

Mueller Water Products, Inc.  
Form DEF 14A  
January 15, 2016

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

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
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Mueller Water Products, Inc.

(Name of Registrant as Specified In Its Charter)

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-

January 15, 2016

To My Fellow Stockholders:

It is my pleasure to invite you to attend the 2016 Annual Meeting of Stockholders of Mueller Water Products, Inc. The meeting will be held on February 26, 2016 at 10:00 A.M., Eastern Time, in the Abernathy Room on the 3rd Floor of Building 500 at Northpark Town Center located at 1100 Abernathy Road, N.E., in Atlanta, Georgia. The meeting will begin with voting on the matters described in the attached Notice of Annual Meeting of Stockholders and Proxy Statement, followed by my report on our company's financial performance and operations.

The Board appreciates and encourages stockholder participation in our affairs. Whether or not you plan to attend the meeting, it is important your shares be represented and voted.

Sincerely,

Gregory E. Hyland

Chairman of the Board, President and Chief Executive Officer

YOUR VOTE IS IMPORTANT TO US.

PLEASE REVIEW THE ATTACHED MATERIALS AND SUBMIT YOUR VOTE PROMPTLY.

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON FEBRUARY 26, 2016

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To the Stockholders of Mueller Water Products, Inc.:

NOTICE IS HEREBY GIVEN that the 2016 Annual Meeting of Stockholders of Mueller Water Products, Inc. will be held at 10:00 A.M., Eastern Time, on Friday, February 26, 2016 in the Abernathy Room on the 3rd Floor of Building 500 at Northpark Town Center located at 1100 Abernathy Road, N.E., in Atlanta, Georgia, for the purposes described below.

1. Election of nine directors nominated by the board of directors for the coming year;
2. To consider, on an advisory basis, the compensation of our named executive officers, as described in this Proxy Statement;
3. To approve amendments of the 2010 Management Incentive Plan and re-approve performance goals under the plan;
4. To approve amendments of the 2006 Employee Stock Purchase Plan;
5. To approve amendments of the 2006 Stock Incentive Plan and re-approve performance goals under the plan; and
6. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2016.

We will also transact any other business properly brought before the Annual Meeting.

Only our stockholders at the close of business on January 12, 2016, the record date for voting at the Annual Meeting, are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

This Proxy Statement and our 2015 Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com) (for beneficial stockholders) and [www.edocumentview.com/mwa](http://www.edocumentview.com/mwa) (for registered stockholders).

We are pleased to continue utilizing Securities and Exchange Commission rules allowing issuers to furnish proxy materials to their stockholders over the Internet. A Notice of Internet Availability of Proxy Materials or this Proxy Statement will first be mailed to our stockholders on or about January 15, 2016. Please refer to the Notice of Internet Availability of Proxy Materials, proxy materials email or proxy card you received for information on how to vote your shares and to ensure your shares will be represented and voted at the Annual Meeting.

By Order of the Board of Directors.

Keith L. Belknap  
Corporate Secretary  
Atlanta, Georgia  
January 15, 2016

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

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**PROXY STATEMENT SUMMARY**

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider, and you should read the entire Proxy Statement carefully before voting. Unless the context otherwise requires, the terms “we”, “our”, “us” and the “Company” as used in this Proxy Statement refer to Mueller Water Products, Inc.

**ANNUAL MEETING OF STOCKHOLDERS**

Date and Time: Friday, February 26, 2016; 10:00 A.M., Eastern Time  
 Place: Abernathy Room, 3rd Floor, Building 500, Northpark Town Center, 1100 Abernathy Road, N.E., Atlanta, Georgia 30328  
 Record Date: January 12, 2016  
 Voting: Stockholders as of the record date may vote by Internet, telephone, signing and dating the proxy card or in person at the Annual Meeting.

**VOTING MATTERS**

Matter	Board of Directors’ recommendations
•	FOR each director nominee
Election of directors	
•	FOR
Advisory vote to approve executive compensation	
•	FOR
Amendment of 2010 Management Incentive Plan and re-approval of performance goals under the plan	FOR
•	FOR
Amendment of 2006 Employee Stock Purchase Plan	
•	FOR
Amendment of 2006 Stock Incentive Plan and re-approval of performance goals under the plan	FOR
•	FOR
Ratification of the appointment of the independent registered public accounting firm for the year ending September 30, 2016	FOR

**2015 KEY ACCOMPLISHMENTS**

In fiscal 2015, we strengthened our balance sheet and executed initiatives to return value to our stockholders.

<p>Reduced interest expense by 44%. We lowered our interest expense, net to \$27.6 million in fiscal 2015 from \$49.6 million in fiscal 2014 by successfully refinancing our long-term debt.</p>	<p>Reduced total debt outstanding by \$52 million. We reduced our total debt outstanding to \$489.0 million at September 30, 2015 from \$541.0 million at September 30, 2014.</p>
<p>Increased dividend by 14%. We increased our quarterly dividend to \$0.02 from \$0.0175. We paid \$12.0 million of dividends in fiscal 2015.</p>	<p>Repurchased stock. During the third quarter, we announced a stock repurchase program and used \$5.0 million to purchase 523,851 shares of Common Stock pursuant to this program.</p>

**2015 PERFORMANCE HIGHLIGHTS**

The Compensation and Human Resources Committee used several performance elements, including those set forth below, to assess and determine incentive plan compensation earned during fiscal 2015.

Net Sales	Adjusted Operating Income	Adjusted Net Income	Adjusted Free Cash Flow	Average Investment in Working Capital Mueller Co. Anvil	Return on Net Assets
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	(\$ in millions)	(\$ in millions)	(\$ in millions)	(%)	(%)	(%)
2015	1,164.5	137.8	66.9	66.2	23.7	27.2
2014	1,184.7	127.2	46.7	125.0	23.6	23.4

See “Compensation Discussion and Analysis — Performance and Compensation Highlights” for more information and Exhibit A for a reconciliation of non-GAAP financial measures to GAAP financial results.

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**2015 COMPENSATION HIGHLIGHTS**

We design our executive compensation programs to target total compensation for executives at or about the 50th percentile (plus or minus 15%) of our customized peer group. The principal elements of these compensation programs are base salary, annual performance-based cash bonus, long-term incentive and performance-based equity compensation and broad based benefit plans.

We structure a significant portion of our executives' overall compensation as incentive compensation. For fiscal 2015, incentive compensation represented approximately 76% of our CEO's total target compensation, and an average of 67% of the total target compensation of the other NEOs. Performance-based incentive compensation represented 52% of our CEO's total target compensation for fiscal 2015.

We structure performance-based compensation to pay for performance. We set clear and measurable financial goals for Company and segment performance. In evaluating individual performance, we assess progress toward strategic priorities.

We paid performance-based compensation for fiscal 2015 that reflects Company, segment and individual performance. Our NEOs' compensation was negatively affected by Company and segment performance in relation to targets set for fiscal 2015.

Annual cash bonuses earned by our NEOs ranged from 9% to 63% of target (compared with 54% to 115% of target last year) because Company and segment performance on certain financial measures selected by the Compensation Committee was below targeted levels.

There was no long-term compensation paid out or credited for fiscal 2015 because Company performance on the "return on net assets" financial measure was below threshold levels.

¶ We continue to maintain best practices for executive compensation.

We design our compensation programs to mitigate risk.

Our equity incentive plan prohibits the repricing or exchange of equity-based awards without stockholder approval.

We prohibit hedging and pledging of our Common Stock by executives or directors.

Our executives and directors are subject to stock ownership guidelines.

We can "clawback" cash- or equity-based compensation paid to executives under certain circumstances.

See "Compensation Discussion and Analysis — Executive Compensation Program Overview", "— Other Factors Considered by the Compensation Committee" and "— Other Compensation Practices and Policies" for more information regarding our compensation philosophy, structure and developments.

Table of Contents**DIRECTOR NOMINEES**

Each director stands for election annually. All directors are independent, except Mr. Hyland, our Chairman, President and CEO. The Board held seven meetings in fiscal 2015 and each director attended over 87% of the total number of meetings of the Board and committees of which he or she was a member.

The following table provides summary information about each director nominee. See “Matters to be Voted On — Proposal One” for more information about each nominee.

Name	Age	Director Since	Independent	Experience	Board Committees <sup>(1)</sup>
Shirley C. Franklin	70	2010		Barbara Jordan visiting professor at the LBJ School of the University of Texas; former Mayor of Atlanta	Audit; Governance; EHS
Thomas J. Hansen	66	2011		Former Vice Chairman of Illinois Tool Works Inc.	Audit; Governance
Gregory E. Hyland	64	2005		Chairman, President and Chief Executive Officer of Mueller Water Products, Inc.	Exec*
Jerry W. Kolb	80	2006		Retired Vice Chairman of Deloitte & Touche LLP	Audit*; Comp
Joseph B. Leonard	72	2006		Retired Chairman of AirTran Holdings, Inc.	Audit; Comp
Mark J. O’Brien <sup>(2)</sup>	72	2006		Former Chairman and Chief Executive Officer of Walter Investment Management Corp.	Comp; EHS; Governance
Bernard G. Rethore	74	2006		Chairman Emeritus of Flowserve Corporation	Audit; Comp; Governance*; EHS; Exec
Lydia W. Thomas	71	2008		Retired President and Chief Executive Officer of Noblis, Inc.	EHS*; Governance
Michael T. Tokarz	66	2006		Chairman of Walter Energy, Inc.	Comp*; Exec

\* Denotes committee chairperson

Audit = Audit Committee; Comp = Compensation and Human Resources Committee; EHS = Environment, Health (1) and Safety Committee; Exec = Executive Committee; Governance = Nominating and Corporate Governance Committee

<sup>(2)</sup> Mr. O’Brien serves as our Lead Director. See “Corporate Governance — Board Operations — Board Leadership Structure” for more information.

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MATTERS TO BE VOTED ON

PROPOSAL ONE:

ELECTION OF DIRECTORS

The Nominating and Corporate Governance Committee (the “Governance Committee”) is responsible for identifying qualified candidates to serve on the Board and recommending nominees to be submitted to our stockholders for election at each annual meeting of stockholders. After the Governance Committee completes its evaluation of candidates, it presents its recommendation to the Board for consideration and approval.

In evaluating candidates, the Governance Committee considers a variety of qualifications, experiences, attributes and skills, and recognizes that a diversity of knowledge, viewpoints and experience can enhance the Board’s effectiveness. Accordingly, as part of its candidate evaluation, the Governance Committee considers how the candidate’s background, qualifications, experiences, attributes and skills may enhance the quality of the Board’s deliberations and decisions.

After many years of distinguished service, it is expected that Neil A. Springer will retire from the Board at a Board meeting scheduled for January 27, 2016. We would like to take this opportunity to thank Mr. Springer for his many years of service to the Board. Rather than nominate a successor, the Board will follow the recommendation of the Governance Committee and reduce the size of the Board from ten to nine members immediately following Mr. Springer’s resignation.

After evaluating each director and the composition of the full Board, the Governance Committee has recommended all of the current Board members, other than Mr. Springer, for election. If elected, each of the nine individuals nominated for election to the Board will hold office until the 2017 annual meeting of stockholders and until his or her successor is elected and qualified. Each nominee has agreed to serve as a director if elected. If for some unforeseen reason a nominee becomes unwilling or unable to serve, proxies will be voted for a substitute nominee selected by the Board. In lieu of designating a substitute nominee, the Board, in its discretion, may reduce the number of directors.

Information about the nominees, including information concerning their qualifications for office, is set forth below:

Shirley C. Franklin

Age: 70

Director since: 2010

Board committees: Audit, Governance, EHS

Other public company boards: Delta Air Lines, Inc.

Ms. Franklin serves as the Barbara Jordan visiting professor at the LBJ School of the University of Texas and as Executive Chair of the board of directors of Purpose Built Communities, Inc., a national non-profit organization that works to transform struggling neighborhoods into sustainable communities. She also serves as Co-Chair of the Atlanta Regional Commission on Homelessness and as Chair of the board of directors of the National Center for Civil and Human Rights. From 2002 to 2010, Ms. Franklin served as mayor of Atlanta, Georgia. She earned a Bachelor of Science degree in sociology from Howard University and a Master’s degree in sociology from the University of Pennsylvania.

The Board considered Ms. Franklin’s record of civic involvement and significant executive management experience, which has spanned three decades. During her service as mayor of Atlanta, Ms. Franklin worked to rebuild the city’s water infrastructure.



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Thomas J. Hansen

Age: 66

Director since: 2011

Board committees: Audit, Governance

Other public company boards: Standex International Corporation, Terex Corporation  
Until 2012, Mr. Hansen served as Vice Chairman of Illinois Tool Works Inc. (“ITW”), a manufacturer of fasteners and components, consumable systems and a variety of specialty products and equipment. He joined ITW in 1980 as a sales and marketing manager of the Shakeproof Industrial Products businesses. From 1998 to 2006, Mr. Hansen served as Executive Vice President of ITW. He earned a Bachelor of Science degree in marketing from Northern Illinois University and a Master of Business Administration degree from Governors State University.

The Board considered Mr. Hansen’s experience as a senior executive of a large diversified industrial manufacturing company that faces many of the economic, social and governance issues we face.

Gregory E. Hyland

Age: 64

Director since: 2005

Board committees: Executive (Chair)

Other public company boards: Ferro Corporation

Mr. Hyland serves as the Chairman of the Board and has served as our President and Chief Executive Officer since January 2006. He served as Chairman, President and Chief Executive Officer of Walter Energy, Inc. from September 2005 until December 2006. From June to September 2005, Mr. Hyland served as President, U.S. Fleet Management Solutions of Ryder System, Inc., a transportation and logistics company, and from 2004 to 2005 he served as its Executive Vice President. He earned Bachelor and Master of Business Administration degrees from the University of Pittsburgh.

The Board considered Mr. Hyland’s commercial experience and business leadership skills gained from his past and current positions in both management and on the boards of directors of public companies.

Jerry W. Kolb

Age: 80

Director since: 2006

Board committees: Audit (Chair), Compensation

Other public company boards: Walter Energy, Inc.

From 1986 to 1998, Mr. Kolb served as a Vice Chairman of Deloitte & Touche LLP, a registered public accounting firm. He is a certified public accountant. Mr. Kolb earned a Bachelor of Science degree in accountancy from the University of Illinois and a Master of Business Administration degree from DePaul University.

The Board considered Mr. Kolb's broad perspective in accounting and financial reporting matters and his extensive experience in audit, finance and compensation matters and in executive management based on his 41-year career with Deloitte & Touche.

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Joseph B. Leonard

Age: 72

Director since: 2006

Board committees: Audit, Compensation

Other public company boards: Air Canada, Walter Energy, Inc.

Mr. Leonard served as Interim Chief Executive Officer of Walter Energy from March 2010 through March 2011 and from August 2011 to September 2011. He served as Chairman of AirTran Holdings, Inc., an airline holding company, from 2007 to 2008, Chairman and Chief Executive Officer of AirTran from 1999 to 2007 and President of AirTran from 1999 to 2001. Mr. Leonard earned a Bachelor of Science degree in aerospace engineering from Auburn University.

The Board considered Mr. Leonard's significant experience in executive management, operations, marketing and public affairs based on his career with major corporations.

Mark J. O'Brien

Age: 72

Director since: 2006

Board committees: Compensation, Governance, EHS

Other public company boards: Walter Investment Management Corp.

Mr. O'Brien serves as our Lead Director. He served as Chairman of Walter Investment Management Corp. (formerly Walter Industries' Homes Business), a mortgage portfolio owner and mortgage originator and servicer, from 2009 through December 2015, and he served as its Chief Executive Officer from 2009 to October 2015. Mr. O'Brien has served as President and Chief Executive Officer of Brier Patch Capital and Management, Inc., a real estate management and investment firm, since 2004. He served in various executive capacities at Pulte Homes, Inc., a home building company, for 21 years, retiring as President and Chief Executive Officer in 2003. Mr. O'Brien earned a Bachelor of Arts degree in history from the University of Miami.

The Board considered Mr. O'Brien's knowledge of capital markets, municipal finance and the homebuilding and real estate sectors of the economy.

Bernard G. Rethore

Age: 74

Director since: 2006

Board committees: Audit, Compensation, Governance (Chair), EHS, Executive

Other public company boards: Dover Corp., Walter Energy, Inc.

Other public company boards within the last five years: Belden, Inc.

Mr. Rethore has served as Chairman Emeritus of Flowserve Corporation, a manufacturer of pumps, valves, seals and components, since 2000. From January 2000 to April 2000, he served as Flowserve's Chairman. Mr. Rethore had previously served as its Chairman, President and Chief Executive Officer. In 2008, Mr. Rethore was honored by the Outstanding Directors Exchange as an Outstanding Director of the Year, and in 2012, he was designated a Board Leadership Fellow by the National Association of Corporate Directors. He earned a Bachelor of Arts degree in Economics (Honors) from Yale University and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania,

where he was a Joseph P. Wharton Scholar and Fellow.

The Board considered Mr. Rethore's more than 30 years of experience at senior executive level positions with public manufacturing companies and his service on the boards of other public companies. His extensive management experience makes him a valuable contributor to the Board on matters involving business strategy, capital allocation and merger and acquisition opportunities.



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Lydia W. Thomas

Age: 71

Director since: 2008

Board committees: Governance, EHS (Chair)

Other public company boards: Cabot Corporation, Washington Mutual Investors Fund

Dr. Thomas served as President and Chief Executive Officer of Noblis, Inc., a public interest scientific research, technology and strategy company, from 1996 to 2007. She was previously with The MITRE Corporation, Center for Environment, Resources and Space, serving as Senior Vice President and General Manager from 1992 to 1996, Vice President from 1989 to 1992 and Technical Director from 1982 to 1989. In 2013, she was honored by the Outstanding Directors Exchange as an Outstanding Director of the Year. Dr. Thomas earned a Bachelor of Science degree in zoology from Howard University, a Master of Science degree in microbiology from American University and a Doctor of Philosophy degree in cytology from Howard University.

The Board considered Dr. Thomas' extensive experience at senior executive level positions and particular expertise related to information technology and environmental, health and safety matters.

Michael T. Tokarz

Age: 66

Director since: 2006

Board committees: Compensation (Chair), Executive

Other public company boards: CNO Financial Group, Inc., MVC Capital, Inc. (Chairman), Walter Energy, Inc. (Chairman), Walter Investment Management Corp.

Other public company boards within the last five years: Dakota Growers Pasta Company, IDEX Corporation

Mr. Tokarz has served as Chairman of Walter Energy since 2006. Since 2002, he has served as a member of the Tokarz Group, LLC, an investment company. From 1996 until 2002, Mr. Tokarz served as a member of the limited liability company that serves as the general partner of Kohlberg Kravis Roberts & Co. L.P., a private equity company. In 2007, he was honored by the Outstanding Directors Exchange as an Outstanding Director of the Year. He earned a Bachelor of Arts degree in economics with high distinction and a Master of Business Administration degree in finance from the University of Illinois.

The Board considered Mr. Tokarz's knowledge and experience in banking and finance, his entrepreneurial and business leadership skills, his more than 20 years of board experience with publicly traded companies and his corporate governance training.

Set forth below is a chart that highlights the skills, qualifications and characteristics of the director nominees.

	Franklin Hansen	Hyland Kolb	Leonard O'Brien	Rethore	Thomas	Tokarz
Governance						
Financial						
Management						
Government and Regulatory Affairs						

International Business  
Marketing  
Mergers and Acquisitions  
Multiple-Part Manufacturing  
Offshore Sourcing  
Strategic Planning

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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 these nominees (or a substitute nominee as designated by the Board) to serve as directors.

The Board recommends a vote FOR each nominee for director.

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PROPOSAL TWO:

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

We provide our stockholders with the annual opportunity to cast an advisory vote on the compensation of our named executive officers. The vote on this proposal represents an additional means by which we obtain feedback from our stockholders about executive compensation. Our Compensation and Human Resources Committee (the “Compensation Committee”) sets executive compensation, which is designed to link pay with performance while enabling us to competitively attract, motivate and retain key executives.

The overall objective of our executive compensation program is to encourage and reward the creation of sustainable, long-term stockholder value. To meet this objective, the Compensation Committee has designed compensation plans for our executive officers that target total compensation at the 50th percentile of our customized peer group. A significant portion of our executives’ overall compensation is structured as incentive compensation. For fiscal 2015, incentive compensation represented approximately 76% of our CEO’s total target compensation, and an average of 67% of the total target compensation of the other named executive officers. We believe an emphasis on both short-term and long-term incentive compensation aligns executives’ and stockholders’ interests.

We encourage our stockholders to read the Compensation Discussion and Analysis section of this Proxy Statement, which discusses how our compensation policies and procedures implement our compensation philosophy. The Board and the Compensation Committee believe these policies and procedures are strongly aligned with the long-term interests of our stockholders and are effective in implementing our compensation philosophy and in achieving our strategic goals.

Accordingly, we ask for stockholder approval of the following resolution:

RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to the named executive officers of Mueller Water Products, Inc., as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure in the Company’s proxy statement for the 2016 annual meeting of stockholders.

This vote is advisory and therefore not binding on us, the Board or the Compensation Committee. At last year’s annual meeting of stockholders, approximately 98% of votes cast were in support of the compensation of our named executive officers. The Board and the Compensation Committee value the opinions of our stockholders. The Compensation Committee will consider the result of this year’s vote, as well as other communications from stockholders relating to our compensation practices, and take them into account in future determinations concerning our executive compensation program. See “Compensation Discussion and Analysis — Performance and Compensation Highlights”.

The Board recommends a vote FOR Proposal Two.

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PROPOSAL THREE:

AMENDMENT OF 2010 MANAGEMENT INCENTIVE PLAN  
AND RE-APPROVAL OF PERFORMANCE GOALS UNDER THE PLAN

The Mueller Water Products, Inc. 2010 Management Incentive Plan (the “MIP”) was originally adopted by the Compensation Committee on December 1, 2009 and approved by our stockholders on January 28, 2010. On December 1, 2015, the Board approved the Mueller Water Products, Inc. Amended and Restated 2010 Management Incentive Plan (the “Amended MIP”), subject to approval by our stockholders at the Annual Meeting, which contains certain amendments to the MIP as described below. We are also asking our stockholders to approve the Amended MIP so certain compensation paid under the Amended MIP will be “performance-based” within the requirements of Section 162(m) of the Internal Revenue Code of 1986 (the “Code”), thereby allowing us to maximize our deductions in the determination of taxable income.

Background

Pursuant to Section 162(m) of the Code, we may not deduct compensation of more than \$1 million that is paid to certain “covered employees” (i.e., any individual who, on the last day of the taxable year, is either our principal executive officer or an employee whose total compensation for the tax year is required to be reported to stockholders because they are among the three highest compensated officers for the tax year, other than the principal executive officer or principal financial officer). The limitation on deductions does not apply, however, to qualified “performance-based compensation.” The Amended MIP is designed such that awards under the Amended MIP may constitute qualified performance-based compensation and, as such, be exempt from the \$1 million limitation on deductible compensation.

One of the requirements of the qualified performance-based compensation exception under Section 162(m) is that the material terms of the performance goals under which compensation may be paid must be disclosed to and approved by stockholders at least once every five years. The material terms of the MIP were last approved by our stockholders on January 28, 2010. For purposes of Section 162(m), the material terms include (i) the individuals eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based, and (iii) the maximum amount of compensation that can be paid to an individual under the performance goal. Each of these aspects of the Amended MIP is described below, and stockholder approval of this proposal is intended to constitute re-approval of each of these aspects of the Amended MIP for purposes of the stockholder approval requirements of Section 162(m).

If approved by stockholders, the Amended MIP would apply to awards granted for fiscal 2016, as well as to future awards. If stockholders do not re-approve the material terms of the Amended MIP, the awards granted to any covered employees thereunder may not be fully deductible for tax purposes pursuant to Section 162(m), and our covered employees may not receive the compensation we intended to provide them. In addition, the deductibility of awards granted to our covered employees in the future may potentially be limited. This means we may be limited in our ability to grant awards that satisfy our compensation objectives and that are deductible, although we retain the ability to evaluate the performance of our covered employees and to pay appropriate compensation even if some of it may be non-deductible under Section 162(m).

The MIP is integral to our compensation strategies and programs. The Board believes the MIP provides the flexibility we need to keep pace with our competitors and effectively recruit, motivate and retain the caliber of employees and directors essential for meeting our business objectives.

Summary of the Amendments to the MIP Contained in the Amended MIP

The terms of the Amended MIP, including the performance measures established thereunder, are substantially the same as those of the MIP. Certain technical changes were made to the MIP in order to make certain provisions of the Amended MIP consistent with corresponding provisions of the Mueller Water Products, Inc. 2006 Stock Incentive Plan, including the following:

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The list of performance measures under the Amended MIP has been made co-extensive with the performance measures used in the Mueller Water Products, Inc. 2006 Stock Incentive Plan; and

The definition of “change of control” under the Amended MIP has been revised to make it consistent with the definition included in the Mueller Water Products, Inc. 2006 Stock Incentive Plan.

Summary of the Amended MIP

The key terms of the Amended MIP, as proposed, are summarized below. This summary is qualified in its entirety by references to the full text of the Amended MIP. See Exhibit B.

Administration and Eligibility

The Amended MIP is administered by the Compensation Committee (which is made up entirely of independent directors) or, with respect to certain employees, the Chief Executive Officer or his designee (in either case, the “Administrator”). The Administrator determines who is eligible to participate in the Amended MIP, prescribes the terms and conditions of all awards, and construes and interprets the terms of the Amended MIP. Determinations of the Administrator are final, binding, and conclusive.

Performance Measures

The Amended MIP requires the Administrator to establish performance goals for each participant at the beginning of each performance period. Performance goals will be selected from the list of possible performance measures contained in the Amended MIP. Performance goals may be based on a combination of individual performance objectives and business objectives, and may relate, in whole or in part, to the performance of a segment, subsidiary or division rather than to Company as a whole.

Any one or more of the following performance measures may be used by the Administrator as a goal for a bonus award, based on the relative or absolute attainment of specified levels of one or any combination of the performance measures: net sales or growth in net sales; earnings, as determined by GAAP or before or after discontinued operations, or before interest, taxes, and depreciation and/or amortization; earnings per share (including diluted earnings per share) or book value per share; income (including gross, net or pre-tax income); operating income before or after discontinued operations and/or taxes, cash flow (including free cash flow) or cash position; gross or operating margin; stock price appreciation; market share; return (before or after taking into account taxation or tax rates) on sales, assets, equity, investment or invested capital; cost reductions or expense management; improvement of financial ratings or capital structure; working capital or working capital relative to some other measure (e.g., as a percent of net sales or return on net assets); days of working capital; profitability of an identifiable business unit or product; total stockholder return; funds from operations; and consummation of acquisitions or sales of certain Company assets, subsidiaries or other businesses.

The selected levels may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Administrator will establish target, threshold and maximum objectives for each performance goal.

At the time the performance goal is established, the Administrator will determine how the performance measure will be calculated. Unless otherwise determined by the Administrator, the following items will be excluded from the calculations: events of an “unusual nature” and/or that indicate “infrequency of occurrence”, each as defined in FASB Accounting Standards Update 2015-01, and appearing in our financial statements or notes thereto in our annual report on Form 10-K, and/or in management’s discussion and analysis of financial performance appearing in such annual

report; gains or losses on dispositions or the effect of discontinued operations, or mergers or acquisitions; the cumulative effects of changes in accounting principles or changes in laws or regulations affecting GAAP results (including tax laws and regulations); the writedown of assets; charges for reorganization and restructuring; material litigation, claims, judgments or settlements; and cash pension funding in excess of predetermined levels.



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## Awards

The Amended MIP requires the Administrator to assign a target bonus to each participant, and the relative percentage weight to be assigned to the achievement of specific performance goals. If a participant achieves the target assigned to a particular goal, such participant will receive the bonus award assigned to such performance goal. If a participant achieves less than the threshold level assigned to a particular goal, such participant will not receive any bonus with respect to such performance goal. For performance between the threshold level and target, the participant will receive a bonus that is proportionately graded. In the event a participant achieves more than the target assigned to a particular goal, the participant may receive up to twice the percentage weight allocated to such performance goal on a proportionately graded basis. In no event may a maximum bonus amount that a participant may be awarded for a fiscal year exceed \$4 million. The Administrator may reduce, but may not increase, the maximum award for any participant under the Amended MIP. The Administrator will approve the amounts of all final incentive awards.

## Plan Benefits

All future awards to directors, executive officers and employees will be made at the discretion of the Compensation Committee. Therefore, we cannot determine future benefits for any other awards under the Amended MIP at this time. The table below shows amounts earned under the MIP based on fiscal 2015 performance. Annual cash bonuses earned by our NEOs in fiscal 2015 ranged from 9% to 63% of target because Company and segment performance on certain financial measures selected by the Compensation Committee was below targeted levels. See “Compensation Discussion and Analysis — Compensation Elements — Annual Cash Incentive Awards” and “Executive Compensation — Summary Compensation Table” for more information.

Based on performance in fiscal 2015 against these financial measures and individual performance goals, the actual cash bonuses for executive officers and other groups were:

Name and Position	2015 Amount Earned (\$)
Gregory E. Hyland, Chairman, President and Chief Executive Officer	280,485
Evan L. Hart, Senior Vice President and Chief Financial Officer	96,560
Keith L. Belknap, Senior Vice President, General Counsel and Chief Compliance Officer; President of Mueller Technologies companies	89,218
Gregory S. Rogowski, President, Mueller Co.	196,283
Thomas E. Fish, President, Anvil International	27,266
Executive Officer Group <sup>(1)</sup>	900,589
Non-Employee Directors Group	-
Non-Executive Officer Employee Group	4,435,700

(1) Includes Messrs. Hyland, Hart, Belknap, Rogowski and Fish, and other executive officers.

## Approval by Stockholders

In order to be effective, the Amended MIP must be approved by the affirmative vote of a majority of votes cast. The Board recommends a vote FOR Proposal Three.

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AMENDMENT OF 2006 EMPLOYEE STOCK PURCHASE PLAN

The Mueller Water Products, Inc. 2006 Employee Stock Purchase Plan (as amended, the “ESPP”) was originally adopted in 2006. On December 2, 2015, the Board approved the Mueller Water Products, Inc. Amended and Restated 2006 Employee Stock Purchase Plan (the “Amended ESPP”), subject to approval by our stockholders at the Annual Meeting, which contains certain amendments to the ESPP as described below. We are asking our stockholders to approve the Amended ESPP in order to extend the term of the ESPP and to increase the number of shares authorized for issuance under the ESPP so that we may continue to provide eligible employees with the opportunity to acquire Company stock in a manner consistent with the best interests of our stockholders.

**Background**

Stock purchase plans offer eligible employees the opportunity to acquire stock through periodic payroll deductions that are applied toward the purchase of stock at a discount from the current market price. The ESPP is currently scheduled to terminate on May 24, 2016. Among other changes, the Amended ESPP extends the termination of the ESPP by ten years from May 24, 2016 to May 24, 2026. The Board believes extending the term of the ESPP is in the best interests of our stockholders, as it encourages broad-based employee stock ownership, enables us to attract, motivate and retain the best employees with a market-competitive benefit, and does so at a reasonable cost to stockholders.

The Amended ESPP is intended to qualify as an “employee stock purchase plan” under Section 423 of the Code and provides our employees with an opportunity to purchase shares of Common Stock through payroll deductions. The purchase price is equal to 85% of the lesser of the closing price of Common Stock on the first trading day of the offering period or the closing price of Common Stock on the last trading day of the offering period. The offering period is three months long. Shares purchased under the Amended ESPP will have the same voting, dividend and other rights as all other shares of our Common Stock.

Total shares authorized to date	4,000,000
Total shares issued through January 12, 2016	2,649,771
Total shares issued to employees, other than executives, through January 12, 2016	2,515,711
Total shares issued to executives, other than employees, through January 12, 2016	134,060
Total shares available to date	1,350,229
Additional shares requested under this amendment	1,800,000
Total shares authorized if this amendment is approved	5,800,000
Total shares available if this amendment is approved	3,150,229

Since the inception of the ESPP, 95% of Common Stock purchased under the ESPP has been purchased by employees who are not executive officers. Of our NEOs, Messrs. Hart, Belknap and Rogowski have purchased 21,329 shares, 9,371 shares and 7,667 shares, respectively. During fiscal 2015, Messrs. Hart and Belknap were the only NEOs to participate in the ESPP.

**Summary of the Amendments to the ESPP in the Amended ESPP**

The terms of the Amended ESPP are substantially the same as those of the ESPP. Changes were made to the ESPP which, if approved by our stockholders, would:

- Extend the term of the ESPP by ten years from May 24, 2016 to May 24, 2026; and
- Increase the number of shares of Common Stock available for purchase under the ESPP by 1,800,000.

**Summary of the Amended ESPP**

The key terms of the Amended ESPP, as proposed, are summarized below. This summary is qualified in its entirety by references to the full text of the Amended ESPP. See Exhibit C.

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Purchase of Stock

Employees may enroll under the Amended ESPP by completing a payroll deduction form permitting the deduction from their compensation (base cash and commissions earned) of at least 1%, but not more than 10%, of their compensation. The Amended ESPP designates offering periods and purchase dates. Offering periods are generally consecutive three-month periods, commencing on or about each January 2, April 2, July 2 and October 2 and ending on or about each April 1, July 1, October 1 and January 1, respectively. On the first trading day of each offering period (the “offering date”), each participant is granted an option to purchase on the last trading day of that offering period (the “purchase date”) such number of shares of Common Stock as is determined by dividing the total amount that has been withheld from the employee’s compensation under the Amended ESPP during that offering period by the applicable purchase price. The applicable purchase price is 85% of the lesser of the NYSE-listed closing price of the shares on the offering date or the purchase date. The participant’s option is automatically exercised on the purchase date. A participant may not purchase more than 1,000 shares in each offering period, and may not subscribe for more than \$25,000 in fair market value of shares (determined at the time the option is granted) during any calendar year. The maximum number of shares all participants may purchase in the aggregate during each offering period is 100,000 shares.

Share Reserve

A maximum of 4,000,000 shares of Common Stock may be issued under the ESPP. As of January 12, 2016, 1,350,229 shares remained available for issuance under the ESPP. Absent stockholder approval of the increased share limit, once these remaining shares are issued, we would be required to terminate the ESPP and refund any remaining employee contributions to employees. However, if stockholders approve this proposal, the share limit will be increased by 1,800,000 to 5,800,000. This share limit is subject to customary adjustments in the case of stock splits, reorganizations, mergers and other similar unusual or extraordinary corporate events.

Eligibility and Participation

Generally, all of our employees whose customary employment is for at least 20 hours per week and more than five months in a calendar year are eligible to participate in the Amended ESPP, except for employees who own shares possessing 5% or more of the total combined voting power or value of our Common Stock. Eligible employees may, but are not required to, participate in any offering period. Eligible employees may participate in the Amended ESPP by electing to participate in a given offering period pursuant to procedures set forth by the plan administrator. Participation in the Amended ESPP continues until the participant makes a new election, or withdraws from an offering period or the Amended ESPP.

Administration, Amendment and Termination

The Compensation Committee, which is made up entirely of independent directors, administers the Amended ESPP. The Compensation Committee, as plan administrator, may make rules and regulations for the administration of the Amended ESPP and its interpretations and decisions with regard to the Amended ESPP are final and binding on all parties. The Board may, at any time and for any reason, terminate, suspend or amend the Amended ESPP; provided, however, that, subject to the Board’s power to terminate or suspend the Amended ESPP and/or an on-going offering period, no such actions will be made to an option which, without a participant’s consent, would impair any of such participant’s rights and obligations under that option. To the extent necessary to comply with the requirements of Section 423 of the Code, we will obtain stockholder approval of any amendment, alteration or discontinuation of the Amended ESPP. The ESPP is scheduled to terminate on May 24, 2016. However, if stockholders approve this proposal, the termination date will be extended by ten years to May 24, 2026. As a result, if stockholders approve the proposed amendment (unless previously terminated by the Board), no new offering periods will commence on or after May 24, 2026, or, if earlier, when no shares remain available for options under the Amended ESPP.

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Federal Income Tax Consequences

The Amended ESPP is intended to satisfy the requirements of Section 423 of the Code. The following is a general summary of the federal income tax consequences, assuming the Amended ESPP satisfies these requirements. Amounts deducted from an employee's pay to purchase shares under the Amended ESPP are generally included in taxable income for the calendar year in which they were deducted. The purchase of shares at a discount does not result in any taxable income to the employee at that time. If the shares are sold or otherwise disposed of more than two years from the first day of the offering period (the "grant date"), the employee generally will recognize ordinary income at that time equal to the lesser of (i) the excess of the fair market value of such shares on the date of disposition over the employee's purchase price or (ii) the excess of the fair market value of such shares on the offering date over the employee's purchase price. If the employee disposes of shares within two years of the grant date, the employee generally will recognize ordinary income at that time in an amount equal to the excess of the fair market value of such shares on the date of purchase over the employee's purchase price. In either case, the employee's tax basis will be increased by the amount of ordinary income reportable by the employee, and any additional gain or loss on such disposition will be treated as long-term or short-term capital gain or loss, depending on the holding period. We are not entitled to a federal income tax deduction unless the employee disposes of the shares within two years of the grant date. Any such deduction will be equal to the amount of the employee's ordinary income on the disposition.

Plan Benefits

The benefits that will be awarded under the Amended ESPP are not currently determinable. Awards granted under the Amended ESPP are subject to the elections of the participants. As of January 12, 2016, the closing price of our Common Stock was \$8.13.

Approval by Stockholders

In order to be effective, the Amended ESPP must be approved by the affirmative vote of a majority of votes cast. The Board recommends a vote FOR Proposal Four.

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PROPOSAL FIVE:

AMENDMENT OF 2006 STOCK INCENTIVE PLAN

AND RE-APPROVAL OF PERFORMANCE GOALS UNDER THE PLAN

The Mueller Water Products, Inc. 2006 Stock Incentive Plan (as amended, the “Stock Plan”) was originally adopted by the Board on May 24, 2006 and last approved by our stockholders on January 25, 2012 when the Stock Plan was last amended and restated. On December 2, 2015, the Board approved the Mueller Water Products, Inc. Second Amended and Restated 2006 Stock Incentive Plan (the “Amended Stock Plan”), subject to approval by our stockholders at the Annual Meeting, which contains certain amendments to the Stock Plan as described below. We are also asking our stockholders to approve the Amended Stock Plan so certain compensation paid under the Amended Stock Plan will be “performance-based” within the requirements of Section 162(m) of the Code, thereby allowing us to maximize our deductions in the determination of taxable income.

This proposal does not seek to increase the shares available for issuance under the Amended Stock Plan.

Background

Pursuant to Section 162(m) of the Code, we may not deduct compensation of more than \$1 million that is paid to certain “covered employees” (i.e., any individual who, on the last day of the taxable year, is either our principal executive officer or an employee whose total compensation for the tax year is required to be reported to stockholders because they are among the three highest compensated officers for the tax year, other than the principal executive officer or principal financial officer). The limitation on deductions does not apply, however, to qualified “performance-based compensation.” The Amended Stock Plan is designed such that awards under the Amended Stock Plan may constitute qualified performance-based compensation and, as such, be exempt from the \$1 million limitation on deductible compensation.

One of the requirements of the qualified performance-based compensation exception under Section 162(m) is that the material terms of the performance goals under which compensation may be paid must be disclosed to and approved by stockholders at least once every five years. The material terms of the Stock Plan were last approved by our stockholders on January 25, 2012. For purposes of Section 162(m), the material terms include (i) the individuals eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based, and (iii) the maximum amount of compensation that can be paid to an individual under the performance goal. Each of these aspects of the Amended Stock Plan is described below, and stockholder approval of this proposal is intended to constitute re-approval of each of these aspects of the Amended Stock Plan for purposes of the stockholder approval requirements of Section 162(m).

If approved by our stockholders, the Amended Stock Plan will become effective beginning May 24, 2016 following the expiration of the Stock Plan on May 23, 2016. If stockholders do not re-approve the material terms of the Amended Stock Plan, the awards granted to any covered employees thereunder may not be fully deductible for tax purposes pursuant to Section 162(m), and our covered employees may not receive the compensation we intended to provide them. In addition, the deductibility of awards granted to our covered employees in the future may potentially be limited. This means we may be limited in our ability to grant awards that satisfy our compensation objectives and that are deductible, although we retain the ability to evaluate the performance of our covered employees and to pay appropriate compensation even if some of it may be non-deductible under Section 162(m).

The Stock Plan is integral to our compensation strategies and programs. The Board believes the Stock Plan provides the flexibility we need to keep pace with our competitors and effectively recruit, motivate and retain the caliber of employees and directors essential for meeting our business objectives.

Summary of the Amendments to the Stock Plan Contained in the Amended Stock Plan

The key terms of the Amended Stock Plan, including the performance measures established thereunder, are substantially the same as those of the Stock Plan. Certain technical changes were made to the Stock Plan, including the following:

- The term of the Stock Plan has been extended by ten years from May 23, 2016 to May 23, 2026;
- The amount of options, restricted stock units, restricted stock bonus, stock appreciation rights, performance awards and other stock-based awards (collectively, “stock awards”) that any non-employee director is eligible to receive during

any fiscal year has been limited; and

• The events that will constitute a “change in control” in instances where an excise tax under Section 409A of the Code would be imposed have been revised.

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### Summary of the Amended Stock Plan

The key terms of the Amended Stock Plan, as proposed, are summarized below. This summary is qualified in its entirety by references to the full text of the Amended Stock Plan. See Exhibit D.

#### Shares Available for Issuance

20,500,000 shares were originally reserved for issuance under the Stock Plan. As of September 30, 2015, 7,271,214 shares remain available for future grant under the Stock Plan, representing 4.53% of the outstanding Common Stock and 4.53% of the total outstanding voting power.

As of September 30, 2015, there were outstanding under the Stock Plan an aggregate of 3,992,666 options to purchase Common Stock with a weighted average exercise price of \$6.54 and a weighted average remaining term of 4.2 years, as well as 2,154,617 restricted stock units.

Upon expiration of the Stock Plan, all shares that have not been issued pursuant to awards under the Stock Plan will become available for issuance under the Amended Stock Plan. As noted above, this proposal does not seek to increase the shares available for issuance under the Amended Stock Plan. If any stock award granted under the Stock Plan or Amended Stock Plan expires or is canceled or otherwise terminated, without having been exercised or redeemed in full, or if any stock award is reacquired or repurchased by us prior to vesting, the shares covered by such stock awards would again be available for use under the Amended Stock Plan. Shares withheld to pay taxes on a stock award and shares withheld or tendered as consideration for the purchase price of a stock award may revert or be added back to the share reserve and become available for issuance under the Amended Stock Plan.

#### Administration and Eligibility

The Compensation Committee, which is made up entirely of independent directors, administers the Amended Stock Plan. The Compensation Committee determines who among those eligible to participate in the Amended Stock Plan will be granted stock awards, determines the types of awards to be granted, prescribes the terms and conditions of all awards, and construes and interprets the terms of the Amended Stock Plan. Determinations of the Compensation Committee are final, binding and conclusive.

As of September 30, 2015, there were nine non-employee directors, nine executive officers and approximately 60 employees other than executive officers who held awards under the Stock Plan.

#### Award Limits

In any one fiscal year: (i) no participant may be granted stock awards in respect of more than 1,000,000 shares or with a value in excess of \$5 million, provided that in connection with an employee's initial service an employee may be granted stock awards in respect of an additional 300,000 shares or with a value in excess of \$5 million that do not count against the limits set forth above; and (ii) no non-employee director may be granted stock awards in respect of more than 20,000 shares or with a value in excess of \$200,000. These award limits are subject to the adjustment provisions discussed below.

#### Types of Awards

**Stock Options.** The Compensation Committee is authorized to grant two types of stock options to participants: nonqualified stock options or incentive stock options. The exercise price of any stock option must be equal to or greater than the fair market value of a share of Common Stock on the date the stock option is granted. The term of a stock option cannot exceed 10 years. The amendment prohibits the Compensation Committee from issuing dividend equivalent rights in connection with stock options.

Subject to the terms of the Amended Stock Plan, the option's terms and conditions, which are determined by the Compensation Committee and set forth in an award agreement, may include but are not limited to, exercise price, vesting, treatment of the award upon termination of employment and expiration of the option.

Payment for shares purchased upon exercise of an option must be made in full at the time of purchase. The exercise price may be paid: (A) in cash or by check; or (B) at the discretion of the Compensation Committee, (i) in shares of Common Stock, subject to any requirements imposed by the Compensation Committee; (ii) pursuant to a "same day sale" program that results in either the receipt of cash or check by us or the receipt of irrevocable instructions to pay the aggregate exercise price to us from the sales proceeds; (iii) by any other form of consideration permitted by law but excluding a promissory note or other form of deferred payment; or (iv) by a combination of the foregoing.





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Stock Appreciation Rights (“SARs”). The Compensation Committee is authorized to grant two types of SARs to participants: stand-alone SARs and stapled SARs. The terms and conditions of the SAR would be set forth in an award agreement. SARs may be exercised at such times and be subject to such other terms, conditions, and provisions as the Compensation Committee may impose. The Compensation Committee may not issue dividend equivalent rights in connection with SARs.

Stand-Alone SARs. Stand-alone SARs cover a specified number of shares of Common Stock and are redeemable upon such terms and conditions as the Compensation Committee may establish. Upon redemption, the holder is entitled to receive a distribution from us in an amount equal to the excess of the aggregate fair market value of the shares of Common Stock underlying the redeemed right over the aggregate base price in effect for those shares. The number of shares of Common Stock underlying each stand-alone SAR and the base price in effect for those shares is determined by the Compensation Committee but the base price must be equal to or greater than the fair market value of a share of Common Stock on the date of grant. The distribution with respect to any redeemed stand-alone SAR may be made in shares of Common Stock, in cash or partly in shares and partly in cash, as determined by the Compensation Committee.

Stapled SARs. Stapled SARs may only be granted concurrently with an option to acquire the same number of shares of Common Stock as the number of such shares underlying the stapled SARs. Stapled SARs are redeemable upon such terms and conditions as the Compensation Committee may establish and grant a holder the right to elect among (A) the exercise of the concurrently granted option for shares of Common Stock, at which time the number of shares of Common Stock subject to the stapled SAR would be reduced by an equivalent number, (B) the redemption of the stapled SARs in exchange for a distribution from us in an amount equal to the excess of the aggregate fair market value of the number of vested shares of Common Stock underlying the redeemed right over the aggregate base price in effect for those shares, or (C) a combination of both (A) and (B). The distribution with respect to any redeemed stapled SAR may be made in shares of Common Stock, in cash, or partly in shares and partly in cash, as determined by the Compensation Committee.

Other Stock-Based Awards. The Compensation Committee may grant an award of a restricted stock bonus, restricted stock purchase right, phantom stock unit, restricted stock unit, performance share bonus, performance share unit or other stock-based award that is valued in whole or in part by reference to the fair market value of the Common Stock. Each stock-based award will be subject to an award agreement that shall contain such terms and conditions as the Compensation Committee shall deem appropriate. Stock-based awards may be transferable by the holder only upon the terms and conditions set forth in the applicable award agreement.

A restricted stock bonus grants to a participant the right to receive restricted stock without any requirement for payment. A restricted stock purchase right grants to a participant a right to purchase a specified number of shares of Common Stock at a price determined by the Compensation Committee. A phantom stock unit award grants the right to receive the value of one share of Common Stock, under conditions specified by the Compensation Committee, in cash or shares. A restricted stock unit award grants to a participant the right to the value of one share of Common Stock upon vesting, in cash or shares. A performance share bonus grants shares of Common Stock, without any requirement for payment by the participant, under conditions specified by the Compensation Committee. A performance share unit grants the right to receive the value of one share of Common Stock upon vesting. All of these other stock-based awards are subject to such additional terms and conditions as the Compensation Committee determines is appropriate. To the extent dividend equivalent rights are issued with respect to a stock-based award that is subject to performance conditions, those rights will be subject to the same performance conditions as the underlying award, so dividend equivalent rights will not be paid on unearned awards.

Non-Discretionary Awards for Non-Employee Directors. The Amended Stock Plan provides for annual grants to each director, who is not also an employee, at the time of his or her re-election to the Board if he or she has served as a director for a period of at least six months on the relevant grant date. The Amended Stock Plan also provides that, on the first day following the date that a director (who is not also an employee) commences service on the Board, an initial grant of a stock award shall automatically be made to the director. The Compensation Committee determines the types of award and the number of shares subject to the annual and initial grants in its sole discretion. All unvested

director grants become fully vested upon the director's retirement. The terms and conditions of any award would be set forth in an award agreement.

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### Performance Measures

Under the Amended Stock Plan, any performance goals applicable to awards intended to qualify as “performance-based compensation” under Section 162(m) will be based on one or more of the following criteria: consolidated earnings before or after taxes (including earnings before one or more of the following: interest, taxes, depreciation and amortization); net income; operating income; earnings per share; book value per share; return on stockholders' equity; expense management; return on investment; improvements in capital structure; profitability of an identifiable business unit or product; maintenance or improvement of profit margins; stock price; market share; revenues or sales; costs and/or cost reductions or savings; cash flow; working capital; return on invested capital or assets; consummations of acquisitions or sales of certain Company assets, subsidiaries or other businesses; funds from operations and pre-tax income. Any such performance goals must be objective and approved by the Compensation Committee in a manner consistent with Section 162(m). The foregoing criteria may relate to the Company, one or more of its subsidiaries, or one or more of its divisions or units, or a combination of the foregoing, and may be applied on an absolute basis or be relative to one or more peer group company or indices, all as the Compensation Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto) and/or Section 409A of the Code, the performance goals may be calculated without regard to unusual and/or infrequently occurring items.

### Vesting

If the vesting of an award under the Amended Stock Plan is based solely on the participant's continuous service with us, the award will not fully vest in less than three years and if the vesting of the award is based on the achievement of performance criteria, the award will not fully vest in less than one year. Vesting may be accelerated due to a participant's “retirement” which is defined as a voluntary termination of service at a time the sum of the participant's age and years of service equals or exceeds 70, provided that the participant has reached at least 60 years of age.

### Acceleration

The Compensation Committee has the power to accelerate exercisability and/or vesting of an award under the Amended Stock Plan only in the case of death, disability, retirement or change of control (as defined in the Amended Stock Plan).

### De Minimis Cap

Notwithstanding any other provision of the Amended Stock Plan, the Compensation Committee may grant awards that do not conform to the requirements of the Amended Stock Plan so long as such awards issued after the date of approval of the Amended Stock Plan by the stockholders do not exceed 5% of the shares authorized for issuance under the Amended Stock Plan.

### Amendment of the Amended Stock Plan

The Compensation Committee has the right to amend the Amended Stock Plan and award agreements, except it generally may not do so in a manner that would materially impair the rights of the holder of an award without the holder's consent. In addition, the Compensation Committee may not amend the Amended Stock Plan absent stockholder approval to the extent such approval is required by applicable law, regulation or stock exchange requirement.

### Termination of the Amended Stock Plan

The Stock Plan is scheduled to terminate on May 23, 2016 unless earlier terminated by the Board. Termination cannot, however, materially impair the rights of the holder of an award outstanding at the time of the termination in the absence of the holder's consent. If stockholders approve this proposal, and unless previously terminated by the Board, the Amended Stock Plan will terminate on May 23, 2026.

### Repricing of Options or SARs

Unless our stockholders approve such adjustment, the Compensation Committee does not have authority to make any adjustments to options, SARs or restricted stock purchase rights that would reduce or would have the effect of reducing the exercise price of an option or SAR previously granted under the Amended Stock Plan.



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Adjustments

In the event of a reclassification, recapitalization, merger, consolidation, reorganization, spin-off, split-up, stock dividend, stock split or reverse stock split, or similar transaction or other change in corporate structure affecting Common Stock, adjustments and other substitutions will be made to the Amended Stock Plan, including adjustments in the maximum number of shares subject to the Amended Stock Plan and other numerical limitations. Adjustments will also be made to awards under the Amended Stock Plan as the Compensation Committee in its discretion deems equitable.

Clawback Policy

If a participant's service with the Company is terminated for "cause", the Company may seek to recover all or a portion of any stock award, including any shares of common stock then held by the participant as well as any gain recognized by the participant upon any sale of any shares issued pursuant to such stock award. In no event will the amount to be recovered by the Company be less than any amount required to be repaid or recovered as a matter of law.

Change in Control

If there is a "change of control" of the Company and the surviving entity or acquiring entity refuses to assume or continue outstanding stock awards or to substitute similar stock awards, then the Board has the discretion to:

(1) provide for a cash payment in exchange for the cancellation of a stock award; (2) continue the stock awards upon such terms as its determines; (3) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected stock awards; or (4) require participants to exercise or redeem stock awards at or prior to the change of control transaction.

Federal Income Tax Consequences

We have been advised by counsel that participants' federal income tax consequences as they relate to awards are as follows:

**Incentive Stock Options (ISOs).** An optionee does not generally recognize taxable income upon the grant or upon the exercise of an ISO. Upon the sale of ISO shares, the optionee recognizes income in an amount equal to the excess, if any, of the fair market value of those shares on the date of sale over the exercise price of the ISO shares. The income is taxed at the long-term capital gains rate if the optionee has not disposed of the stock within two years after the date of the grant of the ISO and has held the shares for at least one year after the date of exercise, and we are not entitled to a federal income tax deduction. The holding period requirements are waived when an optionee dies.

The exercise of an ISO may in some cases trigger liability for the alternative minimum tax. If an optionee sells ISO shares before having held them for at least one year after the date of exercise and two years after the date of grant, the optionee recognizes ordinary income to the extent of the lesser of: (A) the gain realized upon the sale; or (B) the difference between the exercise price and the fair market value of the shares on the date of exercise. Any additional gain is treated as long-term or short-term capital gain depending upon how long the optionee has held the ISO shares prior to disposition. In the year of any such disposition, we receive a federal income tax deduction in an amount equal to the ordinary income that the optionee recognizes, if any, as a result of the disposition.

**Nonqualified Stock Options (NQOs).** An optionee does not recognize taxable income upon the grant of an NQO. Upon the exercise of an NQO, the optionee recognizes ordinary income to the extent the fair market value of the shares received upon exercise of the NQO on the date of exercise exceeds the exercise price. We receive an income tax deduction in an amount equal to the ordinary income that the optionee recognizes upon the exercise of the NQO.

**Restricted Stock.** A participant who receives an award of restricted stock does not generally recognize taxable income at the time of the award. Instead, the participant recognizes ordinary income in the first taxable year in which his or her interest in the shares becomes either: (A) freely transferable; or (B) no longer subject to substantial risk of forfeiture. The amount of taxable income is equal to the fair market value of the shares less the cash, if any, paid for the shares.

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A participant may elect to recognize income at the time of grant of restricted stock in an amount equal to the fair market value of the restricted stock (less any cash paid for the shares) on the date of the award. We receive a compensation expense deduction in an amount equal to the ordinary income recognized by the participant in the taxable year in which restrictions lapse (or in the taxable year of the award if, at that time, the participant had filed a timely election to accelerate recognition of income).

**Other Awards.** In the case of an exercise of an SAR or an award of restricted stock units, phantom stock units, a performance share bonus, performance share units, or other stock awards, the participant would generally recognize ordinary income in an amount equal to any cash received and the fair market value of any shares received on the date of payment or delivery. In that taxable year, we would receive a federal income tax deduction in an amount equal to the ordinary income that the participant has recognized.

**Section 409A.** Section 409A of the Code provides special tax rules applicable to programs that provide for a deferral of compensation. Failure to comply with those requirements will result in accelerated recognition of income for tax purposes along with an additional 20% penalty tax. While certain awards under the Amended Stock Plan could be subject to Section 409A, the Amended Stock Plan and award agreements have been drafted to comply with the requirements of Section 409A.

**Plan Benefits**

All future awards to directors, executive officers, and employees will be made at the discretion of the Compensation Committee. Therefore, we cannot determine future benefits for any other awards under the Amended Stock Plan at this time. The table below shows the grant date fair values of stock-based awards made under the Stock Plan for fiscal 2015. The aggregate grant date fair values of PRSU awards in fiscal 2013, 2014 and 2015 for the fiscal 2015 performance period assume target performance. Actual target performance for the fiscal 2015 performance period resulted in no awards of PRSUs for such period. See “Compensation Discussion and Analysis — Compensation Elements — Long-Term Equity-Based Compensation” and “Executive Compensation — Summary Compensation Table” for more information.

Name and Position	2015 Stock-Based Awards	
	Dollar Value <sup>(1)</sup>	Number of Shares / Units <sup>(2)</sup>
Gregory E. Hyland, Chairman, President and Chief Executive Officer	2,248,099	229,867
Evan L. Hart, Senior Vice President and Chief Financial Officer	652,443	66,712
Keith L. Belknap, Senior Vice President, General Counsel and Chief Compliance Officer; President of Mueller Technologies companies	703,181	76,272
Gregory S. Rogowski, President, Mueller Co.	631,719	64,593
Thomas E. Fish, President, Anvil International	1,398,128	142,958
Executive Officer Group <sup>(3)</sup>	6,450,386	663,921
Non-Employee Directors Group	980,874	137,736
Non-Executive Officer Employee Group	232,155	26,746

The dollar amounts shown reflect the aggregate grant date fair values for RSU awards, PRSU awards and stock (1) options awarded in fiscal 2013, 2014 and 2015 for the fiscal 2015 performance period, in each case calculated in accordance with ASC 718, Stock Compensation, excluding the effect of forfeitures.

Represents RSUs and PRSU awards that could have been earned based on the achievement of performance goals in (2) the 2015 performance period assuming target performance. For non-executive directors, also includes shares issuable pursuant to stock options.

(3) Includes Messrs. Hyland, Hart, Belknap, Rogowski and Fish, among other executive officers.

**Approval by Stockholders**

In order to be effective, the Amended Stock Plan must be approved by the affirmative vote of a majority of votes cast. The Board recommends a vote FOR Proposal Five.



Table of Contents**PROPOSAL SIX:****RATIFICATION OF THE APPOINTMENT OF THE  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has authority to retain and terminate the services of our independent registered public accounting firm. The Audit Committee has appointed Ernst & Young LLP as the independent registered public accounting firm to audit our consolidated financial statements and internal control over financial reporting for the fiscal year ending September 30, 2016, subject to negotiation of definitive fee arrangements. Although stockholder ratification of Ernst & Young's appointment is not required, the Board believes submitting the appointment to our stockholders for ratification is a matter of good corporate governance. See below for a description of the fees Ernst & Young billed us for fiscal 2015 and fiscal 2014.

A representative of Ernst & Young is expected to be present at the Annual Meeting. The representative will have an opportunity to make a statement and will be available to respond to appropriate stockholder questions.

The Board recommends a vote FOR Proposal Six.

**FEES AND SERVICES OF THE INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

The Audit Committee appointed Ernst & Young as the independent registered public accounting firm to audit our consolidated financial statements and internal control over financial reporting for fiscal 2015.

**Audit Fees and Other Fees**

The following table shows the approximate fees for audit and other services provided by Ernst & Young for fiscal years 2015 and 2014 (in millions).

	2015	2014
Audit fees <sup>(1)</sup>	\$2.5	\$2.6
Audit-related fees <sup>(2)</sup>	0.8	—
Tax fees	0.1	—
All other fees	—	—
Total fees	\$3.4	\$2.6

(1) Reflects fees for professional services performed by Ernst & Young for annual audits (including out-of-pocket expenses) and quarterly limited reviews of our consolidated financial statements.

(2) Reflects fees for professional services performed by Ernst & Young for audits of a subsidiary's financial statements for fiscal 2012 through fiscal 2015.

**Pre-Approval of Services Performed by the Independent Registered Public Accounting Firm**

The Audit Committee has adopted procedures for pre-approving all audit and non-audit services provided by the independent registered public accounting firm. For both types of pre-approval, the Audit Committee considers whether the services are consistent with the Securities and Exchange Commission's ("SEC") rules on auditor independence and whether the independent registered public accounting firm is able to provide the most effective service. Non-audit fees to be incurred by the independent registered public accounting firm for services permitted by the Sarbanes-Oxley Act of 2002 to be performed by such firm must be approved in advance by the Audit Committee Chairman (for individual projects in amounts up to \$100,000) or the Audit Committee. The Audit Committee periodically monitors the services rendered and actual fees paid to the independent registered public accounting firm to ensure the services are within the parameters approved by the Audit Committee.



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REPORT OF THE AUDIT COMMITTEE

Committee Composition and Skills

The Audit Committee is comprised of six independent directors meeting the requirements of applicable SEC and NYSE rules. The Board has determined all Audit Committee members are “financially literate” for purposes of the NYSE Manual and qualify as audit committee “financial experts” within the meaning of the rules and regulations of the SEC. See “Matters to be Voted On — Proposal One” for a description of the business background of each member. No member of the Audit Committee serves on the audit committee of more than three public companies.

Meetings

The Audit Committee met 14 times during fiscal 2015, including nine times by teleconference. Meetings include periodic executive sessions with the independent registered public accounting firm, our internal auditors and our management.

Responsibilities of the Audit Committee, Management and the Independent Auditor

The Audit Committee’s key responsibilities are set forth in its charter, which was approved by the Board and is available on our website. See “Corporate Governance — Board Operations — Board Committee Information” for more information concerning the Audit Committee and its responsibilities. For the audit of our consolidated financial statements for fiscal 2015 and our internal control over financial reporting:

Management was primarily responsible for preparing our financial statements and establishing and maintaining effective internal control over financial reporting. The Audit Committee was responsible for monitoring and overseeing our financial reporting and audit functions, as well as internal controls over financial reporting and disclosure.

Ernst & Young, our independent registered public accounting firm for fiscal 2015, was responsible for performing an independent audit of our consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States and was also responsible for performing an independent audit of, and expressing an opinion on, our internal controls over financial reporting. The Audit Committee reviewed and discussed with management and Ernst & Young the audited consolidated financial statements for the year ended September 30, 2015, our quarterly consolidated financial statements and operating results for each quarter in the fiscal year and the related significant accounting and disclosure issues, and the effectiveness of our internal controls over financial reporting.

The Audit Committee reviewed management’s report contained in our annual report on Form 10-K for the year ended September 30, 2015 (“Annual Report”), as well as Ernst & Young’s Reports of Independent Registered Public Accounting Firm included in the Annual Report related to its audits of the consolidated financial statements and internal control over financial reporting.

The Audit Committee discussed with Ernst & Young matters required to be discussed by Statement on Auditing Standards No. 16, as amended, “Communication with Audit Committees.” In addition, Ernst & Young provided the Audit Committee with the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence and the Audit Committee has discussed with Ernst & Young the firm’s independence.

Audited Consolidated Financial Statements

Based on the foregoing discussions with and reports of management and our independent registered public accounting firm and the Audit Committee’s review of the representations of management, the Audit Committee recommended to the Board the inclusion of our consolidated financial statements in the Annual Report.

Audit Committee

Jerry W. Kolb, Chair

Shirley C. Franklin

Thomas J. Hansen

Joseph B. Leonard

Bernard G. Rethore  
Neil A. Springer

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CORPORATE GOVERNANCE

Governance Highlights

- Annual election of directors
- Each of our directors, other than our Chairman, is independent
- Independent lead director
- All Board standing committees are comprised of independent directors
- Regular executive sessions of independent directors chaired by lead director
- Risk oversight conducted by full Board and committees
- Annual Board and committee self-evaluations
- Executive compensation programs designed to mitigate imprudent risk
- Stock ownership guidelines for executives and directors
- Incentive awards subject to clawback

Overview

The Board is committed to establishing and maintaining corporate governance practices that reflect high standards of ethics and integrity.

Our corporate governance structure and processes are based on our key governance documents, including our Corporate Governance Guidelines (the “Guidelines”). The Guidelines govern the operation of the Board and its committees and guide the Board in the execution of its responsibilities. The Governance Committee reviews the Guidelines at least annually and the Board updates the Guidelines periodically in response to changing regulatory requirements, evolving practices and otherwise as circumstances warrant.

Our Code of Business Conduct and Ethics (the “Ethics Code”) applies to all of our employees and directors. We also make available an ethics hotline that may be used by employees and others to anonymously report suspected violations of the Ethics Code. We will disclose promptly any amendments to, or waivers from, provisions of the Ethics Code on our website at [www.muellerwaterproducts.com](http://www.muellerwaterproducts.com), as may be required under applicable rules.

The table below lists some of the Board policies and other materials relating to our corporate governance that are available on our website. We will also provide copies of any of these policies and materials without charge upon written request to our Corporate Secretary at Mueller Water Products, Inc., 1200 Abernathy Road, N.E., Suite 1200, Atlanta, Georgia 30328. The information on our website is not a part of this Proxy Statement.

Corporate Governance Policies and Materials

- Corporate Governance Guidelines
- Board Committee Composition and Committee Charters
- Code of Business Conduct and Ethics
- Certificate of Incorporation
- Bylaws
- Stock Ownership Guidelines

Board Composition

Board Size

The Board is comprised of 10 directors; however, it is expected that Mr. Springer will retire from the Board at a Board meeting scheduled for January 27, 2016. Rather than nominate a successor, the Board will follow the recommendation of the Governance Committee and reduce the size of the Board from ten to nine members immediately following Mr. Springer’s resignation.

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Director Independence

The Governance Committee and the Board annually assess the outside affiliations of each director to determine if these affiliations could cause a potential conflict of interest or interfere with the director's independence. The Guidelines set forth the categorical standards of independence for the Board. To be considered "independent" for purposes of the director qualification standards:

- The director must meet bright-line independence standards under the NYSE Listed Company Manual (the "NYSE Manual"); and

- The Board must affirmatively determine the director otherwise has no material relationship with us directly or as an officer, stockholder or partner of an organization that has a relationship with us. See the Guidelines on our website for more detail.

Each of our directors, other than our Chairman, is independent pursuant to our director qualification standards and each member of the Audit Committee, the Compensation Committee and the Governance Committee is independent in accordance with the NYSE Manual and our director independence standards.

- No member of those committees receives compensation from us other than directors' fees and no member is an affiliated person of ours (other than by virtue of his or her directorship).

- All 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.

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