

Mueller Water Products, Inc.
Form DEF 14A
January 26, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

MUELLER WATER PRODUCTS, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MARCH 22, 2007**

To the Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Mueller Water Products, Inc., a Delaware corporation (the Company), will be held at 10:00 A.M., local time, on Thursday, March 22, 2007 at the Four Seasons Hotel, 75 14th Street, N.E., Atlanta, Georgia 30309, for the following purposes:

1. to elect nine members to the Board of Directors to serve for the ensuing year;
2. to transact such other business as may properly come before the Annual Meeting and any adjournment thereof.

Holders of record of the Company's common stock at the close of business on January 25, 2007, the record date for voting at the Annual Meeting, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

The Annual Report of the Company for the year ended September 30, 2006 is enclosed.

By Order of the Board of Directors
ROBERT BARKER
Corporate Secretary

Atlanta, Georgia
January 26, 2007

MUELLER WATER PRODUCTS, INC.

**1200 Abernathy Road
Atlanta, Georgia 30328**

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the **Board**) of Mueller Water Products, Inc. (the **Company**) of proxies for the Annual Meeting of Stockholders of the Company to be held on Thursday, March 22, 2007 at 10:00 A.M., local time, at the Four Seasons Hotel, 75 14th Street, N.E., Atlanta, Georgia 30309, and any adjournments thereof (the **Annual Meeting**) for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

THE COMMON STOCK

The Company has issued and outstanding shares of two series of common stock: 28,781,235 shares of Series A common stock, \$0.01 par value per share (**Series A common stock**), and 85,844,920 shares of Series B common stock, \$0.01 par value per share (**Series B common stock**; the **Series A common stock** and the **Series B common stock**, together the **Common Stock**).

On October 3, 2005, Walter Industries, Inc. (**Walter Industries**) acquired all of the issued and outstanding stock of the Company's predecessor-in-interest. In May 2006, the Company completed an initial public offering of approximately 28.75 million shares of Series A common stock, constituting approximately 25% of the economic value of the Company. At that time, Walter Industries retained approximately 85.84 million shares of the issued and outstanding Series B common stock, representing approximately 75% of the outstanding equity of the Company, and approximately 96% of the combined voting power of all of the Company's voting stock. On December 14, 2006, after the close of trading, Walter Industries distributed all of its Series B common stock to the stockholders of Walter Industries of record as of December 6, 2006.

THE PROXY

The cost of soliciting proxies will be borne by the Company. In addition to soliciting stockholders by mail, the Company will request banks, brokerage houses, and other custodians, nominees, and fiduciaries to forward solicitation materials to the beneficial owners of the stock held of record by such persons and the Company will reimburse them for their reasonable out-of-pocket expenses incurred in doing so. The Company may use the services of its officers and other employees of the Company who will receive no compensation for their services, other than their regular compensation, to solicit proxies personally, by telephone or by facsimile transmission. The Company has retained the services of The Altman Group to aid in the solicitation of proxies, including the solicitation of proxies from brokerage firms, banks, nominees, custodians, and fiduciaries, for a fee not anticipated to exceed \$6,500 plus expenses. Your cooperation in promptly voting by proxy via the medium of your choice will help to avoid additional expense.

This Proxy Statement and enclosed proxy cards are first being mailed to stockholders on or about January 26, 2007.

The close of business on January 25, 2007 has been fixed by the Board of Directors as the record date (the **Record Date**) for determination of stockholders entitled to notice of and to vote at the Annual Meeting. On the Record Date there were issued and outstanding 28,781,235 shares of Series A common stock and 85,844,920 shares of Series B common stock. Each holder of Series A common stock is entitled

to one vote for each share of such Series A common stock held; and each holder of Series B common stock is entitled to eight votes for each share of such Series B common stock held.

The holders of record as of the Record Date, of a majority of the voting power of the outstanding shares of Common Stock entitled to vote at a meeting of stockholders, present in person or by proxy, shall constitute a quorum for the transaction of business at such stockholders meeting. If a quorum is present or represented at the Annual Meeting, a plurality of the votes cast in respect of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote shall be required to elect the directors nominated.

If the enclosed proxy is properly signed and returned and not revoked, the shares represented thereby will be voted at the Annual Meeting. If the stockholder specifies in the proxy how the shares are to be voted, they will be voted accordingly. If the stockholder does not specify in the proxy how the shares are to be voted, the shares will be voted **FOR** the election of the director nominees named in this Proxy Statement.

A stockholder giving a proxy has the power to revoke it at any time prior to its exercise by giving written notice or by giving a later proxy, in either case delivered by mail to the Corporate Secretary of the Company and effective upon receipt by the Company. Attendance at the Annual Meeting will not automatically revoke a proxy, but a stockholder in attendance may request a ballot and vote in person, thereby revoking a prior granted proxy.

IN ORDER THAT YOUR SHARES OF COMMON STOCK MAY BE REPRESENTED AT THIS MEETING IN CASE YOU ARE NOT PERSONALLY PRESENT, YOU ARE REQUESTED TO PLEASE SIGN, DATE, AND MAIL THE PROXY PROMPTLY OR FOLLOW THE DIRECTIONS PROVIDED ON YOUR PROXY CARD.

**PROPOSAL ONE
ELECTION OF DIRECTORS**

The Board of Directors currently has nine members, each to serve until the Annual Meeting and until his successor shall have been elected and qualified. These nine directors are to be elected at the Annual Meeting. The nine nominees for election as directors are named below. Each nominee is currently a member of the Board. All members of the Company's Board were appointed to the Board effective April 26, 2006 by the written consent of Walter Industries, which then was the sole stockholder of the Company. Upon this April 2006 appointment, all of the members of the Company's Board were the same as the members of the board of directors of Walter Industries, although Donald N. Boyce and Neil A. Springer did not stand for election to the board of Walter Industries at its April 2006 meeting. Mr. Hyland resigned from the board of directors of Walter Industries on December 14, 2006, at the effective completion of the spin-off.

All members of the Company's Board will stand for election by the Company's public stockholders for the first time at the 2006 Annual Meeting.

In the event that any such nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board of Directors to fill the vacancy. The Company is not aware of any nominee who will be unable or will decline to serve as a director. The term of office for each person elected as a director will continue until the next Annual Meeting of Stockholders and until his successor has been elected and qualified. It is the current intention of Mr. Gregory E. Hyland to continue to serve in his capacity as Chairman of the Board, President and Chief Executive Officer of the Company.

The names of the nominees and certain information about them are set forth below:

Name	Age	Served as Director of the Company From
Donald N. Boyce	68	2006
Howard L. Clark, Jr.	62	2006
Gregory E. Hyland	56	2005
Jerry W. Kolb	71	2006
Joseph B. Leonard	63	2006
Mark J. O'Brien	63	2006
Bernard G. Rethore	65	2006
Neil A. Springer	68	2006
Michael T. Tokarz	57	2006

Donald N. Boyce has been a member of our board of directors since April 2006. Mr. Boyce was the Chairman of the Board of Walter Industries until March 1, 2002. Mr. Boyce was Chairman of the Board of Directors of IDEX Corporation from April 1, 1999 until March 31, 2000, was Chairman of the Board of Directors and Chief Executive Officer of IDEX Corporation from March 1998 until March 31, 1999, and was Chairman of the Board, President and Chief Executive Officer of IDEX Corporation from January 1988 until March 1998.

Howard L. Clark, Jr. has been a member of our board of directors since April 2006. He has been a director of Walter Industries since March 1995. Mr. Clark has been Vice Chairman of Lehman Brothers Inc., an investment-banking firm, since February 1993; prior thereto Mr. Clark served as Chairman and Chief Executive Officer of Shearson Lehman Brothers Inc. Mr. Clark also is a director of Walter Industries, Lehman Brothers Inc., United Rentals, Inc. and White Mountains Insurance Group, Ltd.

Gregory E. Hyland has served as Chairman of the Board of Directors since October 2005 and as President and Chief Executive Officer since January 2006. Mr. Hyland also served as Chairman, President and Chief Executive Officer of Walter Industries from September 2005 until December 2006. Mr. Hyland served as President, U.S. Fleet Management Solutions of Ryder System, Inc. from June to September of 2005 and served as Executive Vice President, U.S. Fleet Management Solutions of Ryder since October 2004. He was President of the Industrial Products Segment for Textron, Inc. from February 2002 to August 2003 and Chairman and Chief Executive Officer of Textron Golf, Turf and Specialty Products from January 2001 to January 2002. From September 1997 to December 2000, Mr. Hyland served as President of the Engineered Products Group, Flow Control Division of Tyco International. Mr. Hyland is a graduate of the University of Pittsburgh, where he earned his bachelor's and master of business administration degrees.

Jerry W. Kolb has been a member of our board of directors since April 2006. He has been a director of Walter Industries since June 2003. Mr. Kolb retired as a Vice Chairman of Deloitte & Touche LLP in 1998, a position he held since 1986. He also is a director of Walter Industries and The Mid-America Group.

Joseph B. Leonard has been a member of our board of directors since April 2006. Mr. Leonard has been Chairman and Chief Executive Officer of AirTran Holdings, Inc. since January 1999 and served as President of AirTran Holdings, Inc. from January 1999 through January 2001. From 1993 to 1998, Mr. Leonard served in various executive capacities for AlliedSignal, Inc. and its Aerospace division, last serving as the President and Chief Executive Officer of marketing, sales and service of AlliedSignal Aerospace and Senior Vice president of AlliedSignal, Inc. during 1998. From 1991 to 1993, Mr. Leonard served as Executive Vice President of Northwest Airlines, Inc. Prior to that, Mr. Leonard served in various executive positions for Eastern Airlines, Inc. from 1984 to 1990, as Assistant Vice President, aircraft maintenance for American Airlines, Inc. from 1982 to 1984 and in various maintenance and quality control positions for Northwest Airlines, Inc. from 1969 to 1982. He is also a director of Walter Industries and AirTran Holdings, Inc.

Mark J. O'Brien has been a member of our board of directors since April 2006. Since March 2, 2006, Mr. O'Brien also has served as Chairman and Chief Executive Officer of Walter Industries' Homes Business. Mr. O'Brien has served as President and Chief Executive Officer of Brier Patch Capital and Management, Inc., a real estate investment firm, since September 2004. Mr. O'Brien served in various capacities at Pulte Homes, Inc. for 21 years, culminating in his appointment as President and Chief Executive Officer. He retired from that position in 2003. He also is a director of Walter Industries.

Bernard G. Rethore has been a member of our board of directors since April 2006. He has been Chairman of the Board Emeritus of Flowserve Corporation since April 2000. From January 2000 to April 2000 he served as Flowserve Corporation's Chairman. He had previously served as Chairman and Chief Executive Officer of Flowserve Corporation from July 1997 to January 2000 and held the additional title of President from October 1998 to July 1999. Mr. Rethore is a director of Belden CDT, Inc., Dover Corp. and Walter Industries.

Neil A. Springer has been a member of our board of directors since April 2006. Mr. Springer is managing director of Springer & Associates LLC, which was established in 1994. Mr. Springer also is a director of IDEX Corporation and CUNA Mutual Insurance Group.

Michael T. Tokarz has been a member of our board of directors since April 2006 and has served as non-executive Chairman of the Board of Walter Industries since December 2006. Since February 1, 2002 he has been a member of the Tokarz Group, LLC. From January 1996 until February 1, 2002, Mr. Tokarz was a member of the limited liability company which serves as the general partner of Kohlberg Kravis Roberts & Co. L.P. Mr. Tokarz also is a director of IDEX Corporation, Conesco, Inc., Dakota Growers Pasta Company, Inc. and MVC Capital, Inc.

If a quorum is present or represented at the Annual Meeting, a plurality of the votes cast in respect of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote shall be required to elect the foregoing nominees (or their replacements as designated by the Board of Directors) to serve as directors. Abstentions from voting will have the same effect as a vote against the election of directors. Broker non-votes will not affect the outcome of this proposal because shares that constitute broker non-votes are not considered shares present for voting purposes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instruction from the beneficial owner and instructions are not given. Unless otherwise instructed, the proxy holders will vote proxies held by them **FOR** the election of the nominees listed above.

The Board recommends a vote FOR the election of the nominees set forth above.

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CORPORATE GOVERNANCE

DIRECTOR INDEPENDENCE

Upon consideration of the criteria and requirements regarding director independence set forth in the rules adopted by the New York Stock Exchange and applicable Securities and Exchange Commission rules, the Board has affirmatively determined that each of the directors standing for election, other than Gregory Hyland, the Chairman of the Board and Chief Executive Officer of the Company, has no material relationship with the Company. The Board further determined that all of the directors, except Mr. Hyland are independent. In making such determination, the Board considered each relationship between the Company and any director, including:

- (a) the service as a director of Walter Industries, by each Company director, other than Mr. Hyland, as of December 14, 2006, and other than Messrs. Boyce and Springer, as of April 26, 2006, particularly in light of the ongoing agreements between Walter Industries and the Company relating to the period following the spin-off of the Company by Walter Industries;
- (b) Mr. O'Brien is the Chairman and CEO of the Homes Business of Walter Industries; and
- (c) the engagement of Lehman Brothers, Inc., an investment banking firm with 2005 net revenues of \$14.6 billion, as co-manager in the May 2006 initial public offering of the Company's Common Stock for a fee of approximately \$3.86 million and the Board's recognition that Mr. Clark is the Vice Chairman of Lehman Brothers.

The Board concluded that none of the foregoing constituted a material relationship with the Company within the meaning of the director independence standards adopted by the New York Stock Exchange.

The Board will continue to monitor and review at least once annually commercial, industrial, banking, charitable and other relationships that directors may have with the Company to determine whether the directors are independent in accordance with the rules adopted by the New York Stock Exchange and applicable Securities and Exchange Commission rules.

BOARD MEETINGS AND COMMITTEES

During the fiscal year ended September 30, 2006, there were 6 meetings of the Board and each director attended at least 75% of all meetings of the Board and of the committees of the Board on which he served during 2006. The non-management directors, all of whom are also independent directors, endeavor to meet in executive session on at least a quarterly basis. The Chairman of the Nominating and Corporate Governance Committee, currently Howard L. Clark, Jr., has been appointed to preside at the executive session of the independent directors.

Committee Membership and Meetings

For the fiscal year ended September 30, 2006, there were 6 meetings of the Audit Committee, 1 meeting of the Compensation and Human Resources Committee, and no meetings of the Nominating and Corporate Governance Committee, the Environmental, Health, & Safety Committee, or of the Executive Committee. The Board of Directors has affirmatively determined that the Audit Committee, the Compensation and Human Resources Committee, and the Nominating and Corporate Governance Committee consist entirely of independent directors under the rules established by the New York Stock Exchange and, as applicable, the Securities and Exchange Commission.

Audit Committee

The primary purpose of the Audit Committee is to assist the Board in fulfilling its responsibility to the Company's stockholders relating to the Company's financial reporting process and systems of internal

control. The Audit Committee is also responsible for determining whether the Company's financial systems and reporting practices are in accordance with applicable requirements. The Audit Committee also approves services and fees of the independent auditors. The Audit Committee charter is posted on the corporate governance page of the Company's website at www.muellerwaterproducts.com (the Company's website) and is available in print to stockholders who request a copy.

The Board of Directors has determined that all Audit Committee members are financially literate under the New York Stock Exchange listing standards. All of the members of the Audit Committee qualify as audit committee financial experts within the meaning of the rules and regulations of the Securities and Exchange Commission. The Audit Committee has adopted procedures in its charter for pre-approving all audit and non-audit services provided by the independent auditors. For both types of pre-approval, the Audit Committee considers whether such services are consistent with the Securities and Exchange Commission's rules on auditor independence. The Audit Committee also considers whether the independent auditors are able to provide the most effective services, for reasons such as their familiarity with the Company's current and past business, accounting systems and internal operations, and whether the services enhance the Company's ability to manage or control risks and improve audit quality. The Audit Committee may delegate pre-approval authority to one or more members of the Audit Committee. The Audit Committee periodically monitors the services rendered and actual fees paid to the independent auditors to ensure that such services are within the parameters approved by the Audit Committee. The present members of the Audit Committee are Neil A. Springer, Chairman, Jerry W. Kolb, Joseph B. Leonard, and Bernard G. Rethore.

Compensation and Human Resources Committee

The Compensation and Human Resources Committee is responsible for reviewing and approving salaries of senior executives of the Company and the presidents of its significant subsidiaries and for reviewing and recommending for approval by the Board executive and key employee compensation plans, including incentive compensation, stock incentives and other benefits. The Compensation and Human Resources Committee charter is posted on the corporate governance page of the Company's website at www.muellerwaterproducts.com and is available in print to stockholders who request a copy. The present members of the Compensation and Human Resources Committee are Donald N. Boyce, Chairman, Jerry W. Kolb, Bernard G. Rethore, and Neil A. Springer.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for establishing the criteria for and the qualifications of persons suitable for nomination as directors and reporting its recommendations to the Board. The Board determines the number of directors that shall constitute the Board of Directors, subject to the requirement set forth in the Company's by-laws that the number of directors shall be not less than six (6) nor more than eleven (11). The Nominating and Corporate Governance Committee will consider candidates for election as directors of the Company submitted by stockholders. In identifying candidates for membership on the Board of Directors, the Committee takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specializations, relevant technical skills, diversity, and the extent to which a candidate would fill a need on the Board of Directors. The Committee's policy with regard to director candidates submitted by stockholders is to consider such submissions in accordance with the following procedures: Any stockholder who wishes to have the Nominating and Corporate Governance Committee consider a candidate is required to give written notice of the stockholder's intention to make such a nomination. Notices of nomination for the 2008 Annual Meeting of stockholders of the Company must be received no later than September 30, 2007 at the Company's principal executive offices, 1200 Abernathy Road, Atlanta, Georgia 30328, directed to the attention of the Corporate Secretary, to be considered for inclusion in the Company's proxy materials

for the 2008 Annual Meeting, and notices of nominations for the 2008 Annual Meeting of stockholders that are not intended to be considered for inclusion in the Company's proxy materials for the 2008 Annual Meeting (stockholder proposals submitted outside of the processes of Rule 14a-8) must be received no later than October 31, 2007 and no earlier than September 30, 2007, at such offices, directed to the Company's Corporate Secretary. The notice of nomination is required to contain certain information about both the nominee and the stockholder making the nomination, and such other information as set forth in the Company's by-laws. A proposed nomination which does not comply with the above requirements will not be considered.

The Nominating and Corporate Governance Committee charter is posted on the corporate governance page of the Company's website at www.muellerwaterproducts.com and is available in print to stockholders who request a copy. The present members of the Nominating and Corporate Governance Committee are Howard L. Clark, Jr., Chairman, Donald N. Boyce, Joseph B. Leonard, and Michael T. Tokarz.

Environmental, Health and Safety Committee

The Environmental, Health and Safety Committee reviews and updates, as appropriate, the policies and procedures of the Company regarding compliance with the various laws, regulations and rules pertaining to health, safety and the environment. The Committee also monitors the Company's compliance with its policies and procedures concerning health, safety and the environment, and obtains periodic reports from Company and subsidiary management, environmental counsel and health and safety personnel. The Environmental, Health & Safety Committee reviews and approves the proposed scope of internal and independent environmental, health and safety audits.

The Environmental, Health & Safety Committee charter is posted on the corporate governance page of the Company's website at www.muellerwaterproducts.com and is available in print to stockholders who request a copy. The present members of the Environmental, Health & Safety Committee are Bernard G. Rethore, Chairman, Howard L. Clark, Jr., Mark J. O'Brien, and Michael T. Tokarz.

Executive Committee

The principal function of the Executive Committee is to exercise the interim powers delegated to the Committee at any time when any matter requires expeditious action by the Board or when it would not be practical for the full Board to meet to review or act upon any matter. In addition, if the Board of Directors expressly provides by resolution, the Executive Committee can declare dividends payable on the securities of the Company during months when the Board is not regularly scheduled to meet or does not meet.

The Executive Committee has and may exercise, during the intervals between meetings of the Board, all the powers and authority vested in the Board of Directors except the following: (1) the power or authority to amend the Company's Certificate of Incorporation; (2) the power or authority to amend the Company's By-Laws; (3) the power or authority to adopt an agreement of merger; (4) the power or authority to exchange, consolidate, sell, lease, pledge or exchange all or substantially all of the Company's assets; (5) the power or authority to adopt or revoke a plan of dissolution; (6) the power or authority delegated to any other committee of the Board of Directors; and (7) such other powers or authority as are restricted in the Business Corporation Laws or the By-Laws.

The Executive Committee charter is posted on the corporate governance page of the Company's website at www.muellerwaterproducts.com and is available in print to stockholders who request a copy. The present members of the Executive Committee are Gregory E. Hyland, Chairman, Donald N. Boyce, Howard L. Clark, Jr., and Michael T. Tokarz.

DIRECTORS' COMPENSATION

No directors' fees are paid to directors who are full-time employees of the Company or any of its subsidiaries. For the fiscal year ended September 30, 2006, non-employee directors of the Company were paid retainer fees of \$11,250 per quarter. However, the non-employee director serving as the Chairman of the Audit Committee was paid a retainer fee of \$13,750 per quarter; and the non-employee director serving as the Chairman of the Compensation and Human Resources Committee was paid a retainer fee of \$12,500 per quarter. Each non-employee director also received a fee of \$1,500 for each Board or committee meeting attended and was reimbursed for travel and lodging expenses.

Each non-employee director who joins our Board after the initial public offering of our Series A common stock on May 26, 2006 will receive a stock-based award under our 2006 Stock Incentive Plan when the director takes office. It is expected that the stock-based award will have a three-year vesting period. In connection with the May 2006 initial public offering of our Series A common stock, each of the directors then on our Board, other than Gregory E. Hyland, was granted stock options to purchase 10,100 shares of our Series A common stock under our 2006 Stock Incentive Plan in lieu of an initial equity award that a director might otherwise be entitled to as described above. These options will vest over three years and will have an exercise price equal to the initial public offering price of \$16.00. Also, at the time of each of our annual stockholders' meetings, each non-employee director who will continue to be a director after that meeting will automatically be granted a stock-based option award that is anticipated to vest in three, equal, annual installments. A non-employee director's award granted under this program will become fully vested upon a change in control of the Company and upon a termination of service by reason of retirement. The exercise price of each non-employee director's option will be equal to at least the fair market value of our Series A common stock on the option grant date.

The Board has adopted the Mueller Water Products, Inc. Directors' Deferred Fee Plan, as amended, under which non-employee directors may elect to defer all or a portion of their directors' fees. The deferred fees, at each electing director's option, are credited to either an income account or a stock equivalent account or are divided between the two accounts. If a director elects the income account, the director's fees otherwise payable are credited as a dollar amount to the director's income account on the date such fees would otherwise have been paid. If a director elects the stock equivalent account, director's fees otherwise payable during a calendar quarter are converted to stock equivalent shares equal in number to the maximum number of shares of Series A common stock, or fraction thereof (to the nearest one hundredth (1/100) of one share), which could be purchased with the dollar amount of such fees at the closing market price of the Series A common stock on the first business day of the following calendar quarter, or if that date is not a trading date, on the next trading date. The income account is credited quarterly with interest at an annual rate equal to the yield of a 10-year U.S. Treasury Note as of the beginning of such calendar quarter plus 1.00%, and the stock equivalent account is credited with stock equivalent shares equal in number to the maximum number of shares of Series A common stock, or fraction thereof (to the nearest one hundredth (1/100) of one share), which could have been purchased with the cash dividend, if any, which would have been payable had the participant been the actual owner of the number of shares of Series A common stock credited to his account as of the payment date for such dividend. Administration of the Directors' Deferred Fee Plan will be administered in accordance with procedures established under the American Jobs Creation Act of 2004. Deferred payments are made in January of the year determined by the non-employee director pursuant to an election filed with the Corporate Secretary of the Company, which may be any calendar year not earlier than the year in which the participant has his 72nd birthday or which may be the year of the participant's first termination of his services as a director, with the payment made in cash in one, five, ten or fifteen annual installments as shall be determined by the participating director in his election form. Payments from the income account are made in cash and payments from the stock equivalent account are made in cash at the Series A common stock's then current market value.

CORPORATE GOVERNANCE GUIDELINES

The Board has adopted Corporate Governance Guidelines which are posted on the corporate governance page of the Company's website at www.muellerwaterproducts.com and are available in print to stockholders who request a copy. The Corporate Governance Guidelines set forth the practices the Board will follow with respect to director qualification standards, director responsibilities, director compensation, director access to management, and, as necessary and appropriate, outside advisors, director orientation, and continuing education, management succession, and an annual self-evaluation of the Board.

STOCKHOLDER COMMUNICATION WITH THE BOARD

Communication by stockholders may be made to the Chairman of the Audit Committee or the Chairman of the Nominating and Corporate Governance Committee, in care of the Company's Corporate Secretary at the Company's principal executive office address 1200 Abernathy Road, Atlanta, Georgia 30328. Stockholders may also communicate with any of the independent directors, in care of the Company's Corporate Secretary at the Company's principal executive office address. If the correspondence is specifically marked as a private communication for the Board of Directors (or a specific member of the Board), the Corporate Secretary will not open or read the correspondence, but will forward it to the addressee or the Chairman of the Audit Committee. These procedures may change from time to time, and you are encouraged to visit our website for the most current means of contacting our directors.

CODE OF CONDUCT POLICY AND COMPLIANCE PROGRAM

The Board has adopted a Code of Conduct Policy and Compliance Program (Code of Conduct) which is applicable to all employees, directors, and officers of the Company and its subsidiaries. The Code of Conduct is posted on the corporate governance page of the Company's website at www.muellerwaterproducts.com and is available in print to stockholders who request a copy. The Company also has made available an Ethics Hotline, where employees can anonymously report a violation of the Code of Conduct.

EXECUTIVE COMPENSATION

The following table sets forth information concerning compensation paid to or accrued by the Company for the account of the Chief Executive Officer and each of the next four most highly compensated executive officers of the Company for the fiscal year ended September 30, 2006. The individuals named in the table will be referred to as our named executive officers.

SUMMARY COMPENSATION TABLE

Name and Principal	Annual Compensation			Long-Term Compensation				All Other Compensation
	Fiscal	Salary	Bonus	Other Annual Compensation	Payouts Restricted Stock Awards	Securities Underlying	Long-Term Incentive	