ (19.6)	$ 63.0	$ 0.1	$ 164.7
Operating expenses:					
Selling, general and administrative	66.7	22.3	48.0	26.0	163.0
Restructuring	0.1	11.6	0.1	—	11.8
Total operating expenses	66.8	33.9	48.1	26.0	174.8
Income (loss) from operations	$ 54.4	$ (53.5)	$ 14.9	$ (25.9)	(10.1)
Interest expense, net					47.4
Loss on early extinguishment of debt					0.5
Loss before income taxes					(58.0)
Income tax benefit					(19.8)
Net loss					$ (38.2)

	Nine months ended June 30, 2009				
	Mueller Co.	U.S. Pipe	Anvil (in millions)	Corporate	Total
Net sales	$ 389.0	$ 305.6	$ 358.5	$ —	$ 1,053.1
Gross profit (loss)	$ 89.3	$ (6.3)	$ 104.8	$ (0.1)	$ 187.7
Operating expenses:					
Selling, general and administrative	64.6	27.9	64.7	27.5	184.7
Impairment	818.7	59.5	92.7	—	970.9
Restructuring	1.4	41.4	2.9	0.2	45.9
Total operating expenses	884.7	128.8	160.3	27.7	1,201.5
Loss from operations	$ (795.4)	$ (135.1)	$ (55.5)	$ (27.8)	(1,013.8)
Interest expense, net					51.1
Loss on early extinguishment of debt					0.8
Loss before income taxes					(1,065.7)
Income tax benefit					(79.9)
Net loss					$ (985.8)

Consolidated Analysis

Net sales in the nine months ended June 30, 2010 were $990.8 million compared to $1,053.1 million in the prior year period. Net sales decreased $58.1 primarily due to the divestiture of two Anvil businesses and $47.0 million due to lower pricing. These decreases were partially offset by $29.5 million due to higher shipment volumes and $13.3 million due to favorable changes in Canadian currency exchange rates.

Gross profit in the nine months ended June 30, 2010 was $164.7 million compared to $187.7 million in the prior year period. Gross profit decreased $47.0 million due to lower sales prices, $23.6 million due to higher per-unit overhead costs on products sold due to lower production and $10.5 million due to the divestiture of two Anvil businesses. These decreases were partially offset by $37.4 million of manufacturing and other cost savings and $22.5 million of lower raw material costs. Gross margin decreased to 16.6% in the nine months ended June 30, 2010 compared to 17.8% in the prior year period. Gross margin decreased primarily due to lower sales prices.

Selling, general and administrative expenses in the nine months ended June 30, 2010 and 2009 were $163.0 million and $184.7 million, respectively. These expenses decreased $11.0 million primarily due to the divestiture of two Anvil businesses and $3.9 million due to prior year bad debt expense for a specific customer.

In the nine months ended June 30, 2009, we suspended production throughout the Company for varying time periods in response to reduced demand for our products, implemented temporary wage reductions, furloughs and reduced work weeks for certain employees and reduced headcount by 17%. Severance expense incurred related to these headcount reductions during the nine months ended June 30, 2009 was $7.4 million. Restructuring activities at North Birmingham 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 February 2010, we announced our intent to close North Birmingham, eliminating approximately 260 positions. Production at North Birmingham ceased during April 2010. In connection with this closure, we recorded a restructuring charge of $11.6 million during the nine months ended June 30, 2010, consisting of approximately $6.1 million of asset impairment charges and approximately $5.5 million of employee-related and other charges. We expect to record net additional expenses of approximately $3 million to $4 million in the three months ending September 30, 2010 for employee-related and other charges.

In the nine months ended June 30, 2009, we recorded impairment charges of $970.9 million.

Interest expense, net was $47.4 million in the nine months ended June 30, 2010 compared to $51.1 million in the nine months ended June 30, 2009. The components of interest expense, net in the nine months ended June 30, 2010 and 2009 are detailed below.

	Nine months ended June 30,	
	2010	2009
	(in millions)	
2007 Credit Agreement, including interest rate swap contracts	$ 19.9	$ 26.1
7 3/8% Senior Subordinated Notes	23.2	23.3
Prematurely terminated interest rate swap contracts:		
Interest expense deferred	(4.7)	—
Interest expense recognized	4.0	—
Deferred financing fees amortization	2.2	1.3
Other interest expense	2.9	1.8
Interest income	(0.1)	(1.4)
	$ 47.4	$ 51.1

Interest expense, net declined primarily due to lower debt levels under the 2007 Credit Agreement partially offset by higher interest rates. The nine months ended June 30, 2010 also included the deferral of expenses from the termination of interest rate swap contracts in September 2009. Interest expense recognized related to terminated interest rate swap contracts includes $3.5 million for certain swap contracts terminated in January 2010 and $0.5 million for those contracts terminated in September 2009. Interest income declined due to lower interest rates and lower invested cash balances in the nine months ended June 30, 2010.

In the nine months ended June 30, 2010, we prepaid $40.0 million of term loan borrowings and incurred a loss on early extinguishment of debt of $0.5 million. In the three months ended June 30, 2009, we repaid $125 million of borrowings under the 2007 Credit Agreement. This resulted in a loss on early extinguishment of debt of $2.3 million. In the three months ended December 31, 2008, we acquired $5.0 million in principal of the 7 3/8% Senior Subordinated Notes in the open market for $3.4 million in cash. This resulted in a gain on early extinguishment of debt of $1.5 million after writing off related deferred financing fees of $0.1 million.

The income tax benefit for the nine months ended June 30, 2010 included a $2.2 million expense related to the repatriation of earnings from Canada. After the divestiture of a Canadian business earlier this year, we determined that the remaining Canadian operations no longer needed approximately $21 million of cash which we repatriated in the three months ended June 30, 2010. Excluding this item, income tax benefit in the nine months ended June 30, 2010 was $22.0 million, resulting in an effective tax rate of 38%. There was very limited income tax benefit associated with the goodwill impairment recorded in the nine months ended June 30, 2009. Excluding goodwill impairment, the effective tax rate for the nine months ended June 30, 2009 was 38%. In the nine months ended June 30, 2010 and 2009, the other differences between income taxes and that expected using the U.S. federal statutory rate of 35% related primarily to state income taxes and non-deductible compensation.

Segment Analysis

Mueller Co.

Net sales in the nine months ended June 30, 2010 were $449.1 million compared to $389.0 million in the prior year period. Net sales increased $55.6 million due to higher shipment volumes.

Gross profit in the nine months ended June 30, 2010 was $121.2 million compared to $89.3 million in the prior year period. Gross profit increased $20.3 million due to higher shipment volumes and $14.5 million due to manufacturing and other cost savings. Gross margin was 27.0% in the nine months ended June 30, 2010 compared to 23.0% in the prior year period. Gross margin increased primarily due to manufacturing and other cost savings and incremental margin on additional sales volume.

Selling, general and administrative expenses in the nine months ended June 30, 2010 were $66.7 million compared to $64.6 million in the prior year period. These expenses increased primarily due to additional investment expenses in Mueller Systems, our meter and metering technology business.

In the nine months ended June 30, 2009, we recorded impairment and restructuring charges of $820.1 million.

U.S. Pipe

Net sales in the nine months ended June 30, 2010 were $282.9 million compared to $305.6 million in the prior year period. Net sales decreased $41.9 million due to lower prices. This decrease was partially offset by $19.2 million of higher shipment volumes.

Gross loss in the nine months ended June 30, 2010 was $19.6 million compared to $6.3 million in the prior year period. Gross loss increased primarily due to $41.9 million of lower sales prices and $3.4 million of higher per-unit overhead costs on products sold. These increases were partially offset by $17.4 million of lower raw material costs and $17.2 million of manufacturing and other cost savings. Gross loss margin was 6.9% in the nine months ended June 30, 2010 compared to 2.1% in the prior year period. Gross loss margin worsened primarily due to sales prices declining more than raw material prices. This was partially offset by manufacturing and other cost savings.

Selling, general and administrative expenses in the nine months ended June 30, 2010 were $22.3 million compared to $27.9 million in the prior year period. The prior year amount included $3.2 million of bad debt expense for a specific customer. The decrease in these expenses is otherwise attributed primarily to lower headcount.

In the nine months ended June 30, 2009, we recorded impairment and restructuring charges of $100.9 million, which included non-cash goodwill impairment of $59.5 million and non-cash restructuring of $38.5 million, primarily for impairment of property, plant and equipment, at North Birmingham due to restructuring efforts that resulted in lower fixed costs and reduced capacity.

In February 2010, we announced our intent to close our ductile iron pipe manufacturing facility in North Birmingham, eliminating approximately 260 positions. Production at North Birmingham ceased during April 2010. In connection with this closure, we recorded a restructuring charge of $11.6 million during the nine months ended June 30, 2010, consisting of $6.1 million of asset impairment charges and $5.5 million of employee-related and other charges. We expect to record net additional expenses of approximately $3 million to $4 million in the three months ending September 30, 2010 for employee-related and other charges.

Anvil

Net sales in the nine months ended June 30, 2010 were $258.8 million compared to $358.5 million in the prior year period. Net sales decreased $58.1 million due to divested businesses and $45.3 million due to lower shipment volumes.

Gross profit in the nine months ended June 30, 2010 was $63.0 million compared to $104.8 million in the prior year period. Gross profit decreased $18.4 million due to higher per-unit overhead costs on products sold primarily due to lower production, $16.9 million due to lower shipment volumes and $10.5 million related to the divested businesses. These decreases were partially offset by $5.7 million of manufacturing and other cost savings. Gross margin was 24.3% in the nine months ended June 30, 2010 compared to 29.2% in the prior year period. Gross margin decreased primarily due to higher per-unit overhead costs and an unfavorable product mix. These decreases were partially offset by eliminating the lower margin divested businesses.

Selling, general and administrative expenses in the nine months ended June 30, 2010 were $48.0 million compared to $64.7 million in the prior year period. These expenses declined $11.0 million related to the divested businesses and $4.7 million of primarily volume-related cost savings. The nine months ended June 30, 2010 included gains totaling $4.5 million from the sale of divested businesses. The nine months ended June 30, 2009 included a $3.5 million gain from the sale of a building.

In the nine months ended June 30, 2009, we recorded impairment and restructuring charges of $95.6 million.

Corporate

Selling, general and administrative expenses were $26.0 million in the nine months ended June 30, 2010 compared to $27.5 million in the prior year period. This decrease was primarily due to $1.2 million of one-time fees related to the conversion of Series B common stock into Series A common stock in the prior year period.

Liquidity and Capital Resources

We had cash and cash equivalents of $77.1 million at June 30, 2010. Our available borrowing capacity under the revolving credit facility component of our 2007 Credit Agreement was $162.1 million at June 30, 2010.

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

	Nine months ended June 30,	
	2010	**2009**
	(in millions)	
Cash activity:		
Collections from customers	$ 980.4	$ 1,130.2
Disbursements, other than interest and income taxes	(916.6)	(991.3)
Interest payments, net	(54.9)	(57.6)
Income tax refunds (payments), net	26.8	(13.0)
	$ 35.7	$ 68.3

Collections of receivables were lower in the nine months ended June 30, 2010 compared to the prior year period primarily due to lower year-over-year shipment volumes, prices and the divestiture of two Anvil businesses.

Disbursements, other than interest and income taxes, in the nine months ended June 30, 2010 were lower compared to the prior year period due to timing differences and lower volumes of material, labor and overhead purchased.

Capital expenditures were $21.4 million in the nine months ended June 30, 2010 compared to $22.7 million in the prior year period and were $39.7 million in fiscal 2009. Total capital expenditures in fiscal 2010 are expected to be between $39 million and $41 million.

An analysis of the funded status of our U.S. pension plan as of January 1, 2010 will be performed 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. If we lower our estimated rate of return on these assets, this would cause pension expense to increase and require higher levels of Company contributions to these plans. We currently estimate contributing a total of approximately $23 million to our pension plans during the year ending September 30, 2010.

We anticipate that our existing cash, cash equivalents and borrowing capacity combined with our expected net positive 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 $52.8 million at June 30, 2010 and is payable $1.8 million per quarter with the balance due May 2012. Term Loan B had a balance of $218.1 million at June 30, 2010 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 June 30, 2010, letters of credit outstanding under the revolving credit facility were $37.9 million. The margin on borrowings under the 2007 Credit Agreement was 500 basis points at June 30, 2010.

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 June 30, 2010.

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 owed $420.0 million of principal of 7 3/8% Senior Subordinated Notes (“Notes”) at June 30, 2010. 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. 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 June 30, 2010 for the subsequent four quarters and our actual ratios at June 30, 2010 are presented below.

	Consolidated Leverage Ratio	Consolidated Interest Charge Coverage Ratio	Consolidated Senior Secured First Lien Leverage Ratio
Actual ratios at June 30, 2010	6.27:1.00	1.71:1.00	2.45:1.00
	Maximum	Minimum	Maximum
Threshold ratios for fiscal quarters ending:			
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
March 31, 2011	6.50:1.00	1.70:1.00	3.50:1.00
June 30, 2011	6.25:1.00	1.80:1.00	3.50:1.00

We were in compliance with these financial covenants at June 30, 2010.

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

	June 30, 2010		September 30, 2009	
	Moody's	Standard & Poor's	Moody's	Standard & Poor's
Corporate credit rating	B2	B	B2	B
2007 Credit Agreement	Ba3	BB-	B1	BB-
Notes	B3	B-	Caa1	B-
Outlook	Stable	Stable	Stable	Stable

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 June 30, 2010, we had $37.9 million of letters of credit and $23.5 million of surety bonds outstanding.

Seasonality

Our water infrastructure 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 levels of 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 $175 million in force at June 30, 2010 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 have a $100 million total notional amount forward-starting swap contract 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 4.8% to 5.0%. All of these swap contracts were accounted for as effective hedges. In connection with these swap contracts, we recorded after tax-losses of $0.4 million and $0.7 million in the three months and nine months ended June 30, 2010, respectively, which were reported as components of accumulated other comprehensive loss. Interest expense associated with these swap contracts was $2.5 million and $7.2 million in the three months and nine months ended June 30, 2010, respectively, and $3.4 million and $7.3 million in the three months and nine months ended June 30, 2009, respectively. These interest rate swap contracts had a liability fair value of $13.4 million at June 30, 2010, which was included in other noncurrent liabilities.

Natural Gas Swap Contracts

We used natural gas swap contracts with a cumulative total notional amount of 122,000 MMBtu at June 30, 2010 to hedge against cash flow variability arising from changes in natural gas prices in conjunction with our anticipated monthly 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. These natural gas swap contracts were accounted for as effective hedges, although we did record losses related to hedge ineffectiveness as a component of cost of sales of $0.2 million and $0.6 million in the three months and nine months ended June 30, 2010, respectively. Additional cost of sales associated with settlements under these natural gas swap contracts was immaterial in the three months ended June 30, 2010 and $0.2 million in the nine months ended June 30, 2010. These natural gas swap contracts had a liability fair value of $0.1 million at June 30, 2010, which was included in other current liabilities.

Foreign Currency Forward Contracts

We used a foreign currency forward contract to reduce exposure to currency fluctuations from a Canadian dollar-denominated intercompany loan. This foreign currency forward contract was terminated and the intercompany loan repaid in January 2010. Gains and losses on this currency forward contract were included in selling, general and administrative expenses. In the nine months ended June 30, 2010, we recorded a net loss of $1.0 million associated with this currency forward contract. In the three months and nine months ended June 30, 2009, we recorded a net loss of $1.8 million and a net gain of $2.2 million, respectively.

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 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 June 30, 2010.

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 June 30, 2010.

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 operating results. These described risks are not the only risks we face. 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 or operating results.

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

During the three months ended June 30, 2010, we repurchased shares of our Series A common stock as follows.

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
April 1-30, 2010	—	$ —	—	—
May 1-31, 2010	2,577	4.82	—	—
June 1-30, 2010	—	—	—	—
Total	2,577	$ 4.82	—	—

(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	Employment Agreement, dated August 9, 2010, between Mueller Water Products, Inc. and Paul Ciolino.
10.21	Executive Change-in-Control Severance Agreement, dated August 9, 2010, between Mueller Water Products, Inc. and Paul Ciolino
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: August 9, 2010

By: /s/ EVAN L. HART
Evan L. Hart
Chief Financial Officer

Exhibit 10.20

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is made as of the 9th day of August, 2010 (the "Effective Date") by and between Mueller Water Products, Inc. ("Company") and Paul Ciolino ("Executive"). This Agreement sets forth the terms and conditions of Executive's employment and termination of employment with the Company whenever that occurs.

The effectiveness of this Agreement is subject to approval by the Compensation and Human Resources Committee of the Board of Directors of the Company.

ARTICLE I: TERMS OF EMPLOYMENT

1. **Prior Agreements.** Executive acknowledges and represents that any and all prior employment agreements including, without limitation, any agreements set forth in the offer letter dated July 17, 2010, are terminated and that the only obligations and duties between the Company and the Executive with respect to any severance are those expressly set forth in this Agreement and those set forth in the Change in Control Severance Agreement between Executive and the Company dated as of the date hereof (the "Change in Control Agreement"). Executive represents and warrants that the Executive is not a party to any other agreement or obligation for personal services and that there exists no impediment or restraint, contractual or otherwise on the Executive's power, right or ability to accept the Company's offer of employment and to perform the employment specified in this Agreement.

2. **Employment**

   a. Beginning August 9, 2010, Executive will serve as President, U.S. Pipe and Foundry Company LLC, and will report to the Chief Executive Officer or, at his discretion, the Chief Operating Officer of the Company. Executive's designated work location will be Birmingham, Alabama. Executive will have the responsibilities generally consistent for such position in similarly sized public companies and such other and additional responsibilities as may be assigned to Executive from time to time by the Company's Chief Executive Officer or Chief Operating Officer. Executive acknowledges that this Agreement contemplates any possible future promotion and any assignment of responsibilities with respect to any affiliate or subsidiary of the Company, which may be made without amendment of this Agreement.

   b. Executive shall devote substantially all of Executive's working time, attention and energies to the business of the Company and its affiliated entities. With permission of the person to whom the Executive reports, Executive however, may be involved in charitable and professional activities and serve on boards of not-for-profit entities, in each case in accordance with Company policy and in a

manner and in organizations that will not adversely effect the Executive's performance or reflect unfavorably on the Company. Executive may not serve on any for-profit board without the prior permission of the Board of Directors. In no event will Executive be covered by any insurance policies of the Company for service on other boards unless pursuant to a specific written endorsement approved by the Chief Executive Officer of the Company and obtained by the Executive.

3. Compensation and Benefits

a. Executive's base salary ("Salary") will be $355,000 per year. Executive's Salary and job performance will be reviewed at least once per year consistent with the practices of the Company.

b. Executive is entitled to participate in the Company Management Incentive Program ("MIP"), as in effect from time to time and as approved by the Compensation and Human Resources Committee of the Board of Directors ("Compensation Committee"). Executive's initial target annual bonus ("Bonus") will be seventy-five percent (75%) of the Executive's Salary in effect for such year. Actual annual Bonus may range from 0% to 200% of target and will be determined based upon corporate and/or individual performance factors established by the Company. The amount of the Bonus will fluctuate based upon standards established by the Board of Directors in the MIP. Bonus ranges, target and performance goals may be changed in accordance with the applicable plan and without amendment of this Agreement. Executive must be employed on the date the Board approves the Bonus payable with respect to any fiscal year to be eligible to receive an annual Bonus for such fiscal year. For Fiscal Year 2010, Executive's Bonus will be awarded on a pro-rata basis for the period of time employed, based on actual results and the existing targets.

c. Executive will be eligible for the Company's Stock Incentive Plan consistent with its application to employees generally and with the terms of such program, as in effect from time to time. Equity will be awarded and priced at the time the Company normally distributes its grants to executives using a modified Black-Scholes valuation. The Stock Incentive Plan currently identifies your annual target equity is between $350,000 to $500,000. These targes are market-based, are established by the Compensation Committee, and may change from time to time. All targets established and equity awards are granted at the discretion of the Compensation Committee. Executive will be considered for a grant prior to December 2010.

d. Executive shall be eligible to participate in any pension, profit sharing, health or welfare benefit generally made available by the Company to similarly situated executive employees, as in effect from time to time, including, without limitation:

i. life and group health (medical, dental, etc.) benefits generally applicable to executives in the location in which Executive is primarily based, as in effect from time to time and in accordance with their terms.

ii. Retirement Savings Plan, generally applicable to salaried employees in the location in which Executive is primarily based, as in effect from time to time and in accordance with its terms.

iii. Employee Stock Purchase Plan, generally applicable to salaried employees in the location in which Executive is primarily based, as in effect from time to time and in accordance with its terms.

iv. Four weeks of annual vacation to be used in accordance with the Company's vacation policies generally applicable to executives in the location in which Executive is primarily based, as in effect from time to time.

v. Expense reimbursement for properly documented ordinary and necessary business expenses incurred by Executive in the performance of employment hereunder in accordance with the Company's expense reimbursement policy.

e. Executive shall be entitled to a car allowance of $1,500 per month, subject to applicable taxes.

f. Executive shall be entitled to reimbursement of financial planning expenses in accordance with the Company's policy for executive financial planning. This shall be equal to $10,000 during your first calendar year and $7,500 in the following calendar year and beyond.

g. Executive shall be entitled to reimbursement up to $3,000 for expenses of an annual physical in accordance with the Company's policy for executive physical exams, which amount shall be treated as taxable income.

h. Executive agrees to comply with policies as adopted from time to time by the Board of Directors for executives, which includes stock ownership guidelines, which currently require you to accumulate three times your Salary in Company stock over a five year period.

i. On the date you officially establish as your start date with the Company in a press release to be developed by the parties, Executive shall receive an equity grant valued at $250,000, consisting of stock options and restricted stock units in equal value, both of which will "cliff" vest three years following the date of grant. The valuation of these grants will be made by the independent compensation consultant to the Compensation Committee. If Executive leaves the Company prior to vesting, any unvested restricted stock units and stock options are forfeited. All equity awards are granted at the discretion of the Compensation Committee.

j. Executive shall receive a sign-on bonus of $125,000, that is payable at the time normal bonus payments are made within the Company. In the event Executive terminates employment on a voluntary basis within one (1) year of starting employment with the Company, Executive will repay the sign-on bonus to the Company within thirty (30) days of Executive's separation date.

k. Executive will receive relocation assistance from the Company to assist in moving Executive's home in Clarendon Hills to the Birmingham metropolitan area in accordance with Company policies. Executive may commute to the Birmingham area until Executive's son completes secondary school. The Company will cover reasonable communting expenses during this time, which will be limited as provided in the Company's relocation policy as in effect from time to time and in accordance with its terms.

The reimbursement of expenses during a year will not affect the expenses eligible for reimbursement in any other year. With respect to reimbursement of any expenses, in no event shall such an expense be reimbursed after the last day of the year following the year in which the expense was incurred. This provision has no effect on the policies of the Company with respect to expense reimbursement.

4. Termination of Employment - Death; By Company for Cause or Disability; By Executive's Resignation Other Than for Good Reason. Executive's employment automatically terminates upon Executive's death. The Company may terminate Executive's employment on account of Disability or for Cause. Executive may voluntarily resign or retire from employment for other than Good Reason upon not less than 15 business days prior written notice to the Company. Upon termination of employment for any of these reasons, Executive shall be entitled to Salary through the date of termination of employment, and other benefits in accordance with the terms of the Company's retirement, insurance, and other applicable plans and programs then in effect.

a. For purposes of this Agreement, "Disability" occurs if Executive has been physically or mentally incapacitated so as to render Executive incapable of performing the essential functions of any substantial gainful activity, or Executive has received income replacement benefits under a Company plan for at least three months, and, in either instance, that incapacity is expected to result in death or to last for a continuous period of at least 12 months. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits, among other possible evidence, shall be deemed conclusive evidence of Disability for purposes of this Agreement.

b. For purposes of this Agreement, the term "Cause" means any of the following: Executive's (i) conviction or guilty plea of a felony or conviction or guilty plea of any crime involving fraud or dishonesty, (ii) theft or embezzlement of property from the Company, (iii) willful and continued refusal to perform the duties of Executive's position in all material respects (other than any such failure resulting from Executive's incapacity due to physical or mental illness) that continues for more than 15 business days after the Company gives Executive written notice of the failure, specifying what duties Executive failed to perform and an opportunity to cure within 30 days, (iv) fraudulent preparation of financial information of the Company; (v) willful engagement in conduct that is demonstrably and materially

injurious to the Company, monetarily or otherwise, provided that no act or failure to act on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the action or omission was in the best interests of the Company or (vi) willful violation of material Company policies or procedures, including but not limited to, the Company's Code of Business Conduct and Ethics and Compliance Program (or any successor policy) then in effect.

c. For purposes of this Agreement, the term "Good Reason" shall have the meaning set forth in Article I, Section 6(b).

5. **Involuntary Termination of Employment by the Company** . If the Company involuntarily terminates the employment of Executive other than as set forth in Section 4, the Executive will be entitled to the benefits set forth below.

"Severance Benefits" consist of:

i. Lump sum payment of unpaid Salary and other benefits, including accrued but unused vacation pay and unreimbursed business expenses, accrued to the date of termination of employment and paid on the same basis as paid upon any voluntary termination of employment.

ii. A total amount equal to 262.50% of Executive's current monthly rate of Salary (the "Base Amount"). Payment of the Base Amount shall be made in substantially equal monthly installments over 18 months from the date of Executive's separation from service (within the meaning of Section 409A of the Code). The first such installment shall be paid within sixty (60) days following Executive's separation from service (the "Commencement Date") and subsequent installments shall be paid on the last business day of each succeeding month; provided, however, that Executive's entitlement to each such installment shall be contingent upon execution (and non-revocation) by Executive of the release under article III, Section 2. All payments are subject to applicable taxes.

iii. The Company will charge Executive the active employee rate for healthcare coverage for 18 months after termination of employment, provided that Executive elects COBRA coverage within the COBRA election period. Executive may decline coverage at any time. If Executive declines coverage or becomes eligible for coverage by another employer, such coverage will cease and Executive may not become covered by Company coverage again.

iv. Executive will continue group life insurance coverage for a period of 18 months following Executive's termination of employment date on the same terms and conditions as prior to the termination of employment.

v. Notwithstanding anything to the contrary herein, if Executive is a "specified employee" under Section 409A of the Code, then any payment(s) to the Executive described in this Agreement that (A)

constitute “deferred compensation” to an Executive under Section 409A; (B) are not exempt from Section 409A; and (C) are otherwise payable within 6 months after Executive’s separation from service (within the meaning of Section 409A of the Code) shall instead be made on the date 6 months and 1 day after such separation from service, and such payment(s) shall be increased by an amount equal to interest on each such payment(s) at a rate of interest equal to the Federal Funds Rate in effect as of the date of termination of employment from the date on which such payment(s) would have been made in the absence of this provision and the payment date described in this sentence. The Federal Funds Rate shall mean the “Federal Funds Rate” as issued in the Money Rates column of The Wall Street Journal on the date prior to the calculation of any interest under this Agreement.

6. **Termination by Executive for Good Reason.** If Executive terminates employment for Good Reason, Executive will be entitled to the same benefits as if employment had been terminated involuntarily under Article I, Section 5. Any benefits provided under this section are conditioned on Executive giving written notice to the Company under subsection (a) below and meeting the requirements for a satisfactory release as set forth in Article III, Section 2.

a. Termination for Good Reason means delivery of a Notice of Termination for Good Reason by Executive given to the Company’s Senior Vice President of Human Resources within ninety (90) days of the occurrence of the event giving rise to the Notice, unless such circumstances are substantially corrected prior to the date of termination specified in the Notice of Termination for Good Reason. A “Notice of Termination for Good Reason” shall mean a notice that (i) indicates the specific termination provision or provisions relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination for Good Reason and (iii) indicates a date of termination of employment. The failure by Executive to set forth in the Notice of Termination for Good Reason any facts or circumstances which contribute to the showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder. The Notice of Termination for Good Reason shall provide for a date of termination of employment not less than fifteen (15) nor more than thirty (30) days after the date such Notice of Termination for Good Reason is given, provided that in the case of the events set forth in Article I, Sections 6(b)(i) or (ii), the date may be not less than twenty (20) days after the giving of such notice.

b. For purposes of this Agreement, “Good Reason” means, without Executive’s express written consent, the occurrence of any one or more of the following to the extent that there is, or would be if not corrected, a material negative change in the Executive’s employment relationship with the Company:

i. The assignment of the Executive to duties materially inconsistent with the Executive’s authorities, duties, responsibilities, and status as an executive and/or officer of the Company, or a material reduction or alteration in the

nature or status of the Executive’s authorities, duties, or responsibilities from those in effect as of ninety (90) calendar days prior to the reassignment, other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Executive.

ii. The Company’s requiring the Executive to be based at a new or different location from the location of the Executive’s current principal job location or office which would result in a material negative change in Executive’s employment; provided that for purposes of this subsection, a material negative change to the employment relationship is presumed if the new location is in excess of fifty (50) miles of the old location; or

iii. A material reduction by the Company of the Executive’s Salary in effect on the Effective Date hereof, or as the same shall be increased from time to time.

iv. A material negative change in responsibility or Salary shall not have occurred under this Section 6(b) if (A) the amount of the Executive’s Bonus fluctuates due to performance considerations under the Company’s incentive plan in effect from time to time or (B) the Executive is transferred to a position of comparable responsibility and compensation with the Company.

Unless the Executive becomes Totally Disabled, the Executive’s right to terminate employment for Good Reason shall not be affected by the Executive’s incapacity due to physical or mental illness. The Executive’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason herein.

7. Clawback

Notwithstanding anything herein to the contrary and only to the extent required by law, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, then the Executive agrees to reimburse the Company for (a) any bonus or other incentive-based or equity-based compensation received by such Executive from the Company during the 12-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement and (b) any profits realized from the sale of securities of the Company during that 12-month period. The Compensation Committee of the Board of Directors shall have the exclusive authority to interpret and enforce this provision.

8. Taxes and Tax Equalization

The Company shall withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as legally shall be required.

9. Compliance with Code Section 409A

a. Each of the payments of severance and continued medical benefits under Article I, Sections 4 and 5 above are designated as separate payments for purposes of the short-term deferral rules under Treasury Regulation Section 1.409A-1(b)(4)(i)(F), the exemption for involuntary terminations under separation pay plans under Treasury Regulation Section 1.409A-1(b)(9)(iii), and the exemption for medical expense reimbursements under Treasury Regulation Section 1.409A-1(b)(9)(v)(B).

b. It is the intention of the Company and Executive that this Agreement not result in unfavorable tax consequences to Executive under Code Section 409A. Accordingly, Executive consents to any amendment of this Agreement as the Company may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available to, Executive a copy of such amendment. Any such amendments shall be made in a manner that preserves to the maximum extent possible the intended benefits to Executive. This Section 9(b) does not create an obligation on the part of the Company to modify this Agreement and does not guarantee that the amounts or benefits owed under this Agreement will not be subject to interest and penalties under Code Section 409A.

ARTICLE II: POST EMPLOYMENT OBLIGATIONS AND RESTRICTIONS

1. Noncompetition.

Executive agrees as follows:

a. During the term of the Executive's employment with the Company and for the period of twelve (12) months following the date of termination of the Executive's employment with the Company for any reason whatsoever, Executive will not perform Competitive Services, directly or indirectly, for any person, entity, business, or enterprise in the United States (the "Territory") engaged in the business of the Company as being carried on as of the date of Executive's start of employment ("Competing Business"). For the purposes of this restriction, "Competitive Services" means performing services as the president, chief executive officer or in another senior leadership position for a company that manufactures water infrastructure or pipe-related products for use in non-residential construction and duties substantially similar to those duties Executive will perform for the Company under this Agreement or, in the case of managerial or executive duties, managerial or executive duties for a competitor.

b. Executive acknowledges and agrees that:

i. Executive is familiar with the business of the Company and the commercial and competitive nature of the industry and recognizes that the value of the Company's business would be injured if Executive performed Competitive Services for a Competing Business;

ii. These non-competition provisions are essential to the continued good will and profitability of the Company;

iii. In the course of employment with the Company, Executive will become familiar with the trade secrets and other Confidential Information (as defined below) of the Company and its subsidiaries, affiliates, and related entities, and that Executive's services will be of special, unique, and extraordinary value to the Company; and

iv. Executive's skills and abilities enable Executive to seek and obtain similar employment in a business other than a Competing Business, and Executive possesses other skills that will serve as the basis for employment opportunities that are not prohibited by this Non-Competition Agreement. When Executive's employment with the Company terminates, Executive expects to be able to earn a livelihood without violating the terms of this Agreement.

2. Nonsolicitation of Employees and Contractors. During the term of the Executive's employment with the Company and for a period of twelve (12) months following the termination of the Executive's employment with the Company for any reason whatsoever, the Executive shall not, either on his own account or for any person, firm, partnership, corporation, limited liability company, or other entity within the Territory; (a) solicit any employee of the Company to leave his employment with the Company; (b) induce or attempt to induce any such employee to breach his employment agreement with the Company; or (c) induce or attempt to induce any independent contractors to leave or terminate their relationships with the Company.

3. Nonsolicitation of Customers. During the term of the Executive's employment with the Company and for a period of two (2) years following the termination of the Executive's employment with the Company for any reason whatsoever, the Executive shall not directly or indirectly solicit or attempt to solicit any current customer of the Company or any of its subsidiaries with which the Executive had material contact during his employment with the Company: (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, firm, partnership, corporation, limited liability company, or other entity 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 during the period of the Executive's employment. For purposes of this Article II, Section 3, "material contact" shall be defined as any communication intended or expected to develop or further a business relationship and customers about which the Executive learned confidential information as a result of his employment.

4. Developments. Executive agrees that all inventions, improvements, trade secrets, reports, manuals, computer programs, systems, tapes and other ideas and materials developed or invented by Executive during the period of Executive's employment with the Company, either solely or in collaboration with others, which relate to the actual or anticipated business or research of the Company, which result from or are suggested by any work Executive may do for the Company, or which result from use of the Company's premises or the Company's or its customers' property (collectively, the "Developments") shall be the sole and exclusive property of the Company. Executive hereby assigns to the Company Executive's 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 Executive made prior to his employment by the Company, or to any inventions that Executive develops entirely on his own time without using any of the Company's equipment, supplies, facilities or the Company's or its customers' confidential information and which do not relate to the Company's business, anticipated research and developments or the work Executive has performed for the Company.

5. Non-Disparagement. Following the termination of employment under this Agreement for any reason and continuing for so long as the Company or any affiliate, successor or assigns thereof carries on the name or like business within the Territory, neither the Company nor Employee shall, directly or indirectly, for himself or on behalf of, or in conjunction with, any other person, persons, company, partnership, corporation, business entity or otherwise:

- Make any statements or announcements or permit anyone to make any public statements or announcements concerning Employee's reasons for termination with the Company without Employee's consent, or
- Make any statements that are inflammatory, detrimental, slanderous, or negative in any way to the interests of the Company or its affiliated entities on the one hand, or Employee, on the other hand.

ARTICLE III: GENERAL PROVISIONS

1. Confidentiality and Non-Disclosure

a. Executive acknowledges that, in the course of Executive's employment, Executive will have access to confidential information, trade secrets, knowledge or data relating to the Company and its businesses, including but not limited to information disclosed to Executive, or known by Executive as a consequence of or through employment with the Company, 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 any affiliates ("Confidential Information").

b. Confidential Information includes, but is not limited to, 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, and similar information.

c. Confidential Information is to be protected regardless of its format (tangible or intangible); thus, it includes information maintained in electronic form (such as e-mails, computer files, or information on a cell phone, Blackberry, or other personal data device). Information that is in the public domain, other than as a result of a breach of this Agreement, shall not constitute Confidential Information.

d. Executive agrees that during employment and during the two (2) year period thereafter, Executive will not use or disclose, on Executive's own behalf or on behalf of any other person or entity, any Confidential Information to employees of the Company who do not have a need-to-know or to third parties; provided, however, that Executive may disclose Confidential Information during employment in the normal course of business.

e. Executive agrees that this non-disclosure obligation shall extend longer than two (2) years after termination of employment as to any materials or information that constitutes a trade secret of the Company under applicable law, for the full period of time in which such materials or information remain a trade secret, if longer than two (2) years.

f. Executive agrees to take all reasonable precautions to safeguard and prevent disclosure of Confidential Information to unauthorized persons or entities.

2. Release. As a condition of receiving any severance payments under this Agreement, Executive must sign and not revoke, within the deadlines provided by the Company and in compliance with applicable federal and/or state laws, a written release of all employment claims against the Company and its related entities, including, without limitation, employment discrimination of any kind, wage payment, breach of contract, claims for workers compensation, unemployment, disability and severance claims that Executive has or may have at the termination of employment. In addition, Executive will agree not to sue the Company or any other entities or persons released.

3. Intellectual Property. Executive agrees that Executive has no right to use, for the benefit of Executive or anyone other than the Company, any of the copyrights, trademarks, service marks, patents, and inventions of the Company.

4. Return of Property. Executive agrees that upon termination of employment or, prior to such termination at the request of the Company, Executive shall return to the Company all documents, copies, recordings of any kind, papers, computer records, and other material in Executive's possession or under Executive's control which may contain or be derived from Confidential Information, together with all other documents, notes, other work product, and other material and property belonging or relating to the Company, and any tangible Company property, including any computer equipment, cell phone, pager, Blackberry or other electronic messaging device, and keys. Executive will not copy or delete any information on such property prior to the return of Company property.

5. Injunctive Relief. Executive and the Company recognize that the services to be rendered by Executive are of a special, unique, unusual, and extraordinary character having a peculiar value, the loss of which will cause the Company immediate and irreparable harm which cannot be adequately compensated in damages. Executive and the Company further recognize that disclosure of any Confidential Information or breach of the provisions of this Agreement will 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 this Agreement, Executive agrees and consents that the Company shall be entitled to injunctive relief, both preliminary and permanent, without bond, and Executive will 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.

6. Successors

a. The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) of all or a significant portion of the assets of the Company by agreement, in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Regardless of whether such agreement is executed, this Agreement shall be binding upon any successor in accordance with the operation of law and such successor shall be deemed the "Company" for purposes of this Agreement.

b. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies while any amount would still be payable to Executive hereunder had Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

7. Miscellaneous

a. **Employment Status** . This Agreement is not, and nothing herein shall be deemed to create, an employment contract between the Executive and the Company or any of its subsidiaries. Executive understands and agrees that the Executive's employment with the Company is at-will, which means that either Executive or Company may, subject to the terms of this Agreement terminate this Agreement at any time with or without cause and with or without notice. The Executive acknowledges that the rights of the Company remain wholly intact to change or reduce at any time and from time to time his compensation, title, responsibilities, location, and all other aspects of the employment relationship, or to discharge him (subject to such discharge possibly qualifying Executive for severance under Article I, Section 4 or 5).

b. **Agreement** . This Agreement and the Change-in-Control Severance Agreement together contain the entire understanding of the Company and the Executive with respect to the subject matter hereof and supersede all prior agreements, understandings, negotiations, representations and statements, whether oral, written, implied or expressed, relating to such subject matter.

c. **Notices** . All notices, requests, demands, and other communications hereunder shall be sufficient if in writing and shall be deemed to have been duly given if delivered by hand or if sent by registered or certified mail to the Executive at the last address he filed in writing with the Company or, in the case of the Company, at its principal office.

d. **Execution in Counterparts** . This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

e. **Severability** . In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect. Notwithstanding any other provisions of this Agreement to the contrary, the Company shall have no obligation to make any payment to the Executive hereunder to the extent, but only to the extent, that such payment is prohibited by the terms of any final order of a federal or state court or regulatory agency of competent jurisdiction; provided, however, that such an order shall not affect, impair, or invalidate any provision of this Agreement not expressly subject to such order.

f. **Modification** . No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive and by a member of the Board of Directors, as applicable, or by the respective parties' legal representatives or successors, except as provided in Article I, Section 10(b).

g. **Applicable Law** . 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.

h. **Consent to Forum.** Executive expressly consents and submits that the exclusive jurisdiction for any controversy, dispute, or claim between the parties arising out of or relating to this Agreement or Executive's employment with the Company that are not required to be submitted to arbitration pursuant to Article IV of this Agreement (such as claims for injunctive or equitable relief described in Article

III, Section 5 of this Agreement) shall be the courts in the state of Delaware. Executive expressly consents to the exercise of personal jurisdiction over Executive by the courts in the state of Delaware. Executive hereby waives, to the fullest extent permitted by applicable law, any objection or defense that a Delaware court does not have personal jurisdiction over Executive, is an improper venue, or constitutes an inconvenient forum.

ARTICLE IV. DISPUTE RESOLUTION; MUTUAL AGREEMENT TO ARBITRATE

1. Executive and the Company agree that, except as otherwise provided in this Agreement, final and binding arbitration shall be the exclusive remedy for any controversy, dispute, or claim arising out of or relating to this Agreement or Executive's employment with the Company, including Executive's hire, treatment in the workplace, or termination of employment. For example, if Executive's employment with the Company is terminated and he contends that the termination violates any statute, contract or public policy, then Executive will submit the matter to arbitration for resolution, in lieu of any court or jury trial to which Executive would otherwise might be entitled.
2. This Article covers all common-law and statutory claims, including, but not limited to, any claim for breach of contract (including this Agreement) and for violation of laws forbidding discrimination on the basis of race, sex, color, religion, age, national origin, disability, or any other basis covered by applicable federal, state, or local law, and includes claims against the Company 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 or Executive's employment with the Company. This Article covers all judicial claims that could be brought by either party to this Agreement, but does not cover administrative claims for workers' compensation or unemployment compensation benefits or the filing of charges with government agencies that prohibit waiver of the right to file a charge, and does not preclude either party to the Agreement from seeking emergency injunctive relief in the courts as provided for in Article III, Sections 5 and 7(h).
3. The arbitration shall be governed by JAMS Employment Arbitration Rules and Procedure except as modified herein. If the party chooses to have the arbitration proceeding administered by a third party, then the arbitration shall be administered by JAMS. If the party chooses to have the arbitration administered by JAMS, then the arbitration will "commence" in accordance with the JAMS Employment Arbitration Rules and Procedure. If the party chooses to have this matter arbitrated privately, then the arbitration will be deemed to "commence" on the date that the party, pursuant to Article III, Section 7(c), provides a demand for arbitration and notice of claims and remedies sought outlining the facts relied upon, legal theories, and statement of claimed relief ("Demand"). The responding party shall serve a response to the claims and any counterclaims within fifteen (15) business days from the date of receipt of the Demand.
4. Any arbitration shall be held in Washington, D.C. (unless the parties mutually agree in writing to another location within the United States) within 120 days of the commencement of the arbitration.

5. The arbitration shall take place before a single arbitrator to be appointed by mutual agreement of counsel for each party or, if counsel cannot agree, then pursuant to the procedures set forth by JAMS. The parties may not have any *ex parte* communications with the arbitrator.
6. The arbitrator may award any relief otherwise available to the parties by law or equity.
7. The parties are limited to two (2) depositions per side, and limited written discovery as may be required by the arbitrator, not to exceed that allowed under the Federal Rules of Civil Procedure.
8. Any hearing in this matter shall be completed within 120 days of the date of commencement of the arbitration, as the term "commencement" is defined by JAMS. The arbitrator shall issue its award within thirty (30) days of the last hearing day.
9. Unless Executive objects, the Company will pay the arbitrator's fees. Each party shall pay its own costs and attorneys' fees, if any, unless the arbitrator rules otherwise. A court may enter judgment upon the arbitrator's award, either by confirming the award, or vacating, modifying or correcting the award, on any ground referred to in the Federal Arbitration Act, or where the findings of fact are not supported by substantial evidence, or where the conclusions of law are erroneous.
10. The provisions of this Article are severable, meaning that if any provision in this Article IV ("Dispute Resolution; Mutual Agreement to Arbitrate") is determined to be unenforceable and cannot be reformed under applicable law, the remaining provisions shall remain in full effect, provided however, that any amendment of an unenforceable provision shall only be to the extent necessary and shall preserve the intent of the parties hereto. It is agreed and understood that the scope of this Article, including questions of arbitrability of any dispute, shall be determined by the arbitrator.
11. Executive acknowledges that prior to accepting the provisions of this Article IV and signing this Agreement, Executive has been given an opportunity to consult with an attorney and to review the JAMS Employment Arbitration Rules and Procedure that would govern the dispute resolution process under this Article. In signing this Agreement, the parties acknowledge that the right to a court trial and trial by jury is of value, and knowingly and voluntarily waive such right for any dispute subject to the terms of this Article.

Initials: Executive _______the Company ______

IN WITNESS WHEREOF, the parties have executed this Agreement on this 9th day of August, 2010.

MUELLER WATER PRODUCTS, INC.

By: /s/ GREGORY E. HYLAND
Gregory E. Hyland
Chairman of the Board, President and Chief Executive Officer

/s/ PAUL CIOLINO
Paul Ciolino

Exhibit 10.21

EXECUTIVE CHANGE-IN-CONTROL SEVERANCE AGREEMENT

THIS EXECUTIVE CHANGE-IN-CONTROL SEVERANCE AGREEMENT is made, entered into, and is effective as of the 9th day of August 2010 (hereinafter referred to as the "Effective Date"), by and between Mueller Water Products, Inc. (the "Company"), a Delaware corporation, and Paul Ciolino (the "Executive"). Executive acknowledges and represents that any and all prior agreements for change in control severance are terminated and replaced entirely by this Agreement.

WHEREAS, the Executive is currently employed by the Company and possesses considerable experience and knowledge of the business and affairs of the Company concerning its policies, methods, personnel, and operations; and

WHEREAS, the Company is desirous of assuring insofar as possible, that it will continue to have the benefit of the Executive's services; and the Executive is desirous of having such assurances; and

WHEREAS, the Company recognizes that circumstances may arise in which a Change in Control of the Company occurs, through acquisition or otherwise, thereby causing uncertainty of employment without regard to the Executive's competence or past contributions. Such uncertainty may result in the loss of the valuable services of the Executive to the detriment of the Company and its shareholders; and

WHEREAS, both the Company and the Executive are desirous that any proposal for a Change in Control or acquisition will be considered by the Executive objectively and with reference only to the business interests of the Company and its shareholders; and

WHEREAS, the Executive will be in a better position to consider the Company's best interests if the Executive is afforded reasonable security, as provided in this Agreement, against altered conditions of employment which could result from any such Change in Control or acquisition.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Article 1. Definitions

Wherever used in this Agreement, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) " **Agreement** " means this Executive Change-in-Control Severance Agreement.

(b) “ **Base Salary** ” means, at any time, the then regular annual rate of pay which the Executive is receiving as annual salary, excluding amounts: (i) received under short-term or long-term incentive or other bonus plans, regardless of whether or not the amounts are deferred, or (ii) designated by the Company as payment toward reimbursement of expenses.

(c) “ **Beneficial Owner** ” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

(d) “ **Board** ” means the Board of Directors of the Company.

(e) “ **Cause** ” shall be determined solely by the Committee in the exercise of good faith and reasonable judgment, and shall mean the occurrence of any one or more of the following:

(i) The Executive’s conviction of a felony or conviction of any crime involving fraud or dishonesty;

(ii) The Executive’s willful and continued refusal to perform the duties of his or her position in all material respects (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness), that continues for more than 15 business days after the Company gives the Executive written notice of the failure, specifying what duties the Executive failed to perform and an opportunity to cure;

(iii) fraudulent preparation of financial information of the Company; or

(iv) The Executive’s willful engagement in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise, provided that no act or failure to act on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the action or omission was in the best interests of the Company.

(f) “ **Change in Control** ” of the Company shall mean the occurrence of any one (1) or more of the following events:

(i) Any Person (other than the Company or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, and any trustee or other fiduciary holding securities under an employee benefit plan of the Company or such proportionately owned corporation) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than thirty percent (30%) of the combined voting power of the Company’s then outstanding securities;

(ii) During any period of not more than thirty-six (36) consecutive months, individuals who at the beginning of such period constitute the Board of Directors of the Company, and any new director whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote

of at least a majority (rounded up to the nearest whole number) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) The consummation of a merger or consolidation of the Company with any other corporation, other than: (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than sixty-six and two-thirds percent (66-2/3%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than thirty percent (30%) of the combined voting power of the Company's then outstanding securities; or

(iv) The Company's stockholders approve a plan or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction or series of transactions having a similar effect).

(g) " **Code** " means the Internal Revenue Code of 1986, as amended.

(h) " **Committee** " means the Compensation Committee of the Board of Directors of the Company, or, if no Compensation Committee exists, then the full Board of Directors of the Company, or a committee of Board members, as appointed by the full Board to administer this Agreement.

(i) " **Company** " means Mueller Water Products, Inc., a Delaware corporation (including any and all subsidiaries), or any successor thereto as provided in Article 9 herein.

(j) " **Disability** " or " **Disabled** " means that Executive has been physically or mentally incapacitated so as to render Executive incapable of performing the essential functions of any substantial gainful activity, or Executive has received income replacement benefits under a Company plan for at least three months, and, in either instance, that incapacity is expected to result in death or to last for a continuous period of at least 12 months. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Disability for purposes of this Agreement.

(k) " **Effective Date** " means the date this Agreement is approved by the Board, or such other date as the Board shall designate in its resolution approving this Agreement, and as specified in the opening sentence of this Agreement.

(l) " **Effective Date of Termination** " means the date on which a Qualifying Termination occurs, as provided in Section 2.2 herein, which triggers the payment of Severance Benefits hereunder.

(m) “ **Exchange Act** ” means the Securities Exchange Act of 1934, as amended.

(n) “ **Federal Funds Rate”** shall mean the “Federal Funds Rate” as issued in the Money Rates column of The Wall Street Journal.

(o) “ **Good Reason** ” means, without the Executive’s express written consent, the occurrence after a Change in Control of the Company of any one (1) or more of the following to the extent that there is, or would be if not corrected, a material negative change in the Executive’s employment relationship with the Company:

(i) The assignment of the Executive to duties materially inconsistent with the Executive’s authorities, duties, responsibilities, and status as an executive and/or officer of the Company, or a material reduction or alteration in the nature or status of the Executive’s authorities, duties, or responsibilities from those in effect as of ninety (90) calendar days prior to the Change in Control, other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) The Company’s requiring the Executive to be based at a location in excess of fifty (50) miles from the location of the Executive’s principal job location or office immediately prior to the Change in Control; except for required travel on the Company’s business to an extent substantially consistent with the Executive’s then present business travel obligations;

(iii) A reduction by the Company of the Executive’s Base Salary in effect on the Effective Date hereof, or as the same shall be increased from time to time;

(iv) The failure of the Company to continue in effect any of the Company’s short- and long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or other compensation arrangements in which the Executive participates unless such failure to continue the plan, policy, practice, or arrangement pertains to all plan participants generally; or the failure by the Company to continue the Executive’s participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of the Executive’s participation relative to other participants, as existed immediately prior to the Change in Control of the Company;

(v) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company’s obligations under this Agreement, as contemplated in Article 9 herein; and

(vi) A material breach of this Agreement by the Company which is not remedied by the Company within ten (10) business days of receipt of written notice of such breach delivered by the Executive to the Company.

Unless the Executive becomes Disabled, the Executive’s right to terminate employment for Good Reason shall not be affected by the Executive’s incapacity due to physical or mental illness. The Executive’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason herein.

(p) “ **Notice of Termination** ” shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated.

(q) **“Notice of Termination for Good Reason”** shall mean a notice that (i) indicates the specific termination provision or provisions relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination for Good Reason and (iii) indicates a date of termination of employment. The failure by Executive to set forth in the Notice of Termination for Good Reason any facts or circumstances which contribute to the showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder. The Notice of Termination for Good Reason shall provide for a date of termination of employment not less than thirty (30) nor more than sixty (60) days after the date such Notice of Termination for Good Reason is given, provided that in the case of the events set forth in Article I, Section (o) 6(b)(i) or (ii), the date may be not less than twenty (20) days after the giving of such notice.

(r) “ **Person** ” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d).

(s) “ **Qualifying Termination** ” means the Executive’s “separation from service” (as such term is used in Code Section 409A) upon any of the events described in Section 2.2 herein, the occurrence of which triggers the payment of Severance Benefits hereunder.

(t) “ **Severance Benefits** ” mean the payment of severance compensation as provided in Section 2.3 herein.

Article 2. Severance Benefits

2.1 Right to Severance Benefits . The Executive shall be entitled to receive from the Company Severance Benefits as described in Section 2.3 herein, if there has been a Change in Control of the Company and if, within twenty-four (24) calendar months thereafter, the Executive’s employment with the Company shall end for any reason specified in Section 2.2 herein as being a Qualifying Termination.

The Executive shall not be entitled to receive Severance Benefits if he is terminated for Cause, or if his employment with the Company ends due to death, Disability, voluntary normal retirement (as defined under the then established rules of the Company’s tax-qualified retirement plan), or due to a voluntary termination of employment for reasons other than as specified in Section 2.2(b) herein.

If benefits are triggered hereunder, and under another Company-related severance plan or program, the benefits under this Agreement shall be paid under the terms hereof, and any duplicative benefits under such other plan or program shall be forfeited.

2.2 Qualifying Termination . The occurrence of any one of the following events within twenty-four (24) calendar months after a Change in Control of the Company shall trigger the payment of Severance Benefits to the Executive under this Agreement:

(a) The Company's involuntary termination of the Executive's employment without Cause; and

(b) The Executive's voluntary employment termination for Good Reason.

For purposes of this Agreement, a Qualifying Termination shall not include a termination of employment by reason of death, Disability, or voluntary normal retirement (as such term is defined under the then established rules of the Company's tax-qualified retirement plan), the Executive's voluntary termination for reasons other than as specified in Section 2.2(b) herein, or the Company's involuntary termination for Cause.

2.3 Description of Severance Benefits . In the event the Executive becomes entitled to receive Severance Benefits, as provided in Sections 2.1 and 2.2 herein, the Company shall pay to the Executive and provide him with the following Severance Benefits:

(a) A lump-sum amount equal to the Executive's unpaid Base Salary, accrued vacation pay, unreimbursed business expenses, and all other items earned by and owed to the Executive through and including the Effective Date of Termination.

(b) A lump-sum amount equal to the Executive's annual bonus award earned as of the Effective Date of Termination, based on actual year-to-date performance, as determined at the Committee's discretion (excluding any special bonus payments). This payment will be in lieu of any other payment to be made to the Executive under the annual bonus plan in which the Executive is then participating for the plan year.

(c) An aggregate amount equal to one and one-half (1.5) multiplied by the sum of the following: (i) the higher of: (A) the Executive's annual rate of Base Salary in effect upon the Effective Date of Termination, or (B) the Executive's annual rate of Base Salary in effect on the date of the Change in Control; and (ii) the average of the actual annual bonus earned (whether or not deferred) by the Executive under the annual bonus plan (excluding any special bonus payments) in which the Executive participated in the three (3) years preceding the year in which the Executive's Effective Date of Termination occurs. The first installment shall be equal to 1/18 th of the aggregate amount, and shall be paid within sixty (60) days following the Effective Date of Termination, and subsequent installments shall be paid on the last business day of each succeeding month; provided that Executive's entitlement to each such installment shall be contingent upon execution (and non-revocation) by Executive of a release as described in Section 10.1 before the payment date under this Agreement for each such installment. Each monthly installment thereafter shall increase by a percentage equal to 1/12 th of the Federal Funds rate in effect on the last day of the month preceding payment. All payments are subject to applicable taxes.

(d) A lump-sum amount equal to 50% of the higher of: (i) the Executive's annual rate of Base Salary in effect upon the Effective Date of Termination, or (ii) the Executive's annual rate of Base Salary in effect on the date of the Change in Control. Such amount shall be in consideration for the Executive entering into a noncompete agreement as described in Article 4 herein. All payments are subject to applicable taxes.

(f) Upon the occurrence of a change in control, an immediate full vesting and lapse of all restrictions on any and all outstanding equity-based long-term incentives, including but not limited to stock options and restricted stock awards held by the Executive. This provision shall override any conflicting language contained in the Executive's respective Award Agreements.

(g) To the extent that Executive's employer contribution account, other than for matching contributions, in the Mueller Water Products, Inc. Retirement Savings Plan ("RSP") is forfeited upon termination of employment, a lump sum amount equal to the amounts forfeited under the RSP will be paid, subject to applicable taxes, during the sixty (60) day period following the Effective Date of Termination.

(h) Continuation for twenty-four (24) months of the Executive's medical insurance and life insurance coverage. These benefits shall be provided by the Company to the Executive beginning immediately upon the Effective Date of Termination. Such benefits shall be provided to the Executive at the same coverage level and cost to the Executive as in effect immediately prior to the Executive's Effective Date of Termination.

The Executive shall qualify for full COBRA health benefit continuation coverage beginning upon the expiration of the aforementioned twenty-four (24) month period.

Notwithstanding the above, these medical and life insurance benefits shall be discontinued prior to the end of the stated continuation period in the event the Executive receives substantially similar benefits from a subsequent employer, as determined solely by the Committee in good faith. For purposes of enforcing this offset provision, the Executive shall be deemed to have a duty to keep the Company informed as to the terms and conditions of any subsequent employment and the corresponding benefits earned from such employment, and shall provide, or cause to provide, to the Company in writing correct, complete, and timely information concerning the same.

(i) From Executive's date of termination of employment until the earlier of (i) 24 months following such date of termination or (ii) the date immediately prior to the date of Executive's employment with a subsequent employer, the Company will provide Executive with outplacement services from a nationally recognized outplacement firm selected by Executive, subject to the limits described in this subsection. The aggregate amount paid by the Company for outplacement services will not exceed an amount equal to 35% of Executive's annual rate of base salary as of the date of termination of employment (the "Total Outplacement Value"). Further, the cost for such services paid by the Company during any calendar year will not exceed the number of months in that calendar year during which the Executive is entitled to this benefit multiplied by 1/24 of the Total Outplacement Value.

2.4 Reduction of Severance Benefits. In no event shall any payment described in this Agreement exceed the amount permitted by Code Section 280G. Therefore, if the aggregate present value (determined in accordance with the provisions of Code Section 280G) of both the payments under this Agreement and all other payments to the Executive in the nature of compensation (the "Aggregate Payments") would result in a "parachute payment," as defined under Code Section 280G, then the Aggregate Payments shall not be greater than an amount equal to 2.99 multiplied by Executive's "base amount" for the "base period", as those terms are defined under Code Section 280G. In the event the Aggregate Payments are required to be reduced pursuant to this Section 2.4, the portions of the Aggregate Payments that would be paid latest in time will be reduced first and if multiple portions of the Aggregate Payments to be reduced are paid at the same time, any non-cash payments will be reduced before any cash payments, and any remaining cash payments will be reduced pro rata.

2.5 Termination for Total and Permanent Disability . Following a Change in Control, if the Executive's employment is terminated with the Company due to Disability, the Executive's benefits shall be determined in accordance with the Company's retirement, insurance, and other applicable plans and programs then in effect.

2.6 Termination for Retirement or Death . Following a Change in Control, if the Executive's employment with the Company is terminated by reason of his voluntary normal retirement (as defined under the then established rules of the Company's tax-qualified retirement plan), or death, the Executive's benefits shall be determined in accordance with the Company's retirement, survivor's benefits, insurance, and other applicable programs then in effect.

2.7 Termination for Cause or by the Executive Other Than for Good Reason . Following a Change in Control, if the Executive's employment is terminated either: (i) by the Company for Cause; or (ii) voluntarily by the Executive for reasons other than as specified in Section 2.2(b) herein, the Company shall pay the Executive his full Base Salary at the rate then in effect, accrued vacation, and other items earned by and owed to the Executive through the Effective Date of Termination, plus all other amounts to which the Executive is entitled under any compensation plans of the Company at the time such payments are due, and the Company shall have no further obligations to the Executive under this Agreement.

2.8 Notice of Termination. Any termination of the Executive's employment by the Company for Cause shall be communicated by Notice of Termination to the other party. Termination by the Executive for Good Reason requires delivery of a Notice of Termination by Executive for Good Reason given to the Company's Senior Vice President of Human Resources within ninety (90) days of the occurrence of the event giving rise to the Notice, unless such circumstances are substantially corrected prior to the date of termination specified in the Notice of Termination for Good Reason.

Article 3. Form and Timing of Severance Benefits

3.1 Form and Timing of Severance Benefits . The Severance Benefits described in Sections 2.3(a), 2.3(b), and 2.3(d) herein shall be paid in cash to the Executive in a single lump sum as soon as practicable following the Effective Date of Termination, but in no event beyond ten (10) calendar days from such date. Notwithstanding anything to the contrary herein, if Executive is a "specified employee" under Section 409A of the Code, then any payment(s) to the Executive described under Section 2.3 herein upon his or her termination of employment that (A) constitute "deferred compensation to an Executive under Section 409A; (B) are not exempt from Section 409A on account of separation of service (within the meaning of Section 409A) and (C) are otherwise payable within 6 months after Executive's termination of employment shall instead be made on the date 6 months and 1 day after such termination of employment, and such payment(s) shall be increased by an amount equal to interest on such payment(s) at a rate of interest equal to the Federal Funds Rate in effect as of the date of termination of employment from the date on which such payment(s) would have been made in the absence of this provision and the payment date described in this sentence.

3.2 Withholding of Taxes . The Company shall withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as legally shall be required.

Article 4. Noncompetition and Confidentiality

In the event the Executive becomes entitled to receive Severance Benefits as provided in Section 2.3 herein, the following shall apply:

(a) **Noncompetition** . During the term of employment and for a period of twelve (12) months after the Effective Date of Termination, the Executive shall not: (i) directly or indirectly act in concert or conspire with any person employed by the Company in order to engage in or prepare to engage in or to have a financial or other interest in any business or any activity which he knows (or reasonably should have known) to be directly competitive with the business of the Company as then being carried on; or (ii) serve as an

employee, agent, partner, shareholder, director or consultant for, or in any other capacity participate, engage, or have a financial or other interest in any business or any activity which he knows (or reasonably should have known) to be directly competitive with the business of the Company as then being carried on (provided, however, that notwithstanding anything to the contrary contained in this Agreement, the Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934).

(b) **Confidentiality** . The Company has advised the Executive and the Executive acknowledges that it is the policy of the Company to maintain as secret and confidential all Protected Information (as defined below), and that Protected Information has been and will be developed at substantial cost and effort to the Company. All Protected Information shall remain confidential permanently and no Executive shall at any time, directly or indirectly, divulge, furnish, or make accessible to any person, firm, corporation, association, or other entity (otherwise than as may be required in the regular course of the Executive's employment with the Company), nor use in any manner, either during the term of employment or after termination, at any time, for any reason, any Protected Information, or cause any such information of the Company to enter the public domain.

For purposes of this Agreement, "Protected Information" means trade secrets, confidential and proprietary business information of the Company, and any other information of the Company, including, but not limited to, customer lists (including potential customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, internal policies, and products and services which may be developed from time to time by the Company and its agents or employees, including the Executive; provided, however, that information that is in the public domain (other than as a result of a breach of this Agreement), approved for release by the Company or lawfully obtained from third parties who are not bound by a confidentiality agreement with the Company, is not Protected Information.

(c) **Nonsolicitation** . During the term of employment and for a period of twelve (12) months after the Effective Date of Termination, the Executive shall not employ or retain or solicit for employment or arrange to have any other person, firm, or other entity employ or retain or solicit for employment or otherwise participate in the employment or retention of any person who is an employee or consultant of the Company.

(d) **Cooperation** . Executive agrees to cooperate with the Company and its attorneys in connection with any and all lawsuits, claims, investigations, or similar proceedings that have been or could be asserted at any time arising out of or related in any way to Executive's employment by the Company or any of its subsidiaries.

(e) **Nondisparagement** . At all times, the Executive agrees not to disparage the Company or otherwise make comments harmful to the Company's reputation.

Article 5.

Reserved.

Article 6. The Company's Payment Obligation

6.1 Payment Obligations Absolute . The Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever.

The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement, except to the extent provided in Sections 2.3(g) and 2.3(h) herein.

6.2 Contractual Rights to Benefits . This Agreement establishes and vests in the Executive a contractual right to the benefits to which he is entitled hereunder. However, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder.

Article 7. Term of Agreement

This Agreement will commence on the Effective Date and shall continue in effect for two (2) full years. However, at the end of such two (2) year period and, if extended, at the end of each additional year thereafter, the term of this Agreement shall be extended automatically for one (1) additional year, unless either party delivers written notice six (6) months prior to the end of such term, or extended term, stating that the Agreement will not be extended. In such case, the Agreement will terminate at the end of the term, or extended term, then in progress.

However, in the event of a Change in Control of the Company, the term of this Agreement shall automatically be extended for two (2) years from the date of the Change in Control.

Article 8. Legal Remedies

8.1 Payment of Legal Fees . If Executive incurs reasonable legal fees or other expenses (including expert witness and accounting fees) on or after the date of the Company's announcement of a Change in Control and within a reasonable time after the Change in Control occurs, in an effort to interpret this Agreement or to secure, preserve, establish entitlement to, or obtain benefits under this Agreement (including the fees and other expenses of Executive's legal counsel), the Company shall, regardless of the outcome of such effort, reimburse Executive on a current basis for such fees and expenses. Reimbursement of legal fees and expenses shall be made monthly within ten (10) days after Executive's written submission of a request for

reimbursement together with evidence that such fees and expenses were incurred. If Executive does not prevail (after exhaustion of all available judicial remedies) in respect of a claim by Executive or by the Company hereunder, and the Company establishes before a court of competent jurisdiction, by clear and convincing evidence, that Executive had no reasonable basis for his claim hereunder, or for his response to the Company's claim hereunder, or acted in bad faith, no further reimbursement for legal fees and expenses shall be due to Executive in respect of such claim and Executive shall refund any amounts previously reimbursed hereunder with respect to such claim. Notwithstanding the foregoing, any reimbursement payment must be paid to Executive by the end of the calendar year next following the calendar year in which the Executive incurs the related fees or expenses.

8.2. Dispute Resolution; Mutual Agreement to Arbitrate .

(a) Executive and Employer agree that, except as otherwise provided in this Agreement, final and binding arbitration shall be the exclusive remedy for any controversy, dispute, or claim arising out of or relating to this Agreement or Executive's employment with Employer, including Executive's hire, treatment in the workplace, or termination of employment. For example, if Executive's employment with Employer is terminated and he contends that the termination violates any statute, contract or public policy, then Executive will submit the matter to arbitration for resolution, in lieu of any court or jury trial to which Executive would otherwise might be entitled.

(b) This Section covers all common law and statutory claims, including, but not limited to, any claim for breach of contract (including this Agreement) and for violation of laws forbidding discrimination on the basis of race, sex, color, religion, age, national origin, disability, or any other basis covered by applicable federal, state, or local law, and includes claims against Employer and/or any parents, affiliates, owners, officers, directors, employees, agents, general partners or limited partners of Employer, to the extent such claims involve, in any way, this Agreement or Executive's employment with Employer. This Section covers all judicial claims that could be brought by either party to this Agreement, but does not cover administrative claims for workers' compensation or unemployment compensation benefits or the filing of charges with government agencies that prohibit waiver of the right to file a charge.

(c) The arbitration shall be governed by JAMS Employment Arbitration Rules and Procedure except as modified herein. If the party chooses to have the arbitration proceeding administered by a third party, then the arbitration shall be administered by JAMS. If the party chooses to have the arbitration administered by JAMS, then the arbitration will "commence" in accordance with the JAMS Employment Arbitration Rules and Procedure. If the party chooses to have this matter arbitrated privately, then the arbitration will be deemed to "commence" on the date that the party provides a demand for arbitration and notice of claims and remedies sought outlining the facts relied upon, legal theories, and statement of claimed relief ("Demand"). The responding party shall serve a response to the claims and any counterclaims within fifteen (15) business days from the date of receipt of the Demand.

(d) Any arbitration shall be held in Washington, D.C. (unless the parties mutually agree in writing to another location within the United States) within 120 days of the commencement of the arbitration.

(e) The arbitration shall take place before a single arbitrator to be appointed by mutual agreement of counsel for each party or, if counsel cannot agree, then pursuant to the procedures set forth by JAMS. The parties may not have any *ex parte* communications with the arbitrator.

(f) The arbitrator may award any relief otherwise available to the parties by law or equity.

(g) The parties are limited to two (2) depositions per side, and limited written discovery as may be required by the arbitrator, not to exceed that allowed under the Federal Rules of Civil Procedure.

(h) Any hearing in this matter shall be completed within 120 days of the date of commencement of the arbitration, as the term "commencement" is defined by JAMS. The arbitrator shall issue its award within thirty (30) days of the last hearing day.

(i) Unless Executive objects, Employer will pay the arbitrator's fees. Each party shall pay its own costs and attorneys' fees, if any, unless the arbitrator rules otherwise. A court may enter judgment upon the arbitrator's award, either by confirming the award, or vacating, modifying or correcting the award, on any ground referred to in the Federal Arbitration Act, or where the findings of fact are not supported by substantial evidence, or where the conclusions of law are erroneous.

(j) The provisions of this Section are severable, meaning that if any provision in this Section 8.2 ("Dispute Resolution: Mutual Agreement to Arbitrate") is determined to be unenforceable and cannot be reformed under applicable law, the remaining provisions shall remain in full effect, provided however, that any amendment of an unenforceable provision shall only be to the extent necessary and shall preserve the intent of the parties hereto. It is agreed and understood that the scope of this Section, including questions of arbitrability of any dispute, shall be determined by the arbitrator.

(k) Executive acknowledges that prior to accepting the provisions of this Section 8.2 and signing this Agreement, Executive has been given an opportunity to consult with an attorney and to review the JAMS Employment Arbitration Rules and Procedure that would govern the dispute resolution process under this Section. In signing this Agreement, the parties acknowledge that the right to a court trial and trial by jury is of value, and knowingly and voluntarily waive such right for any dispute subject to the terms of this Section.

Initials: Executive _______Employer ______

Article 9. Successors

9.1 Successors to the Company . The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) of all or a significant portion of the assets of the Company by agreement, in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Regardless of whether such agreement is executed, this Agreement shall be binding upon any successor in accordance with the operation of law and such successor shall be deemed the "Company" for purposes of this Agreement.

9.2 Assignment by the Executive . This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

Article 10. Miscellaneous

10.1 Release . As a condition of receiving any severance payments under this Agreement, Executive must sign and not revoke, within the deadlines provided by the Company and in compliance with applicable federal and/or state laws, a written release of all employment claims against the Company and its related entities, including, without limitation, employment discrimination of any kind, wage payment, breach of contract, claims for workers compensation, unemployment, disability and severance claims that Executive has or may have at the termination of employment. In addition, Executive will agree not to sue the Company or any other entities or persons released.

10.2 Employment Status . This Agreement is not, and nothing herein shall be deemed to create, an employment contract between the Executive and the Company or any of its subsidiaries. The Executive acknowledges that the rights of the Company remain wholly intact to change or reduce at any time and from time to time his compensation, title, responsibilities, location, and all other aspects of the employment relationship, or to discharge him prior to a Change in Control (subject to such discharge possibly being considered a Qualifying Termination pursuant to Section 2.2).

10.3 Entire Agreement . This Agreement contains the entire understanding of the Company and the Executive with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations, representations and statements, whether oral, written, implied or expressed, relating to such subject matter. In addition, the payments provided for under this Agreement in the event of the Executive's termination of employment shall be in lieu of any severance benefits payable under any severance plan, program, or policy of the Company to which he might otherwise be entitled.

10.4 Notices . All notices, requests, demands, and other communications hereunder shall be sufficient if in writing and shall be deemed to have been duly given if delivered by hand or if sent by registered or certified mail to the Executive at the last address he has filed in writing with the Company or, in the case of the Company, at its principal offices.

10.5 Execution in Counterparts . This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

10.6 Conflicting Agreements . The Executive hereby represents and warrants to the Company that his entering into this Agreement, and the obligations and duties undertaken by him hereunder, will not conflict with, constitute a breach of, or otherwise violate the terms of, any other employment or other agreement to which he is a party, except to the extent any such conflict, breach, or violation under any such agreement has been disclosed to the Board in writing in advance of the signing of this Agreement.

Notwithstanding any other provisions of this Agreement to the contrary, if there is any inconsistency between the terms and provisions of this Agreement and the terms and provisions of Company-sponsored compensation and welfare plans and programs, the Agreement's terms and provisions shall completely supersede and replace the conflicting terms of the Company-sponsored compensation and welfare plans and programs, where applicable.

10.7 Severability . In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

Notwithstanding any other provisions of this Agreement to the contrary, the Company shall have no obligation to make any payment to the Executive hereunder to the extent, but only to the extent, that such payment is prohibited by the terms of any final order of a federal or state court or regulatory agency of competent jurisdiction; provided, however, that such an order shall not affect, impair, or invalidate any provision of this Agreement not expressly subject to such order.

10.8 Modification . No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive and by a member of the Board, as applicable, or by the respective parties' legal representatives or successors.

10.9 Applicable Law . To the extent not preempted by the laws of the United States, the laws of Delaware shall be the controlling law in all matters relating to this Agreement without giving effect to principles of conflicts of laws.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ATTEST

By: /s/ ROBERT BARKER
Robert Barker

Mueller Water Products, Inc.

By: /s/ GREGORY E. HYLAND
Gregory E. Hyland
Chairman of the Board, President and
Chief Executive Officer

By: /s/ PAUL CIOLINO
Paul Ciolino

EXHIBIT 31.1

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: August 9, 2010

By: /s/ GREGORY E. HYLAND
Gregory E. Hyland
Chief Executive Officer

EXHIBIT 31.2

**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: August 9, 2010

By: /s/ EVAN L. HART
Evan L. Hart
Chief Financial Officer

EXHIBIT 32.1

**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: August 9, 2010

By: /s/ GREGORY E. HYLAND
Gregory E. Hyland
Chief Executive Officer

EXHIBIT 32.2

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: August 9, 2010

By: /s/ EVAN L. HART
Evan L. Hart
Chief Financial Officer