

Mueller Water Products, Inc.
Form DEF 14A
December 15, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
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.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

December 18, 2008

To My Fellow Stockholders:

It is my pleasure to invite you to attend the 2009 Annual Meeting of Stockholders of Mueller Water Products, Inc. to be held on Wednesday, January 28, 2009 at 10:00 A.M. local time at the Four Seasons Hotel in Atlanta, Georgia. The meeting will begin with a discussion of and voting on the matters described in the attached Proxy Statement and Notice of Annual Meeting, followed by my report on Mueller Water Products' financial performance and operations.

The attached Proxy Statement is a critical element of the corporate governance process. Its purpose is to answer your questions, and to provide you with information about our Board of Directors and executive officers and a discussion of proposals that require your vote.

Your vote is important to us. It is important that your views be represented whether or not you plan to attend the Annual Meeting. The Board's recommendations are included with the description of each proposal in this Proxy Statement. In summary, the Board recommends that stockholders vote FOR proposals 1, 2, 3 and 4. We encourage you to take the time to read each of the proposals and vote promptly by using either the Internet or telephone, or by returning a completed proxy card.

We look forward to seeing you at the 2009 Annual Meeting. For your convenience, a map and directions are provided on the back of this document. On behalf of the management and directors of Mueller Water Products, I want to thank you for your continued support and confidence in our company.

Sincerely,

Gregory E. Hyland

Chairman of the Board, President and Chief Executive Officer

Table of Contents

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JANUARY 28, 2009

To the Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Mueller Water Products, Inc., a Delaware corporation (Mueller Water Products or the Company), will be held at 10:00 A.M., local time, on Wednesday, January 28, 2009 at the Four Seasons Hotel, 75 Fourteenth Street, Atlanta, Georgia 30309, for the following purposes:

1. To elect, as members of the Board of Directors to serve for the ensuing year, the ten nominees named in the accompanying Proxy Statement;
2. To approve the conversion of all outstanding shares of Series B Common Stock into shares of Series A Common Stock as further described in the accompanying Proxy Statement;
3. To approve an amendment to the Amended and Restated 2006 Stock Incentive Plan to increase the number of shares reserved for issuance under that plan by 8,000,000 shares;
4. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009; and

5. 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 December 3, 2008, 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.

By Order of the Board of Directors

ROBERT BARKER

Corporate Secretary

Atlanta, Georgia

December 18, 2008

Please note that attendance at the meeting will be limited to stockholders of Mueller Water Products, Inc. as of the record date (or their authorized representatives). You will be required to provide the admission ticket that is detachable from your proxy card or provide other evidence of ownership. If your shares are held by a bank or broker, please bring to the meeting your bank or broker statement evidencing your beneficial ownership of Mueller Water Products stock to gain admission to the meeting.

Table of Contents

TABLE OF CONTENTS

	Page
<u>QUESTIONS ABOUT VOTING AND THE ANNUAL MEETING</u>	1
<u>CORPORATE GOVERNANCE</u>	8
<u>Independence of Directors</u>	8
<u>Categorical Standards of Independence</u>	8
<u>Independence of Committee Members</u>	9
<u>Policy for Approval of Related Person Transactions</u>	9
<u>Related Person Transactions</u>	10
<u>Director Attendance at Board, Committee and Annual Meetings</u>	10
<u>Committees of the Board</u>	10
<u>Role of Compensation Consultant</u>	13
<u>Compensation Committee Interlocks and Insider Participation</u>	13
<u>Communicating with our Board of Directors</u>	14
<u>Director Nomination Process</u>	14
<u>Code of Conduct Policy and Compliance Program</u>	15
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	15
<u>Executive Summary</u>	15
<u>Role and Authority of Compensation Committee</u>	16
<u>Role of Management in Compensation Decisions</u>	17
<u>Role of Compensation Consultant in Compensation Decisions</u>	17
<u>Factors Considered by the Compensation Committee</u>	19
<u>Compensation Elements</u>	20
<u>Income Tax Consequences of Executive Compensation</u>	31
<u>Compensation Recovery Policy</u>	31
<u>Stock Ownership Policy</u>	31
<u>EXECUTIVE COMPENSATION</u>	33
<u>Named Executive Officers</u>	33
<u>Summary Compensation Table</u>	34
<u>Grant of Plan-Based Awards Table</u>	40
<u>Outstanding Equity Awards at Fiscal Year-End Table</u>	42
<u>Option Exercises and Stock Vested Table</u>	45
<u>Pension Plan</u>	46
<u>Employment, Severance and Change-in-Control Arrangements</u>	46
<u>Potential Payments upon Termination or Change-in-Control</u>	49
<u>DIRECTORS' COMPENSATION</u>	52
<u>Annual Retainer</u>	53
<u>Meeting Fees</u>	53
<u>Equity Awards</u>	53
<u>Travel Expenses</u>	54
<u>Director Compensation Table</u>	54
<u>Deferred Compensation</u>	55
<u>REPORT OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE OF THE BOARD</u>	56
<u>REPORT OF THE AUDIT COMMITTEE OF THE BOARD</u>	57

Table of Contents

	Page
<u>FEES AND SERVICES OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	58
<u>Fees Paid to the Independent Registered Public Accounting Firm</u>	58
<u>Pre-Approval of Services Performed by the Independent Registered Public Accounting Firm</u>	59
<u>Prior Independent Registered Public Accounting Firm</u>	59
<u>BENEFICIAL OWNERSHIP OF COMMON STOCK</u>	60
<u>Ownership of Directors and Executive Officers</u>	60
<u>Ownership of Principal Stockholders</u>	61
<u>MATTERS TO BE VOTED ON</u>	64
<u>Proposal One: Election of Directors</u>	64
<u>Proposal Two: Conversion of All Outstanding Shares of Series B Common Stock into Shares of Series A Common Stock</u>	68
<u>Proposal Three: Amendment to the Amended and Restated 2006 Stock Incentive Plan</u>	85
<u>Proposal Four: Ratification of the Appointment of the Independent Registered Public Accounting Firm</u>	93
<u>GENERAL INFORMATION</u>	93
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	93
<u>Other Business for Presentation at the 2009 Annual Meeting</u>	93
<u>Other Information</u>	94
<u>STOCKHOLDER INFORMATION</u>	94
<u>Stockholder Proposals for Inclusion in 2009 Proxy Statement</u>	94
<u>Procedures for Business Matters and Director Nominations for Consideration at the 2010 Annual Meeting of Stockholders</u>	95
<u>APPENDIX A</u>	A-1
<u>Section 4.3(f)(vi) of the Company's Restated Certificate of Incorporation</u>	
<u>APPENDIX B</u>	B-1
<u>Opinion of Banc of America Securities LLC</u>	

Table of Contents

1200 Abernathy Road, N.E.

Suite 1200

Atlanta, Georgia 30328

PROXY STATEMENT

The Company is furnishing this Proxy Statement in connection with the solicitation by the Board of Directors (the Board or the Board of Directors) of Mueller Water Products, Inc. (Mueller Water Products or the Company) of proxies for its Annual Meeting of Stockholders and any adjournments of the meeting (the Annual Meeting) for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held on Wednesday, January 28, 2009 at 10:00 A.M., local time, at the Four Seasons Hotel, 75 Fourteenth Street, Atlanta, Georgia 30309.

QUESTIONS ABOUT VOTING AND THE ANNUAL MEETING

What is the purpose of this Proxy Statement?

This Proxy Statement provides information regarding matters to be voted on at the Annual Meeting. Additionally, it contains certain information that the Securities and Exchange Commission (the SEC) requires the Company to provide annually to its stockholders. The Proxy Statement is also used by the Company's Board of Directors to solicit proxies to be used at the Annual Meeting. Proxies are solicited to give all stockholders of record an opportunity to vote on the matters to be presented at the Annual Meeting, even if they cannot attend the meeting in person. The Board has designated a Proxy Committee, which will vote the shares represented by proxies at the Annual Meeting in the manner indicated by the proxies. The members of the Proxy Committee are Gregory E. Hyland, Evan L. Hart and Robert Barker.

The Proxy Statement is being made available to the holders of the Series A Common Stock and Series B Common Stock beginning on or about December 18, 2008.

Who is entitled to vote on the matters discussed in the Proxy Statement?

The Company has issued and outstanding shares of two series of common stock: Series A Common Stock and Series B Common Stock, which are together referred to as the common stock . You are entitled to vote if you were a stockholder of record of Series A Common Stock or Series B Common Stock of Mueller Water Products as of the close of business on December 3, 2008. There are differences in the voting rights of the Series A Common Stock and the Series B Common Stock, which are described in this Proxy Statement. Your shares can be voted at the meeting only if you are present in person or represented by a valid proxy.

Table of Contents

What constitutes a quorum for the Annual Meeting?

The holders of a majority of the voting power of the outstanding shares of common stock as of the close of business on the record date, December 3, 2008, must be present, either in person or represented by proxy, to constitute a quorum necessary to conduct the Annual Meeting. On the record date, there were issued and outstanding 29,643,521 shares of Series A Common Stock and 85,844,920 shares of Series B Common Stock. This total excludes treasury shares, which are not considered outstanding for financial reporting purposes. Shares represented by proxies received but marked as abstentions or as withholding voting authority for any or all director nominees, and shares represented by proxies received but reflecting broker non-votes, will be counted as present at the meeting for purposes of establishing a quorum.

How many votes am I entitled to for each share I hold?

With respect to the election of directors, the amendment of the Amended and Restated 2006 Stock Incentive Plan and the ratification of the appointment of the independent registered public accounting firm, each share of Series A Common Stock represented at the Annual Meeting is entitled to one vote and each share of Series B Common Stock represented at the Annual Meeting is entitled to eight votes. With respect to the conversion of all outstanding shares of Series B Common Stock into shares of Series A Common Stock, each share of Series A Common Stock and Series B Common Stock represented at the Annual Meeting is entitled to one vote. All shares entitled to vote and represented by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated by those proxies.

What proposals will require my vote?

You are being asked to vote on the following:

The election of the ten director nominees named in this Proxy Statement (Proposal 1);

The conversion of all outstanding shares of Series B Common Stock into shares of Series A Common Stock (Proposal 2);

An amendment to the Amended and Restated 2006 Stock Incentive Plan to increase the number of shares reserved for issuance under that plan by 8,000,000 shares (Proposal 3);

The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009 (Proposal 4); and

Any other business properly coming before the meeting and any adjournment or postponement.

Table of Contents

What vote is required to approve each proposal, and how will my vote be counted?

Proposal 1: Election of Directors

Directors are elected by a plurality of the votes, which means that the ten nominees who receive the highest number of properly executed votes will be elected as directors.

Proposal 2: Conversion of All Outstanding Shares of Series B Common Stock into Shares of Series A Common Stock

Approval of this proposal requires the affirmative vote of a majority of the votes entitled to be cast by the holders of Series A Common Stock and Series B Common Stock, voting together as a single class. Any share that is not voted (whether by abstention or otherwise) will have the effect of a vote against the proposal.

Proposal 3: Amendment to the Amended and Restated 2006 Stock Incentive Plan

Approval of this proposal requires the affirmative vote of a majority of the votes cast. Any shares that are not voted (whether by abstention or otherwise) will have no impact on the vote.

Proposal 4: Ratification of the Appointment of the Independent Registered Public Accounting Firm

Approval of this proposal requires the affirmative vote of a majority of the votes cast. Any shares that are not voted (whether by abstention or otherwise) will have no impact on the vote.

How does the Board of Directors recommend that I vote?

The Board recommends that you vote:

FOR election of the ten director nominees named in this Proxy Statement (Proposal 1);

FOR the conversion of all outstanding shares of Series B Common Stock into shares of Series A Common Stock (Proposal 2);

FOR the amendment to the Amended and Restated 2006 Stock Incentive Plan to increase the number of shares reserved for issuance under that plan by 8,000,000 shares (Proposal 3); and

FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009 (Proposal 4).

How can I vote?

You can vote in person by completing a ballot at the Annual Meeting, or you can vote prior to the meeting by proxy. Even if you plan to attend the meeting, we encourage you to vote your shares as soon as possible by proxy. You can vote by proxy using the Internet, by telephone or by mail, as discussed below.

Table of Contents

How do I vote by proxy?

Vote by Internet: You can vote your shares using the Internet. Go to the website indicated on the proxy card or voting instruction form and follow the instructions. Internet voting is available twenty-four hours a day, seven days a week until 11:59 p.m. Eastern time on January 27, 2009. You will be given the opportunity to confirm that your instructions have been properly recorded. If you vote on the Internet, you do **NOT** need to return a proxy card or voting instruction form. Please follow the instructions on the proxy card or voting instruction form carefully.

If you hold your shares in street name or beneficial name (that is, you hold your shares through a broker, bank, or other nominee), your ability to vote by Internet depends on the voting processes of the broker, bank or other nominee.

Vote by Telephone: You can vote your shares by telephone if you have a touch-tone phone. Dial the toll-free telephone number indicated on the proxy card or voting instruction form and follow the instructions. Telephone voting is available twenty-four hours a day, seven days a week until 11:59 p.m. Eastern time on January 27, 2009. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. If you vote by telephone, you do **NOT** need to return a proxy card or voting instruction form. Please follow the instructions on the proxy card or voting instruction form carefully.

If you hold your shares in street name or beneficial name (that is, you hold your shares through a broker, bank, or other nominee), your ability to vote by telephone depends on the voting processes of the broker, bank or other nominee.

Vote by Mail: If you prefer to vote by mail, mark the proxy card or voting instruction form, sign and date it, and return it in the postage-paid envelope provided. If you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the Proxy Committee in favor of the election of all of the director nominees and in accordance with the Board's recommendations on the other proposals listed on the proxy card. All properly executed proxy cards received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated by those proxy cards.

Shares Held by Employee Stock Purchase Plans: If you hold (i) shares of the Company's Series A Common Stock through the Mueller Water Products Employee Stock Purchase Plan or (ii) shares of the Company's Series B Common Stock through the Walter Industries Employee Stock Purchase Plan, then your vote must be received by 11:59 p.m. Eastern time on January 27, 2009, unless you vote in person at the Annual Meeting.

Can I assign my proxy to someone else?

If you want to assign your proxy to someone other than the Proxy Committee, you should cross out the names of the Proxy Committee members appearing on the proxy card and insert the name(s) of up to three other people. The person(s) you have assigned to represent you must present your signed proxy card and a completed ballot at the meeting to vote your shares.

Table of Contents

Can I change my mind after I vote?

If you vote by proxy, you can revoke that proxy at any time before it is voted at the meeting. You can do this in one of the following three ways:

- (A) Vote again on the Internet or by telephone prior to the meeting; or
- (B) Sign another proxy card with a later date and return it to us prior to the meeting; or
- (C) Attend the Annual Meeting in person and cast a ballot.

How will a proposal or other matter that was not included in the Proxy Statement be handled for voting purposes if it comes up at the Annual Meeting?

If any matter that is not described in this Proxy Statement should properly come before the meeting, the Proxy Committee will vote the shares represented by it in accordance with its members' best judgment. The Proxy Committee will not use its discretionary voting authority with respect to any validly conducted solicitation in opposition. In addition, shares represented by proxy cards that are marked to deny discretionary authority to the Proxy Committee on other matters considered at the meeting will not be voted on these matters and will not be counted in determining the number of votes cast with respect to those matters. At the time this Proxy Statement was printed, the Company did not know of any other matters that might be presented for stockholder action at the Annual Meeting.

Who will tabulate and certify the vote?

Representatives of Broadridge Financial Solutions, Inc. will tabulate and certify the vote, and Carl T. Hagberg and Associates will act as the independent inspector of elections for the Annual Meeting.

What is the difference between a registered stockholder and a beneficial holder of shares?

If your shares are registered directly in your name with our transfer agent, BNY Mellon, you are considered a registered stockholder with respect to those shares. If this is the case, the proxy materials have been sent or provided to you directly by Mueller Water Products. Proxy materials may include an annual report, a proxy statement and a proxy card or voting instruction form, as applicable.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. If this is the case, the proxy materials have been forwarded to you by your brokerage firm, bank or other nominee, or their agent which is considered the stockholder of record with respect to these shares. As the beneficial holder, you have the right to direct your broker, bank or other nominee as to how to vote your shares by using the voting instruction form included in the proxy materials, or by voting via telephone or the Internet. Follow the voting instructions provided in your proxy materials.

Table of Contents

I am a beneficial holder. How are my shares voted if I do not return voting instructions?

Your shares may be voted if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority, under the rules of the New York Stock Exchange, to vote shares on certain routine matters for which their customers do not provide voting instructions by the tenth day before the meeting. The election of directors and the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009 are considered routine matters. The conversion of all outstanding shares of Series B Common Stock into shares of Series A Common Stock and the amendment of the Amended and Restated 2006 Stock Incentive Plan are not considered routine under the applicable rules. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial holder of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote. In tabulating the voting result for any particular proposal, shares that are subject to broker non-votes with respect to that proposal will not be considered voted either for or against it. With respect to the three proposals scheduled to be voted on at the Annual Meeting that will be decided by a majority or plurality of the votes cast, broker non-votes on any proposal will have no effect on the outcome of the vote on that proposal at the Annual Meeting, assuming that a quorum is obtained. With respect to the proposal to convert all outstanding shares of Series B Common Stock into shares of Series A Common Stock, broker non-votes will have the effect of a vote against the proposal.

What does it mean if I receive more than one Mueller Water Products stockholder package?

If you receive more than one package of proxy materials, this means that you have multiple accounts holding Mueller Water Products shares with brokers and/or our transfer agent. Please vote all of your shares by voting the control number on the proxy card included in each package that you receive.

How are my Employee Stock Purchase Plan shares voted?

If you are a registered stockholder and/or you own Mueller Water Products shares in an Employee Stock Purchase Plan, and the accounts are registered in the same name, you will receive one package of proxy materials representing your combined shares. If your accounts are registered in different names, you will receive different packages of proxy materials. If you own shares only through an Employee Stock Purchase Plan, you will receive a package of proxy materials representing those shares.

What happens if I abstain from voting?

If your shares are represented at the Annual Meeting, in person or by proxy, but you abstain from voting on a matter, or include instructions in your proxy to abstain from voting on a matter, your shares will be counted for the purpose of determining if a quorum is present, but will not be counted as either an affirmative vote or a negative vote with respect to that matter. With respect to the three proposals scheduled to be voted on at the Annual Meeting that will be decided by a majority or plurality of the votes cast, abstentions will have no effect on the outcome of the vote on that proposal at the Annual Meeting, assuming that a quorum is

Table of Contents

obtained. With respect to the proposal to convert all outstanding shares of Series B Common Stock into shares of Series A Common Stock, abstentions will have the effect of a vote against the proposal.

What do I need to do if I want to attend the Annual Meeting?

You do not need to make a reservation to attend the Annual Meeting. However, attendance at the Annual Meeting is limited to Mueller Water Products stockholders, members of their immediate families or their named representatives. You will be required to provide the admission ticket that is detachable from your proxy card or provide other evidence of ownership. If your shares are held by a bank or broker, please bring to the meeting your bank or broker statement evidencing your beneficial ownership of the Company's common stock to gain admission to the meeting. The Company reserves the right to limit the number of representatives who may attend the meeting.

Who is soliciting proxies?

The Company will bear the cost of soliciting proxies. 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, Inc. 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 \$7,000 plus expenses. Your cooperation in promptly voting by proxy via the medium of your choice will help to avoid additional expense.

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 CARD OR VOTING INSTRUCTION FORM PROMPTLY OR FOLLOW THE DIRECTIONS PROVIDED ON YOUR PROXY CARD OR VOTING INSTRUCTION FORM.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on January 28, 2009:

This Proxy Statement and the Company's Annual Report to Security Holders are available at www.muellerwaterproducts.com.

Table of Contents

CORPORATE GOVERNANCE

The Board has adopted Corporate Governance Guidelines that 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 matters such as director responsibilities, compensation, and access to management. In addition, the Corporate Governance Guidelines address the use of outside advisors, management succession, and an annual self-evaluation of the Board.

Independence of Directors

Mr. Gregory E. Hyland, our Chairman, President and Chief Executive Officer, is not independent because he is a member of management and an employee of the Company. Mr. Mark J. O'Brien is not independent under Section 303A.02(b) of the New York Stock Exchange Listed Company Manual because he has served as an employee of the Company's former parent within the last three years. Mr. O'Brien has been Chairman and Chief Executive Officer of Walter Industries' Homes and Finance Business since March 2006; other than his service as a director, he currently has no material relationship with the Company.

The Board annually assesses the outside affiliations of each director to determine if any of these affiliations could cause a potential conflict of interest or could interfere with the independence of the director. Based on information furnished by all directors regarding their relationships with Mueller Water Products and its subsidiaries and research conducted by management with respect to outside affiliations, the Board has determined that none of the directors has a material relationship with Mueller Water Products other than his or her role as director, and, except as set forth above, each is independent because:

Each satisfies the categorical standards set forth below;

Each satisfies the independence standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act); and

Each satisfies the criteria for independence set forth in Section 303A.02(b) of the New York Stock Exchange Listed Company Manual.

A determination of independence under these standards does not mean that a director is "disinterested" under Section 144 of the Delaware General Corporation Law. Each director, relevant Committee and the full Board may also consider whether any director is "disinterested" in any transaction brought before the Board of any Committee.

Categorical Standards of Independence

The Company has established categorical standards of independence for the Board of Directors. These standards are outlined in the Company's Corporate Governance Guidelines. To be considered "independent" for purposes of the director qualification standards, (A) the director must meet bright-line independence standards under the New York Stock Exchange Listed Company Manual, and (B) the Board must affirmatively determine that the director otherwise has no material relationship with the Company, directly or as an officer, shareowner or partner of an organization that has a relationship with the Company.

Table of Contents

The Board of Directors considers the following relationships to be immaterial relationships that would not impair a director's independence if they are conducted in the ordinary course of business:

- (i) The director is a director or trustee but not an executive officer or any member of his or her immediate family is a director, trustee or employee, but not an executive officer, of any other organization (other than the Company's outside auditing firm) that does business with, or receives donations from, the Company;
- (ii) The director or any member of his or her immediate family is an executive officer of any other organization which is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other is less than \$1 million or 2% of the total consolidated assets of the organization on which the director or any member of his or her immediate family serves as an executive officer, whichever is more; or
- (iii) The director or any member of his or her immediate family serves as an executive officer of a charitable or educational organization that receives discretionary charitable contributions from the Company in a single fiscal year of less than \$1 million or 2% of that organization's consolidated gross revenues, whichever is more.

Independence of Committee Members

Each of the members of the Audit, Compensation and Human Resources (Compensation Committee), and Nominating and Corporate Governance Committees is independent in accordance with the New York Stock Exchange Listed Company Manual and the director independence standards set forth above. No member of the Audit Committee receives any compensation from Mueller Water Products other than directors' fees and no member of the Audit Committee is an affiliated person of Mueller Water Products (other than by virtue of his or her directorship). Members of the Audit Committee meet the additional standards for audit committee members of publicly traded companies required by the Sarbanes-Oxley Act of 2002. Members of the Compensation Committee meet the additional standards applicable to outside directors under Section 162(m) of the Internal Revenue Code and qualify as non-employee directors as defined in Rule 16b-3 under the Exchange Act.

Policy for Approval of Related Person Transactions

The Board of Directors has adopted a written Related Person Transaction Policy that is administered by the Nominating and Corporate Governance Committee. This policy applies to any transaction or series of transactions in which the Company or a subsidiary is a participant, the amount involved exceeds or may be expected to exceed \$120,000 and a related person has a direct or indirect material interest. Under the Policy, a related person includes (A) any person who is or was, since the beginning of the last fiscal year, an executive officer, director or nominee for election as a director of the Company, (B) a greater than 5% beneficial owner of either series of the Company's common stock or (C) an immediate family member of either of the foregoing. Under the Policy, management will determine whether a transaction meets the requirements of a Related Person Transaction requiring review by the Committee. Transactions that fall within this definition will be referred

Table of Contents

to the Committee for approval, ratification or other action. Based on its consideration of all of the relevant facts and circumstances, the Committee will decide whether or not to approve such transaction and will approve only those transactions that are in the best interests of the Company. In addition, the Board of Directors has delegated to the Chair of the Committee the authority to pre-approve or ratify any transaction with a related person in which the aggregate amount involved is expected to be less than \$500,000.

Related Person Transactions

Except as described below, the Company did not engage in any transaction during the fiscal year ended September 30, 2008, and has no currently proposed transaction, in which the amount involved exceeds \$120,000 and a related person had or will have a direct or indirect material interest.

Mr. Howard Clark was a Vice Chairman of Lehman Brothers Inc. until September 2008. During fiscal 2008, Mueller Co. s pension plans paid investment management fees of approximately \$232,000 to Neuberger Berman, LLC, a subsidiary of Lehman Brothers Inc. The fees paid to Neuberger Berman are comparable to those paid to other investment management firms for similar services, and the amount of fees paid to Neuberger Berman is insignificant both to the Company and to Lehman Brothers. The Mueller Co. pension plans have used Neuberger Berman since before the Company s initial public offering in May 2006. Under the New York Stock Exchange Listed Company Manual, this interest does not affect Mr. Clark s independence.

Director Attendance at Board, Committee and Annual Meetings

During the fiscal year ended September 30, 2008, the Board held nine meetings. Each director attended at least 75% of all meetings of the Board and of the Committees of the Board on which he or she served during fiscal 2008. The non-management directors meet in executive session on at least a quarterly basis and the independent directors meet in executive session at least annually. The Chair of the Nominating and Corporate Governance Committee, currently Howard L. Clark, Jr., presides at the executive sessions of the non-management directors and the independent directors.

Directors are expected to attend annual meetings of the stockholders of the Company. All of the directors attended the Company s Annual Meeting of Stockholders held on January 30, 2008.

Committees of the Board

The Board has four standing Committees that assist the Board in carrying out its duties: the Audit Committee; the Compensation and Human Resources Committee; the Nominating and Corporate Governance Committee; and the Environmental, Health and Safety Committee. An additional Committee, the Executive Committee, meets only when called by the Chairman of the Board. The charter of each of these Committees is available on the Company s website at www.muellerwaterproducts.com and may be obtained, without charge, by contacting the Corporate Secretary, Mueller Water Products, Inc., 1200 Abernathy Road, N.E., Suite 1200, Atlanta, Georgia 30328.

Table of Contents

The Board of Directors has affirmatively determined that the Audit Committee, the Compensation 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. The following chart shows information regarding the membership of each of the Board's standing Committees:

Name	Audit	Compensation and Human Resources	Nominating and Corporate Governance	Environmental Health and Safety	Executive
Donald Boyce		Chair	X		X
Howard Clark Jr.			Chair	X	X
Gregory E. Hyland					Chair
Jerry W. Kolb	X	X			
Joseph Leonard	X		X		
Mark J. O'Brien				X	
Bernard G. Rethore	X	X		Chair	
Neil A. Springer	Chair	X			
Lydia W. Thomas			**	X	
Michael T. Tokarz			X	X	X
2008 Meetings	13	4	3	3	1

** Dr. Thomas was appointed to the Nominating and Corporate Governance Committee in July 2008.

Audit Committee

The Audit Committee's primary purpose is to assist the Board in fulfilling its responsibility to the Company's stockholders relating to the Company's financial reporting processes 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. Further, the Audit Committee retains and terminates the Company's independent auditors and approves services and fees of the independent auditors.

The Board of Directors has determined that all Audit Committee members are financially literate under the New York Stock Exchange Listed Company Manual. The Board of Directors has further determined that 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, and that all of such members are independent as required by the New York Stock Exchange Listed Company Manual.

The Audit Committee has adopted procedures 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 has delegated pre-approval

Table of Contents

authority to the Chair of the Audit Committee with respect to individual projects up to \$100,000. 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.

Compensation and Human Resources Committee

The Compensation Committee is responsible for overseeing the Company's overall strategic human resources programs, including executive compensation, benefit plans and equity plans. The Compensation Committee approves and oversees the administration of the Company's material benefit plans, policies and programs, including all of our equity-related incentive plans and senior executive bonus plans. The Compensation Committee also reviews and approves principal elements of total compensation for the Company's named executive officers and other executive officers and employment, severance, and change in-control arrangements for the Company's executive officers. Further, the Compensation Committee is responsible for reviewing and recommending compensation of non-employee directors to the full Board, as well as reviewing and recommending director's and officer's indemnification and insurance matters.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for, among other things, 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 Bylaws that the number of directors shall be not less than six nor more than eleven. 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 procedures described below under Director Nomination Process.

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 Company policies and procedures concerning health, safety and the environment, and obtains regular reports from Company and subsidiary management, environmental counsel and health and safety personnel, as well as special reports when necessary or relevant to special projects. The Committee reviews and approves the proposed scope of internal and independent environmental, health and safety audits and encourages activities that demonstrate sound environmental stewardship initiatives within the Company and with its customers and suppliers.

Table of Contents

Executive Committee

The Executive Committee's principal function 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 Committee can declare dividends payable on the securities of the Company during months when the Board 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: (A) the power or authority to amend the Company's Certificate of Incorporation; (B) the power or authority to amend the Company's Bylaws; (C) the power or authority to adopt an agreement of merger; (D) the power or authority to exchange, consolidate, sell, lease, pledge or exchange all or substantially all of the Company's assets; (E) the power or authority to adopt or revoke a plan of dissolution; (F) the power or authority delegated to any other Committee of the Board of Directors; and (G) such other powers or authority as are restricted in the Delaware General Corporation Law or the Bylaws.

Role of Compensation Consultant

For fiscal 2008, the Compensation Committee retained Hewitt Associates LLC (Hewitt) as its independent consultant to advise the Compensation Committee on executive compensation and related matters. Pursuant to its charter, the Compensation Committee has the sole authority to approve the consultant's fees and retention terms.

Hewitt assists the Compensation Committee by, among other things, providing external market data on compensation practices and programs of peer group companies. Specifically, the Compensation Committee asked Hewitt to collect data from the peer group companies to assess base pay, bonus opportunity, bonus paid, long-term incentive practice and perquisites. For a description of Hewitt's responsibilities, see Role of Compensation Consultant in Compensation Decisions.

Prior to the Company's spin-off from Walter Industries, Inc. (Walter Industries) in December 2006 (the Spin-off), Hewitt served as the actuary with respect to U.S. Pipe's pension plans. In addition, through a competitive bidding process, Hewitt was considered for other engagements in fiscal 2008 but the Compensation Committee determined that the Company would not retain Hewitt in other capacities while the Committee was using Hewitt as its independent consultant. The Compensation Committee retained Hewitt as its consultant for fiscal 2009 and determined that the Company would not retain Hewitt for any other projects in fiscal 2009 without the prior consideration and consent of the Compensation Committee, based on any actual or perceived effects on the ability of Hewitt to act independently of the Company and management.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Donald N. Boyce, Jerry W. Kolb, Bernard G. Rethore and Neil A. Springer. None of the members of the Compensation Committee is a former or current officer or employee of the Company or any of its subsidiaries.

Table of Contents

Communicating with our Board of Directors

Stockholders and other interested persons may communicate to the Chair of the Audit Committee or the Chair 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, N.E., Suite 1200, Atlanta, Georgia 30328. Stockholders and other interested persons 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 or by sending an e-mail message to the directors at boardofdirectors@muellerwp.com or to the Audit Committee at auditcommittee@muellerwp.com. If the corr