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MUELLER INDUSTRIES INC
Form 10-Q
October 26, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 29, 2007 Commission file number 1-6770

MUELLER INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

25-0790410
(I.R.S. Employer
Identification No.)

8285 Tournament Drive, Suite 150
Memphis, Tennessee
(Address of principal executive offices)

38125
(Zip Code)

(901) 753-3200
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of shares of the Registrant's common stock outstanding as of October 25, 2007, was 37,077,960.

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MUELLER INDUSTRIES, INC.

FORM 10-Q

For the Period Ended September 29, 2007

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PART I. FINANCIAL INFORMATION
 Item 1. Financial Statements

MUELLER INDUSTRIES, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Quarter Ended	
	September 29, 2007	September 30, 2006
	(In thousands, except per share data)	
Net sales	\$ 693,682	\$ 635,998
Cost of goods sold	603,219	528,946
	-----	-----
Gross profit	90,463	107,052
Depreciation and amortization	11,582	10,462
Selling, general, and administrative expense	36,246	34,787
Copper antitrust litigation settlement	(8,865)	-
	-----	-----
Operating income	51,500	61,803
Interest expense	(5,384)	(5,085)
Other income, net	4,060	1,452
	-----	-----
Income before income taxes	50,176	58,170
Income tax expense	(18,852)	(6,591)
	-----	-----
Net income	\$ 31,324	\$ 51,579
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (continued)
(Unaudited)

	For the Quarter Ended	
	September 29, 2007	September 30, 2006
	(In thousands, except per share data)	
Weighted average shares		
for basic earnings per share	37,075	36,976
Effect of dilutive stock options	234	379
	-----	-----
Adjusted weighted average shares		
for diluted earnings per share	37,309	37,355
	-----	-----
Basic earnings per share	\$ 0.84	\$ 1.39
	=====	=====
Diluted earnings per share	\$ 0.84	\$ 1.38
	=====	=====
Dividends per share	\$ 0.10	\$ 0.10
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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	For the Nine Months Ended	
	September 29, 2007	September 30, 2006
	(In thousands, except per share data)	
Net sales	\$ 2,076,111	\$ 1,966,700
Cost of goods sold	1,801,543	1,623,053
	-----	-----
Gross profit	274,568	343,647
Depreciation and amortization	33,854	31,033
Selling, general, and administrative expense	110,144	109,435
Copper antitrust litigation settlement	(8,865)	-
	-----	-----
Operating income	139,435	203,179
Interest expense	(16,567)	(15,161)
Other income, net	10,938	3,398
	-----	-----
Income before income taxes	133,806	191,416
Income tax expense	(47,171)	(47,722)
	-----	-----
Net income	\$ 86,635	\$ 143,694
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (continued)
(Unaudited)

For the Nine Months Ended

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	September 29, 2007	September 30, 2006
	(In thousands, except per share data)	
Weighted average shares for basic earnings per share	37,054	36,853
Effect of dilutive stock options	185	396
	-----	-----
Adjusted weighted average shares for diluted earnings per share	37,239	37,249
	-----	-----
Basic earnings per share	\$ 2.34	\$ 3.90
	=====	=====
Diluted earnings per share	\$ 2.33	\$ 3.86
	=====	=====
Dividends per share	\$ 0.30	\$ 0.30
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

September 29, 2007	December 30, 2006
(In thousands)	

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Assets

Current assets:

Cash and cash equivalents	\$ 273,211	\$ 200,471
Accounts receivable, less allowance for doubtful accounts of \$8,317 in 2007 and \$6,806 in 2006	351,707	281,679
Inventories	231,228	258,647
Other current assets	35,669	35,397
	-----	-----
Total current assets	891,815	776,194
Property, plant, and equipment, net	320,082	315,064
Goodwill	156,545	155,653
Other assets	33,430	21,996
	-----	-----
	\$ 1,401,872	\$ 1,268,907
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

September 29, December 30,
2007 2006
(In thousands, except share data)

Liabilities and Stockholders' Equity

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Current liabilities:		
Current portion of long-term debt	\$ 33,669	\$ 35,998
Accounts payable	134,569	96,095
Accrued wages and other employee costs	38,522	43,281
Other current liabilities	90,772	80,145
	-----	-----
Total current liabilities	297,532	255,519
Long-term debt	307,988	308,154
Pension liabilities	20,774	19,900
Postretirement liabilities other than pensions	24,446	16,699
Environmental reserves	9,159	8,907
Deferred income taxes	42,030	46,408
Other noncurrent liabilities	1,995	2,206
	-----	-----
Total liabilities	703,924	657,793
	-----	-----
Minority interest in subsidiaries	22,419	22,300
Stockholders' equity:		
Preferred stock - shares authorized 5,000,000; none outstanding	-	-
Common stock - \$.01 par value; shares authorized 100,000,000; issued 40,091,502; outstanding 37,077,960 in 2007 and 37,025,285 in 2006	401	401
Additional paid-in capital, common	258,917	256,906
Retained earnings	459,403	386,038
Accumulated other comprehensive income	22,711	12,503
Treasury common stock, at cost	(65,903)	(67,034)
	-----	-----
Total stockholders' equity	675,529	588,814
Commitments and contingencies	-	-
	-----	-----
	\$ 1,401,872	\$ 1,268,907
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended	
	September 29, 2007	September 30, 2006
	(In thousands)	
Cash flows from operating activities		
Net income	\$ 86,635	\$ 143,694

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Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	34,107	31,225
Deferred income taxes	(3,026)	(11,193)
Minority interest in subsidiaries, net of dividend paid	(644)	2,526
Share-based compensation expense	1,975	2,041
(Gain) loss on disposal of properties	(3,114)	1,913
Gain on sale of equity investment	-	(1,876)
Income tax benefit from exercise of stock options	(130)	(1,217)
Equity in earning of unconsolidated subsidiary	-	(964)
Gain on early retirement of debt	-	(97)
Changes in assets and liabilities, net of businesses acquired:		
Receivables	(36,370)	(59,227)
Inventories	57,656	(96,979)
Other assets	(6,103)	(5,340)
Current liabilities	13,669	20,755
Other liabilities	3,754	2,770
Other, net	(1,003)	(2,987)
	-----	-----
Net cash provided by operating activities	147,406	25,044
	-----	-----
Cash flows from investing activities		
Capital expenditures	(22,776)	(32,975)
Acquisition of businesses, net of cash received	(31,970)	3,632
Proceeds from sale of properties and equity investment	3,033	23,227
	-----	-----
Net cash used in investing activities	(51,713)	(6,116)
	-----	-----

See accompanying notes to condensed consolidated financial statements.

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MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

	For the Nine Months Ended	
	September 29, 2007	September 30, 2006
	(In thousands)	
Cash flows from financing activities		
Issuance of debt by joint venture	\$ 4,506	\$ 24,918
Dividends paid	(11,117)	(11,073)
Proceeds from sale of treasury stock	1,093	7,116

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Repayments of long-term debt	(18,273)	(1,922)
Proceeds from issuance of debt	-	1,902
Income tax benefit from exercise of stock options	130	1,217
Acquisition of treasury stock	(54)	(570)
	-----	-----
Net cash (used in) provided by financing activities	(23,715)	21,588
	-----	-----
Effect of exchange rate changes on cash	762	262
	-----	-----
Increase in cash and cash equivalents	72,740	40,778
Cash and cash equivalents at the beginning of the period	200,471	129,685
	-----	-----
Cash and cash equivalents at the end of the period	\$ 273,211	\$ 170,463
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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MUELLER INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

General

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. Results of operations for the interim periods presented are not necessarily indicative of results which may be expected for any other interim period or for the year as a whole. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K, including the annual financial statements incorporated therein.

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The accompanying unaudited interim financial statements include all normal recurring adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented.

Note 1 - Earnings per Common Share

Basic per share amounts have been computed based on the average number of common shares outstanding. Diluted per share amounts reflect the increase in average common shares outstanding that would result from the assumed exercise of outstanding stock options, computed using the treasury stock method.

Note 2 - Commitments and Contingencies

The Company is involved in certain litigation as a result of claims that arose in the ordinary course of business, which management believes will not have a material adverse effect on the Company's financial position or results of operations. Additionally, the Company may realize the benefit of certain legal claims and litigation in the future; these gain contingencies are not recognized in the Condensed Consolidated Financial Statements.

Guarantees, in the form of letters of credit, are issued by the Company generally to guarantee the payment of insurance deductibles, retiree health benefits, and certain operating costs of a foreign subsidiary. The terms of the Company's guarantees are generally one year but are renewable annually as required. The maximum potential amount of future payments the Company could have been required to make under its guarantees at September 29, 2007 was \$10.3 million.

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Note 3 - Copper Antitrust Litigation

On June 12, 2003, two of the Company's subsidiaries, Mueller Copper Tube Products Inc. and Mueller Copper Tube Company Inc., brought a lawsuit against J.P. Morgan Chase & Co. and Morgan Guaranty Trust Company of New York (collectively Morgan) to recover damages the Company believes it suffered on first purchases of copper cathode resulting from an alleged conspiracy to manipulate the price of copper cathode by Morgan (and certain of its predecessors and affiliates) and others in violation of the federal antitrust laws. The Company's lawsuit was consolidated with those of certain other first purchasers of copper cathode and rod under the name In re Copper Antitrust Litigation. In July 2007, the parties finalized a settlement agreement terminating the lawsuit. The Company received a monetary settlement of approximately \$8.9 million pursuant to the agreement in the third quarter of 2007.

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Note 4 - Inventories

	September 29, 2007	December 30, 2006
	(In thousands)	
Raw materials and supplies	\$ 17,495	\$ 48,265
Work-in-process	38,365	40,209
Finished goods	180,734	188,457
Valuation reserves	(5,366)	(18,284)
	-----	-----
Inventories	\$ 231,228	\$ 258,647
	=====	=====

The Company has deferred recognizing potential gains resulting from liquidation of LIFO inventories during the first nine months of 2007. The Company expects to replenish these inventories by the end of 2007 and, as such, has not recognized the effects of liquidating LIFO layers. In the event the Company is unable to replenish these inventories due to lack of availability or operational reasons, a non-cash gain of up to approximately \$30.0 million from the liquidation of LIFO quantities would be recognized. During the fourth quarter of 2006, certain inventories valued using the FIFO method and certain firm commitments to purchase inventories were written down to the lower of cost or market. The write down of approximately \$14.2 million resulted from the open market price of copper falling below the inventories' net book value.

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Note 5 - Industry Segments

The Company's reportable segments are Plumbing & Refrigeration and OEM. For disclosure purposes, as permitted under Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information," certain operating segments are aggregated into reportable segments. The Plumbing & Refrigeration segment is composed of Standard Products (SPD), European Operations, and Mexican Operations. The OEM segment is composed of Industrial Products (IPD) and Engineered Products (EPD). These segments are classified primarily by the markets for their products. Performance of segments is generally evaluated by their operating income.

SPD manufactures copper tube and fittings, plastic fittings, and line sets. These products are manufactured in the U.S. SPD also imports and resells in North America brass and plastic plumbing valves, malleable iron fittings, faucets, and plumbing specialty products. European Operations consist of copper tube manufacturing, with such products being sold in Europe and the Middle East, and import distribution of fittings, valves,

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and plumbing specialties primarily in the U.K. and Ireland. Mexican Operations consist of pipe nipple manufacturing and import distribution businesses including product lines of malleable iron fittings and other plumbing specialties. The Plumbing & Refrigeration segment's products are sold primarily to plumbing, refrigeration, and air-conditioning wholesalers, hardware wholesalers and co-ops, and building product retailers.

IPD manufactures brass rod, impact extrusions, and forgings as well as a variety of end products including plumbing brass; automotive components; valves and fittings; and specialty copper, copper-alloy, and aluminum tubing. EPD manufactures and fabricates valves and assemblies for the refrigeration, air-conditioning, gas appliance, and barbecue grill markets. The OEM segment sells its products primarily to original equipment manufacturers, many of which are in the HVAC, plumbing, and refrigeration markets. Included in the OEM segment are the results of operations, from its acquisition date of February 27, 2007, and assets of Extruded Metals, Inc.

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Summarized segment information is as follows:

	For the Quarter Ended	
	September 29, 2007	September 30, 2006
	(In thousands)	
Net sales:		
Plumbing & Refrigeration	\$ 397,855	\$ 426,261
OEM	302,122	218,372
Elimination of intersegment sales	(6,295)	(8,635)
	-----	-----
	\$ 693,682	\$ 635,998
	=====	=====
Operating income:		
Plumbing & Refrigeration	\$ 52,260	\$ 56,863
OEM	5,609	9,862
Unallocated expenses	(6,369)	(4,922)
	-----	-----

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Total operating income	51,500	61,803
Interest expense	(5,384)	(5,085)
Other income, net	4,060	1,452
	-----	-----
Income before income taxes	\$ 50,176	\$ 58,170
	=====	=====

For the Nine Months Ended
September 29, September 30,
2007 2006
(In thousands)

Net sales:		
Plumbing & Refrigeration	\$ 1,223,337	\$ 1,364,360
OEM	868,053	628,472
Elimination of intersegment sales	(15,279)	(26,132)
	-----	-----
	\$ 2,076,111	\$ 1,966,700
	=====	=====
Operating income:		
Plumbing & Refrigeration	\$ 130,860	\$ 179,384
OEM	29,102	42,326
Unallocated expenses	(20,527)	(18,531)
	-----	-----
Total operating income	139,435	203,179
Interest expense	(16,567)	(15,161)
Other income, net	10,938	3,398
	-----	-----
Income before income taxes	\$ 133,806	\$ 191,416
	=====	=====

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September 29, December 30,
2007 2006
(In thousands)

Segment assets:		
Plumbing & Refrigeration	\$ 730,193	\$ 760,147
OEM	374,229	280,692
General corporate	297,450	228,068
	-----	-----
	\$ 1,401,872	\$ 1,268,907
	=====	=====

Note 6 - Comprehensive Income

Comprehensive income is as follows:

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	For the Quarter Ended	
	September 29, 2007	September 30, 2006
	(In thousands)	
Net income	\$ 31,324	\$ 51,579
Other comprehensive income (loss), net of tax:		
Foreign currency translation	2,883	2,012
Amortization of prior service cost included in pension expense	47	-
Amortization of actuarial gains and losses included in pension expense	(10)	-
Change in the fair value of derivatives	228	(306)
Other comprehensive income	3,148	1,706
Comprehensive income	\$ 34,472	\$ 53,285

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	For the Nine Months Ended	
	September 29, 2007	September 30, 2006
	(In thousands)	
Net income	\$ 86,635	\$ 143,694
Other comprehensive income (loss), net of tax:		
Foreign currency translation	9,360	7,913
Minimum pension liability	-	4,315
Amortization of prior service cost included in pension expense	148	-
Amortization of actuarial gains and losses included in pension expense	100	-
Change in the fair value of derivatives	600	(203)
Other comprehensive income	10,208	12,025
Comprehensive income	\$ 96,843	\$ 155,719

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The change in cumulative foreign currency translation adjustment primarily relates to the Company's investment in its foreign subsidiaries and fluctuations in exchange rates between their local currencies and the U.S. dollar, plus the tax effect of certain intercompany transactions. During the first nine months of 2007, the value of the British pound sterling and the Chinese renmimbi increased 4.5 percent and 4.0 percent, respectively, compared to the U.S. dollar.

Note 7 - Employee Benefits

The Company sponsors several qualified and nonqualified pension plans and other postretirement benefit plans for certain of its employees. During the first quarter of 2007, the Company assumed certain pension and postretirement obligations totaling approximately \$25.8 million and \$7.5 million, respectively, and pension trust assets of \$31.9 million in the acquisition of Extruded Metals, Inc. Net periodic pension benefit related to the pension plan is expected to be \$0.7 million annually and net periodic benefit cost related to the postretirement plan is expected to be \$0.6 million annually.

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Net periodic benefit (income) cost is based on estimated values provided by independent actuaries. The components of net periodic benefit (income) cost are as follows:

	For the Quarter Ended	
	September 29, 2007	September 30, 2006
	(In thousands)	
Pension benefits:		
Service cost	\$ 506	\$ 592
Interest cost	2,078	2,320
Expected return on plan assets	(2,952)	(3,053)
Amortization of prior service cost	78	94
Amortization of net loss	219	345
	-----	-----
Net periodic benefit (income) cost	\$ (71)	\$ 298
	=====	=====
Other benefits:		
Service cost	\$ (284)	\$ 1
Interest cost	437	159
Amortization of prior service cost	(2)	2
Amortization of net loss	45	33
Curtailement gain	(194)	-
	-----	-----

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Net periodic benefit cost	\$	2	\$	195
		=====		=====

For the Nine Months Ended
September 29, September 30,
2007 2006
(In thousands)

Pension benefits:				
Service cost	\$	1,518	\$	1,541
Interest cost		6,234		6,204
Expected return on plan assets		(8,748)		(7,902)
Amortization of prior service cost		233		280
Amortization of net loss		658		763
		-----		-----
Net periodic benefit (income) cost	\$	(105)	\$	886
		=====		=====
Other benefits:				
Service cost	\$	849	\$	5
Interest cost		772		477
Amortization of prior service cost		2		6
Amortization of net loss		137		98
Curtailment gain		(194)		-
		-----		-----
Net periodic benefit cost	\$	1,566	\$	586
		=====		=====

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The Company anticipates contributions to its pension plans for 2007 to be approximately \$2.5 million. During the first nine months of 2007, approximately \$1.9 million of contributions have been made to certain pension plans.

Note 8 - Acquisitions

On February 27, 2007, the Company acquired 100 percent of the outstanding stock of Extruded Metals, Inc. (Extruded) for \$32.6 million in cash, including transaction costs of \$0.6 million. Extruded, located in Belding, Michigan, manufactures brass rod products, and during 2006 had annual net sales of approximately \$350 million. The acquisition of Extruded will complement the Company's existing brass rod product line. The total estimated fair values of the assets acquired totaled \$76.2 million, consisting primarily of receivables of \$29.5 million, inventories of \$26.8 million, property, plant, and equipment of \$12.7 million, and prepaid pension asset of \$6.1 million. The total estimated fair values of liabilities assumed totaled \$43.6 million, consisting primarily of a working capital debt facility of \$10.0 million, accounts payable and accrued expenses of \$24.0 million, and postretirement benefit obligations of \$7.5 million. The debt assumed was extinguished by the Company immediately following the acquisition. During the third quarter of 2007, adjustments were recorded to the estimated fair value of assets acquired and liabilities assumed, resulting in a decrease in the postretirement benefit obligation of \$4.1 million, a decrease in property, plant, and equipment of \$2.6 million, and an increase in long term deferred tax liability of \$1.5 million. Management will continue the process of refining the purchase price accounting estimates and expects to finalize

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these estimates in the fourth quarter of 2007. As a result, this purchase price allocation is subject to change.

The results of operations for Extruded are reported in the Company's OEM segment and have been included in the accompanying Condensed Consolidated Financial Statements from the acquisition date. The following table presents condensed pro forma consolidated results of operations as if the Extruded acquisition had occurred at the beginning of the periods presented. This information combines the historical results of operations of the Company and Extruded after the effects of estimated preliminary purchase accounting adjustments. Actual adjustments may differ from those reflected below. The pro forma information does not purport to be indicative of the results that would have been obtained if the operations had actually been combined during the periods presented and is not necessarily indicative of operating results to be expected in future periods.

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	For the Quarter Ended	
	September 29, 2007	September 30, 2006
	(In thousands, except per share data)	
Pro forma:		
Net sales	\$ 693,682	\$ 735,669
Net income	31,324	53,265
Earnings per share:		
Basic	\$ 0.84	\$ 1.44
Diluted	\$ 0.84	\$ 1.43

	For the Nine Months Ended	
	September 29, 2007	September 30, 2006
	(In thousands, except per share data)	
Pro forma:		
Net sales	\$ 2,133,539	\$ 2,242,092
Net income	86,600	152,440
Earnings per share:		
Basic	\$ 2.34	\$ 4.14
Diluted	\$ 2.33	\$ 4.09

In December 2005, two subsidiaries of the Company received a business

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license from a Chinese industry and commerce authority, establishing a joint venture with Jiangsu Xingrong Hi-Tech Co., Ltd. and Jiangsu Baiyang Industries Ltd. The joint venture, in which the Company holds a 50.5 percent interest, produces inner groove and smooth tube in level-wound coils, pancake coils, and straight lengths, primarily to serve the Chinese domestic OEM air-conditioning market as well as to complement the Company's U.S. product line. The joint venture is located primarily in Jintan City, Jiangsu Province, China. The joint venture entity is named Jiangsu Mueller-Xingrong Copper Industries Limited (Mueller-Xingrong). During the first quarter of 2006, the Company contributed an additional \$12.4 million, which completed its initial planned cash investment. Non-cash contributions from the other joint venture parties included long-lived assets of approximately \$8.5 million during the first quarter of 2006. The results of operations of this joint venture are reported in the OEM segment and are included in the Company's Condensed Consolidated Financial Statements from January 1, 2006.

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Note 9 - Income Taxes

FIN 48 Adoption and 2007 Activity:

At the beginning of fiscal 2007, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). As a result of the adoption, the Company recorded an adjustment of approximately \$2.2 million to reduce the opening balance of retained earnings. Additionally, as a result of the adoption of FIN 48, \$3.5 million of federal income tax benefits associated with state tax uncertainties, which had been used to reduce the tax contingency liability in prior periods, were reclassified to deferred income taxes on the Company's Condensed Consolidated Balance Sheet. At adoption, the Company's unrecognized tax benefits totaled \$25.6 million. Cumulative potential interest accrued related to unrecognized tax benefits at the date of adoption totaled \$3.2 million. The Company includes interest related to income tax matters as a component of income tax expense. All unrecognized tax benefits at adoption would affect the effective tax rate, if recognized.

During the nine months ended September 29, 2007, total unrecognized tax benefits increased to \$26.3 million. The increase is primarily due to \$1.2 million of derecognized tax benefits resulting from audit activity during the period and \$2.3 million of derecognized tax benefits resulting from uncertainties arising or identified subsequent to the adoption date. Offsetting these items is the recognition of tax benefits of approximately \$2.4 million due to a lapse in the statute of limitations. Cumulative potential interest accrued related to unrecognized tax benefits at September 29, 2007 totaled \$3.2 million. At September 29, 2007, all unrecognized tax benefits would affect the effective tax rate, if recognized.

The Company files a consolidated U.S. Federal return and numerous

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combined, unitary, and separate income tax returns in various state, local, and foreign jurisdictions. The Company is no longer subject to U.S. Federal income tax examinations for years before 2004 and with few exceptions is no longer subject to state, local, or foreign income tax examinations by tax authorities for years before 2001. The Internal Revenue Service is currently examining Extruded's 2005 U.S. Federal income tax return. Additionally, the Mississippi State Tax Commission and the California Franchise Tax Board are currently examining state income tax returns for certain of the Company's subsidiaries for years 2002 through 2005. The results of these examinations are not expected to have a material impact on the Company's financial position or results of operations.

Discussion of Effective Tax Rate:

The Company's effective tax rate for the third quarter of 2007 was 37.6 percent compared with 11.3 percent for the same period last year. The Company's effective tax rate for the first nine months of 2007 was 35.3 percent compared with 24.9 percent for the same period last year. The reduction in the rate in the prior year was primarily related to adjustments to reduce tax contingency reserves and changes in estimate regarding the future realization of certain state tax credit carryforwards.

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In the current quarter, the difference between the effective tax rate and the U.S. Federal statutory tax rate is primarily related to (i) the provision for state taxes of \$1.1 million, net of federal benefit, (ii) reconciliation of 2006 tax provision to final tax returns totaling \$1.7 million, and (iii) additional expense of \$1.2 million, net of federal benefit, resulting from unrecognized tax benefits. These items were partially offset by the recognition of a benefit from federal tax incentives of \$0.7 million and the recognition of tax benefits and previously accrued interest of \$2.2 million, net of federal benefit, due to a lapse in the statute of limitations.

Income tax expense for the nine months ended September 29, 2007 includes a benefit of \$7.8 million, or \$0.21 per diluted share, for a reduction in the valuation allowance for state income tax credit carryforwards. During the first quarter, the Company changed its estimates regarding the future realization of these credit carryforwards as a result of tax plans initiated in the period which management determined were feasible and would be implemented. The estimates related to the future realization of these credit carryforwards are highly subjective and could be affected by changes in business conditions and the feasibility of tax planning strategies. Changes in any of these factors could have a material impact on future income tax expense. Also included in income tax expense are adjustments of \$2.2 million, or \$0.06 per diluted share, during the first quarter to correct the prior year income tax provision for deferred tax liabilities on U.S. pension plans, and \$2.8 million, or \$0.08 per diluted share, for a change in estimate during the first quarter which reduced deferred tax assets related to the determination that a certain tax plan was no longer economically beneficial to the Company and thus would not be executed. The effect of the correction is not material to the current period or the prior period presented. The net effect of these adjustments was a benefit of \$2.7 million, or a reduction in the Company's effective tax rate of 2.0 percent for the period.

Other factors that explain the difference between the effective tax rate and the U.S. Federal statutory tax rate for the first nine months of

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2007 were (i) the provision for state taxes (excluding the effects of the change in estimate related to the state income tax credit carryforwards) of \$3.6 million, net of federal benefit, (ii) a provision for repatriation of certain foreign earnings of \$0.4 million, (iii) reconciliation of 2006 tax provision to final tax returns totaling \$0.9 million, and (iv) additional expense of \$3.0 million, net of federal benefit, resulting from unrecognized tax benefits. These items were partially offset by (i) the recognition of a benefit from federal tax incentives of \$2.2 million, (ii) recognition of tax benefits of \$2.2 million, net of federal benefit, due to a lapse of the statute of limitations, and (iii) the recognition of a benefit of a foreign tax holiday of approximately \$1.0 million (without consideration of minority interest).

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Note 10 - Other Income, Net

	For the Quarter Ended	
	September 29, 2007	September 30, 2006
	(In thousands)	
Interest income	\$ 3,168	\$ 1,898
Environmental expense	(119)	(153)
Minority interest in (income) loss of subsidiaries	626	(721)
Gain (loss) on disposal of properties, net	(23)	(5)
Rent, royalties, and other, net	408	433
	-----	-----
Other income, net	\$ 4,060	\$ 1,452
	=====	=====

	For the Nine Months Ended	
	September 29, 2007	September 30, 2006
	(In thousands)	
Interest income	\$ 8,100	\$ 3,861
Gain on sale of equity investment	-	1,876
Equity in earnings of unconsolidated subsidiary	-	964
Gain on early retirement of debt	-	97
Environmental expense	(487)	(418)
Minority interest in (income) loss of subsidiaries	(720)	(2,526)
Gain (loss) on disposal of		

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properties, net	3,114	(1,913)
Rent, royalties, and other, net	931	1,457
	-----	-----
Other income, net	\$ 10,938	\$ 3,398
	=====	=====

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Note 11 - Recently Issued Accounting Standards

The FASB has issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosure about fair value measurements. The Company is required to adopt the provisions of this statement in the first quarter of fiscal 2008. Management is reviewing the potential effects of this statement; however, it does not expect the adoption of SFAS No. 157 to have a material impact on the Company's Condensed Consolidated Financial Statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the effect that adoption of this statement will have on the Company's Condensed Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

The Company is a leading manufacturer of copper, brass, plastic, and aluminum products. The range of these products is broad: copper tube and fittings; brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; aluminum and copper impact extrusions; plastic fittings and valves; refrigeration valves and fittings; and fabricated tubular products. The Company also resells imported brass and plastic plumbing valves, malleable iron fittings, steel nipples, faucets and plumbing specialty products. The Company's operations are located throughout the United States, and in Canada, Mexico, Great Britain, and China.

The Company's businesses are aggregated into two reportable segments: the Plumbing & Refrigeration segment and the OEM segment. For disclosure

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purposes, as permitted under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," certain operating segments are aggregated into reportable segments. The Plumbing & Refrigeration segment is composed of the Standard Products Division (SPD), European Operations, and Mexican Operations. The OEM segment is composed of the Industrial Products Division (IPD) and Engineered Products Division (EPD). These reportable segments are described in more detail below. SPD manufactures and sells copper tube, copper and plastic fittings, and valves in North America and sources products for import distribution in North America. European Operations manufactures copper tube in Europe, which is sold in Europe and the Middle East; activities also include import distribution in the U.K. and Ireland. Mexican Operations include pipe nipple manufacturing and import distribution businesses including product lines of malleable iron fittings and other plumbing specialties. The Plumbing & Refrigeration segment sells products to wholesalers in the HVAC (heating, ventilation, and air-conditioning), plumbing, and refrigeration markets, to distributors

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to the manufactured housing and recreational vehicle industries, and to building material retailers. The OEM segment manufactures and sells brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; aluminum and copper impact extrusions; refrigeration valves and fittings; fabricated tubular products; and gas valves and assemblies. The OEM segment sells its products primarily to original equipment manufacturers, many of which are in the HVAC, plumbing, and refrigeration markets.

New housing starts and commercial construction are important determinants of the Company's sales to the HVAC, refrigeration, and plumbing markets because the principal end use of a significant portion of the Company's products is in the construction of single and multi-family housing and commercial buildings. Repairs and remodeling projects are also important factors affecting the underlying demand for these products.

Profitability of certain of the Company's product lines depends upon the "spreads" between the cost of raw material and the selling prices of its completed products. The open market prices for copper cathode and scrap, for example, influence the selling price of copper tubing, a principal product manufactured by the Company. The Company attempts to minimize the effects on profitability from fluctuations in material costs by passing through these costs to its customers. The Company's earnings and cash flow are dependent upon these spreads that fluctuate based upon market conditions.

Earnings and profitability are also subject to market conditions and trends including substitute products and imports. For plumbing applications, plastic systems are the primary substitute product; these products represent an increasing share of consumption. Imports of copper tubing from Mexico have increased in recent years, although U.S. consumption is still predominantly supplied by U.S. manufacturers.

Results of Operations

During the third quarter of 2007, the Company's net sales were \$693.7 million, which compares with net sales of \$636.0 million for the same period of 2006. Net sales were \$2.08 billion in the first nine months of 2007 compared with \$1.97 billion in the same period of 2006. The change in net sales for the quarter and nine-month period was primarily attributable to contributions from acquired businesses partially offset by reduced

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volumes in the Company's core product lines. The average price of copper was approximately 5 percent higher in the first nine months of 2007 compared with the same period of 2006. Extruded Metals, Inc. (Extruded) contributed \$93.4 million of net sales in the third quarter and \$222.9 million of net sales since its acquisition in February 2007.

Cost of goods sold increased from \$528.9 million in the third quarter of 2006 to \$603.2 million in the same period of 2007. Cost of goods sold for the nine months ended September 29, 2007 was \$1.80 billion compared with \$1.62 billion for the first nine months of 2006. The current year increase was attributable to higher material costs and acquired businesses, partially offset by volume declines and lower conversion costs. Gross profit decreased to \$90.5 million from \$107.1 million in the third quarter

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and decreased to \$274.6 million from \$343.6 million for the nine-month period due primarily to lower margins on copper tube and brass rod. During the first nine months of 2007, inventory quantities valued using the LIFO method declined. The Company expects to replenish these inventories by the end of 2007 and, as such, has not recognized the effects of liquidating LIFO layers. In the event the Company is unable to replenish these inventories due to lack of availability or operational reasons, a non-cash gain of up to approximately \$30.0 million from the liquidation of LIFO quantities would be recognized.

Selling, general, and administrative expense was \$36.2 million for the third quarter of 2007 compared with \$34.8 million for the same period of 2006. Year-to-date selling, general, and administrative expense was \$110.1 million for 2007 compared with \$109.4 million for the same period of 2006. The increase for the quarter and nine months was primarily due to expenses of Extruded since its acquisition date.

During the third quarter of 2007, the Company received a monetary settlement of approximately \$8.9 million pursuant to a settlement agreement terminating a lawsuit against J.P. Morgan Chase & Co. and Morgan Guaranty Trust Company of New York (collectively Morgan) to recover damages the Company believes it suffered on first purchases of copper cathode resulting from an alleged conspiracy to manipulate the price of copper cathode by Morgan (and certain of its predecessors and affiliates) and others in violation of the federal antitrust laws.

For the third quarter of 2007, operating income at the Plumbing & Refrigeration segment was \$52.3 million, which compares with \$56.9 million in the same period of 2006. Operating income for the first nine months at the Plumbing & Refrigeration segment was \$130.9 million, which compares with \$179.4 million in the same period of 2006. The third quarter decreases were primarily attributable to lower selling prices and spreads in copper tube, partially offset by proceeds from the copper antitrust litigation settlement. The year-to-date decreases were primarily attributable to reduced volumes.

Operating income at the OEM segment was \$5.6 million in the third quarter of 2007 compared with \$9.9 million in the third quarter of 2006. Operating income for the first nine months of 2007 at the OEM segment was \$29.1 million, which compares with \$42.3 million in the same period of 2006. Reduced operating income in the third quarter and first nine months of 2007 was due primarily to reduced volumes at the Port Huron brass rod mill partially offset by contributions from Extruded.

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Interest expense for the third quarter of 2007 totaled \$5.4 million, compared with \$5.1 million for the same period of 2006. For the first nine months of 2007, interest expense was \$16.6 million compared with \$15.2 million for the same period of 2006. The increase in interest expense for the third quarter and first nine months of 2007 is attributable to increased borrowings by Mueller-Xingrong to fund working capital.

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Other income, net was \$4.1 million for the third quarter of 2007 compared with \$1.5 million for the same period of 2006. The current year increase was primarily due to increased interest income on higher invested cash balances and reduction of the elimination of minority interest in Mueller-Xingrong. Year-to-date, other income, net was \$10.9 million in 2007 compared with \$3.4 million for the same period of 2006. The current year increase is due primarily to the recognition of a \$3.1 million gain in the first quarter of 2007 from the sale of non-operating royalty producing properties plus increased interest income on higher invested cash balances. In April 2006, the Company sold its approximately 38 percent interest in Conbraco Industries, Inc., which had a net book value of approximately \$21.1 million. This transaction resulted in a pre-tax gain of approximately \$1.9 million. Aggregate cash proceeds from the sale were approximately \$23.0 million.

The Company's effective tax rate for the third quarter of 2007 was 37.6 percent compared with 11.3 percent for the same period last year. The Company's effective tax rate for the first nine months of 2007 was 35.3 percent compared with 24.9 percent for the same period last year. The reduction in the rate in the prior year was primarily related to adjustments to reduce tax contingency reserves and changes in estimate regarding the future realization of certain state tax credit carryforwards.

In the current quarter, the difference between the effective tax rate and the U.S. Federal statutory tax rate is primarily related to (i) the provision for state taxes of \$1.1 million, net of federal benefit, (ii) reconciliation of 2006 tax provision to final tax returns totaling \$1.7 million, and (iii) additional expense of \$1.2 million, net of federal benefit, resulting from unrecognized tax benefits. These items were partially offset by the recognition of a benefit from federal tax incentives of \$0.7 million and the recognition of tax benefits and previously accrued interest of \$2.2 million, net of federal benefit, due to a lapse in the statute of limitations.

Income tax expense for the nine months ended September 29, 2007 includes a benefit of \$7.8 million, or \$0.21 per diluted share, for a reduction in the valuation allowance for state income tax credit carryforwards. During the first quarter, the Company changed its estimates regarding the future realization of these credit carryforwards as a result of tax plans initiated in the period which management determined were feasible and would be implemented. The estimates related to the future realization of these credit carryforwards are highly subjective and could be affected by changes in business conditions and the feasibility of tax planning strategies. Changes in any of these factors could have a material impact on future income tax expense. Also included in income tax expense

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are adjustments of \$2.2 million, or \$0.06 per diluted share, during the first quarter to correct the prior year income tax provision for deferred tax liabilities on U.S. pension plans, and \$2.8 million, or \$0.08 per diluted share, for a change in estimate during the first quarter which reduced deferred tax assets related to the determination that a certain tax plan was no longer economically beneficial to the Company and thus would not be executed. The effect of the correction is not material to the current period or the prior period presented. The net effect of these adjustments was a benefit of \$2.7 million, or a reduction in the Company's effective tax rate of 2.0 percent for the period.

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Other factors that explain the difference between the effective tax rate and the U.S. Federal statutory tax rate for the first nine months of 2007 were (i) the provision for state taxes (excluding the effects of the change in estimate related to the state income tax credit carryforwards) of \$3.6 million, net of federal benefit, (ii) a provision for repatriation of certain foreign earnings of \$0.4 million, (iii) reconciliation of 2006 tax provision to final tax returns totaling \$0.9 million, and (iv) additional expense of \$3.0 million, net of federal benefit, resulting from unrecognized tax benefits. These items were partially offset by (i) the recognition of a benefit from federal tax incentives of \$2.2 million, (ii) recognition of tax benefits of \$2.2 million, net of federal benefit, due to a lapse of the statute of limitations, and (iii) the recognition of a benefit of a foreign tax holiday of approximately \$1.0 million (without consideration of minority interest).

Liquidity and Capital Resources

Cash provided by operating activities during the first nine months of 2007 totaled \$147.4 million, which is primarily attributable to net income, depreciation and amortization, decreased inventories, and increased current liabilities, partially offset by increased receivables and other assets. Fluctuations in the cost of copper and other raw materials affect the Company's liquidity. Changes in material costs directly impact components of working capital, primarily inventories and accounts receivable. During the first nine months of 2007, the average COMEX copper price was approximately \$3.21 per pound, which represents a 5 percent increase over the average price during the first nine months of 2006. This rise in the price of cathode has also resulted in sharp increases in the open market price for copper scrap and, to a lesser extent, the price of brass scrap.

During the first nine months of 2007, cash used in investing activities was \$51.7 million, consisting of capital expenditures totaling \$22.8 million, plus the acquisition of Extruded for \$32.0 million, partially offset by proceeds from the sale of properties of \$3.0 million. Cash used in financing activities totaled \$23.7 million for the first nine months of 2007 consisting primarily of repayment of long-term debt of \$18.3 million and payment of dividends of \$11.1 million, partially offset by issuance of debt of \$4.5 million by the Company's Chinese joint venture.

The Company has a \$200 million unsecured line-of-credit (Credit Facility) which expires in December 2011. At September 29, 2007, the Company had no borrowings against the Credit Facility. Approximately \$9.8 million in letters of credit were backed by the Credit Facility at the end of the third quarter of 2007. As of September 29, 2007, the Company's total debt was \$341.7 million or 34 percent of its total capitalization.

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Covenants contained in the Company's financing obligations require, among other things, the maintenance of minimum levels of tangible net worth and the satisfaction of certain minimum financial ratios. As of September 29, 2007, the Company was in compliance with all of its debt covenants.

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The Company declared and paid a regular quarterly cash dividend of ten cents per common share in each of the first three quarters of 2007. Payment of dividends in the future is dependent upon the Company's financial condition, cash flows, capital requirements, earnings, and other factors. The Company makes semi-annual interest payments of approximately \$8.9 million each May 1 and November 1 on its 6% Subordinated Debentures. The Company may repurchase the Debentures through open market transactions or through privately negotiated transactions.

Management believes that cash provided by operations and currently available cash of \$273.2 million will be adequate to meet the Company's normal future capital expenditures and operational needs. The Company's current ratio was 3 to 1 at September 29, 2007.

The Company's Board of Directors has authorized the repurchase until October 2008 of up to ten million shares of the Company's common stock through open market transactions or through privately negotiated transactions. The Company has no obligation to purchase any shares and may cancel, suspend, or extend the time period for the purchase of shares at any time. Any purchases will be funded primarily through existing cash and cash from operations. The Company may hold any shares purchased in treasury or use a portion of the repurchased shares for employee benefit plans, as well as for other corporate purposes. Through September 29, 2007, the Company has repurchased approximately 2.4 million shares under this authorization.

There have been no significant changes in the Company's contractual cash obligations reported at December 30, 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in raw material and energy costs, interest rates, and foreign currency exchange rates. To reduce such risks, the Company may periodically use financial instruments. All hedging transactions are authorized and executed pursuant to policies and procedures. Further, the Company does not buy or sell financial instruments for trading purposes.

Cost and Availability of Raw Materials and Energy

Copper and brass represent the largest component of the Company's variable costs of production. The cost of these materials is subject to global market fluctuations caused by factors beyond the Company's control. Significant increases in the cost of metal, to the extent not reflected in prices for the Company's finished products, or the lack of availability could materially and adversely affect the Company's business, results of operations and financial condition.

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The Company occasionally enters into forward fixed-price arrangements with certain customers. The Company may utilize forward contracts to hedge risks associated with forward fixed-price arrangements. The Company may also utilize forward contracts to manage price risk associated with inventory. Depending on the nature of the hedge, changes in the fair value of the forward contracts will either be offset against the change in fair

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value of the inventory through earnings or recognized as a component of comprehensive income and reflected in earnings upon the sale of inventory. Periodic value fluctuations of the contracts generally offset the value fluctuations of the underlying fixed-price transactions or inventory. At September 29, 2007, the Company held open forward contracts to purchase approximately \$6.1 million of copper over the next ten months related to fixed-price sales orders.

Futures contracts may also be used to manage price risk associated with natural gas purchases. The effective portion of gains and losses with respect to these positions are deferred in stockholders' equity as a component of comprehensive income and reflected in earnings upon consumption of natural gas. Periodic value fluctuations of the contracts generally offset the value fluctuations of the underlying natural gas prices. At September 29, 2007, the Company held no open forward contracts to purchase natural gas.

Interest Rates

At September 29, 2007, the Company had variable-rate debt outstanding of \$33.7 million, the majority of which related to the debt issued by Mueller-Xingrong. At these borrowing levels, a hypothetical 10 percent increase in interest rates would have had an insignificant unfavorable impact on the Company's pretax earnings and cash flows. The primary interest rate exposure on floating-rate debt is based on LIBOR and on the base-lending rate published by the People's Bank of China.

Foreign Currency Exchange Rates

Foreign currency exposures arising from transactions include firm commitments and anticipated transactions denominated in a currency other than an entity's functional currency. The Company and its subsidiaries generally enter into transactions denominated in their respective functional currencies. Foreign currency exposures arising from transactions denominated in currencies other than the functional currency are not material; however, the Company may utilize certain forward fixed-rate contracts to hedge such transactional exposures. Gains and losses with respect to these positions are deferred in stockholders' equity as a component of comprehensive income and reflected in earnings upon collection of receivables. At September 29, 2007, the Company held open forward contracts to purchase approximately 4.0 million U.S. dollars.

The Company's primary foreign currency exposure arises from foreign-denominated revenues and profits and their translation into U.S. dollars. The primary currencies to which the Company is exposed include the Canadian dollar, the British pound sterling, the Euro, the Mexican peso, and the Chinese renminbi. The Company generally views as long-term its investments in foreign subsidiaries with a functional currency other than the U.S. dollar. As a result, the Company generally does not hedge these net investments.

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Cautionary Statement Regarding Forward Looking Information

Statements in this Quarterly Report on Form 10-Q that are not strictly historical may be "forward-looking" statements, which involve risks and uncertainties. These include economic and currency conditions, continued availability of raw materials and energy, market demand, pricing, competitive and technological factors, and the availability of financing, among others, as set forth in the Company's filings with the Securities and Exchange Commission. The words "outlook," "estimate," "project," "intend," "expect," "believe," "target," and similar expressions are intended to identify forward-looking statements. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. The Company has no obligation to publicly update or revise any forward-looking statements to reflect events after the date of this report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure information required to be disclosed in Company reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) of the Exchange Act as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of September 29, 2007.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the Company's fiscal quarter ending September 29, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

General

The Company is involved in certain litigation as a result of claims that arose in the ordinary course of business, which management believes will not have a material adverse effect on the Company's financial position or results of operations. Additionally, the Company may realize the benefit of certain legal claims and litigation in the future; these gain contingencies are not recognized in the Condensed Consolidated Financial Statements.

Copper Tube Antitrust Litigation

Beginning in September 2004, the Company has been named as a defendant in several purported class action complaints brought by direct and indirect purchasers alleging anticompetitive activities with respect to the sale of copper tubes in the United States (the Copper Tube Actions). Two such purported class actions were filed in the United States District Court for the Western District of Tennessee (the Federal Actions). The remaining Copper Tube Actions were filed in state courts in Tennessee, California and Massachusetts.

Certain of the Copper Tube Actions purport to address the sale of copper plumbing tube in particular. Plaintiffs' motions to consolidate the Federal Actions and the actions pending in California state court, respectively, have been granted. All of the Copper Tube Actions, which are similar, seek monetary and other relief.

Wholly owned Company subsidiaries, WTC Holding Company, Inc., Deno Holding Company, Inc., and Mueller Europe Ltd. (Mueller Europe), are named in all of the Copper Tube Actions, and Deno Acquisition Eurl is or was named in two of the Copper Tube Actions but has not been, or was not, served with the complaints in those actions. The claims against WTC Holding Company, Inc. and Deno Holding Company Inc. have been dismissed without prejudice in the Copper Tube Actions pending in California and Massachusetts state courts.

In September 2006, the Federal Actions were dismissed as to Mueller Europe for lack of personal jurisdiction. In October 2006, the Federal Actions were dismissed in their entirety for lack of subject matter jurisdiction as to all defendants. Although plaintiffs filed a motion for reconsideration of the dismissal of Mueller Europe, the court has held that such motion was mooted by its dismissal of the case for lack of subject matter jurisdiction. Plaintiffs filed a motion to alter or amend the judgment dismissing the complaint for lack of subject matter jurisdiction, which the court denied in May 2007. In June 2007, plaintiffs filed a notice of appeal in the Federal Actions with the United States Court of Appeals for the Sixth Circuit. The Company, WTC Holding Company, Inc., Deno Holding Company, Inc., and Mueller Europe filed notices of cross-appeal in July 2007.

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In September 2007, plaintiffs filed with the United States District Court for the Western District of Tennessee a motion to vacate the judgment and orders dismissing the complaint in the Federal Actions and filed with the United States Court of Appeals for the Sixth Circuit a motion to stay or extend the briefing schedule in the appeal of the Federal Actions. Those motions remain pending.

In May 2007, before either the Company or Mueller Europe had been required to respond to the complaint in the Massachusetts state court action, the court overseeing the Massachusetts state court action granted plaintiffs' voluntary motion to dismiss that action without prejudice.

In September 2007, the court overseeing the Tennessee state court action dismissed that action without prejudice based on plaintiffs' lack of prosecution.

The Company's demurrer to the complaint has been filed in the state court action in California. Mueller Europe has not yet been required to respond to the complaint in the state court action pending in California. The court overseeing the California state court action has stayed that action conditioned upon the parties' submitting periodic status reports on the status of the Federal Actions.

The Company believes that the claims for relief in the Copper Tube Actions are without merit and intends to defend the Copper Tube Actions vigorously.

In March 2006, the Company and Mueller Europe were named in a complaint brought by Carrier Corporation, Carrier S.A., and Carrier Italia S.p.A. alleging anticompetitive activities with respect to the sale of copper tubes used in the manufacturing of air-conditioning and refrigeration units (ACR copper tubes) in the United States and elsewhere (the Carrier Action). The Carrier Action was filed in United States District Court for the Western District of Tennessee. In July 2007, the Carrier Action was dismissed in its entirety for lack of subject matter jurisdiction as to all defendants. In August 2007, plaintiffs filed a notice of appeal in the Carrier Action with the United States Court of Appeals for the Sixth Circuit. The Company and Mueller Europe filed notices of cross-appeal in August 2007.

In addition, beginning in April 2006, the Company and Mueller Europe have been named as defendants in several purported class action lawsuits brought by direct and indirect purchasers alleging anticompetitive activities with respect to the sale of ACR copper tubes in the United States and elsewhere (the ACR Class Actions, and with the Carrier Action, the ACR Actions).

The Company and Mueller Europe are named in five ACR Class Actions filed in the United States District Court for the Western District of Tennessee. Three of the ACR Class Actions filed in the Western District of Tennessee have been consolidated to become the Direct ACR Class Actions. In July 2007, the Direct ACR Class Actions were dismissed in their entirety for lack of subject matter jurisdiction as to all defendants. In August 2007, plaintiffs filed a notice of appeal in the Direct ACR Class Actions with the United States Court of Appeals for the Sixth Circuit. The Company and Mueller Europe filed notices of cross-appeal in August 2007.

Two of the ACR Class Actions filed in the Western District of Tennessee have been consolidated to become the Indirect ACR Class Actions. The Company and Mueller Europe have been served, but have not yet been required to respond, in the Indirect ACR Class Actions. Pursuant to an order granting an agreed motion of the parties to the Indirect ACR Class Actions, neither the Company nor Mueller Europe will be required to respond to the complaint in the Indirect ACR Class Actions until after the United States Court of Appeals for the Sixth Circuit issues a mandate resolving the last of the pending appeals in the Direct ACR Class Actions and the Carrier Action.

The Company, Mueller Europe, WTC Holding Company, Inc., Deno Holding Company, Inc., and Deno Acquisition Eurl are named in an ACR Class Action filed by indirect purchasers in the United States District Court for the Northern District of California (the California Indirect ACR Class Action). The California Indirect ACR Class Action alleges anticompetitive activities with respect to plumbing tubes as well as ACR copper tubes. The Company, Mueller Europe, WTC Holding Company, Inc., and Deno Holding Company, Inc. have been served, but have not yet been required to respond, in the California Indirect ACR Class Action.

The Company believes that the claims for relief in the ACR Actions are without merit and intends to defend the ACR Actions vigorously.

Copper Antitrust Litigation

In connection with the previously disclosed In re Copper Antitrust Litigation, the Company finalized a settlement agreement terminating the lawsuit in July 2007. The Company recognized a monetary settlement of approximately \$8.9 million pursuant to the agreement in the third quarter of 2007.

Canadian Dumping and Countervail Investigation

In June 2006, the Canada Border Services Agency (CBSA) initiated an investigation into the alleged dumping of certain copper pipe fittings from the United States and from South Korea, and the dumping and subsidizing of these same goods from China. The Company and certain affiliated companies were identified by the CBSA as exporters and importers of these goods.

On January 18, 2007, the CBSA issued a final determination in its investigation. The Company was found to have dumped subject goods during the CBSA's investigation period. On February 19, 2007, the Canadian International Trade Tribunal (CITT) concluded that the dumping of the subject goods from the United States had caused injury to the Canadian industry.

As a result of these findings, exports of subject goods to Canada by the Company made on or after October 20, 2006 will be subject to antidumping measures. Under Canada's system of prospective antidumping enforcement, the CBSA has issued normal values to the Company. Antidumping duties will be imposed on the Company's Canadian customers only to the extent that the Company's future exports of copper pipe fittings are made at net export prices which are below these normal values. If net export prices for subject goods exceed normal values, no antidumping duties will

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be payable. These measures will remain in place for five years, at which time an expiry review will be conducted by Canadian authorities to determine whether these measures should be maintained for another five years or allowed to expire.

On July 16, 2007, the CBSA completed a review process pursuant to which revised normal values were issued to exporters of subject goods, including the Company. The Company does not anticipate any substantial impairment of its ability to compete in Canada compared to the situation that existed prior to July 16, 2007. The Company anticipates that future normal value reviews will be conducted on a periodic basis by the CBSA, which could affect the Company's ability to compete in Canada, depending on the level of normal values resulting from these future normal value reviews. However, given the small percentage of its products that are sold for export to Canada, the Company does not anticipate any material adverse effect on its financial condition as a result of the antidumping case in Canada.

Employment Litigation

On June 1, 2007, the Company filed a lawsuit in the Circuit Court of Dupage County, Illinois against Peter D. Berkman and Jeffrey A. Berkman, former executives of the Company and B&K Industries, Inc. (B&K), a wholly-owned subsidiary of the Company, relating to their alleged breach of fiduciary duties and contractual obligations to the Company through, among other things, their involvement with a supplier of B&K during their employment with B&K. The lawsuit alleges appropriation of corporate opportunities for personal benefit, failure to disclose competitive interests or other conflicts of interest, and unfair competition, as well as breach of employment agreements in connection with the foregoing. The lawsuit seeks compensatory and punitive damages, and other appropriate relief. In August, the defendants filed an answer to the complaint admitting Peter Berkman had an undisclosed ownership interest in a supplier, and a counterclaim against the Company, B&K and certain of the Company's officers and directors alleging defamation, tortious interference with prospective economic relations, and conspiracy, and seeking damages in unspecified amounts. In September, Homewerks Worldwide LLC, an entity formed by Peter Berkman, filed a complaint as an intervenor based on substantially the same allegations included in the Berkmans' counterclaim. In October, the Company filed a motion seeking to have the Berkmans' counterclaim dismissed as a matter of law. That motion is pending. The Company does not anticipate any material adverse effect on its business or financial condition as a result of this litigation.

Other Matters

The Company is aware of an investigation of competition in markets in which it participates, or has participated in the past, in Canada. The Company does not anticipate any material adverse effect on its business or financial condition as a result of that investigation.

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Issuer Purchases of Equity Securities

The Company's Board of Directors has authorized the repurchase, until October 2008, of up to ten million shares of the Company's Common Stock through open market transactions or through privately negotiated transactions. The Company has no obligation to purchase any shares and may cancel, suspend, or extend the time period for the purchase of shares at any time. Any purchases will be funded primarily through existing cash and cash from operations. The Company may hold any shares purchased in treasury or use a portion of the repurchased shares for employee benefit plans, as well as for other corporate purposes. Through September 29, 2007, the Company had repurchased approximately 2.4 million shares under this authorization. Below is a summary of the Company's stock repurchases for the quarterly period ended September 29, 2007.

	(a)	(b)	(c)	(d)
			Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
	Total Number of Shares Purchased	Average Price Paid per Share		
				7,647,030 (1)
July 1-				
July 28, 2007	-	\$ -		
July 29 -				
August 25, 2007	-	-		
August 26 -				
September 29, 2007	-	-		

- (1) Shares available to be purchased under the Company's 10 million share repurchase authorization until October 2008. This repurchase plan was announced on October 26, 2007.

Item 5. Other Information

On October 25, 2007, the Company's Board of Directors approved and adopted Amended and Restated By-Laws, effective as of October 25, 2007, to provide for (i) the position of Chief Operating Officer and (ii) the issuance and transfer of both certificated and uncertificated shares of capital stock of the Company. The amendments relating to uncertificated shares were adopted by the Company to comply with a recent amendment to the New York Stock Exchange ("NYSE") Listed Company Manual that requires NYSE listed companies to have their listed securities eligible to participate in

the Direct Registration System ("DRS"). DRS allows an investor's ownership to be recorded and maintained on the books of the issuer or the registrar of such stock without the issuance of a physical stock certificate. The

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summary of the Amended and Restated Bylaws is qualified in its entirety by reference to the full text of Amended and Restated Bylaws attached hereto as Exhibit 3.1.

Item 6. Exhibits

- 3.1 Amended and Restated By-laws of the Registrant, adopted and effective as of October 25, 2007.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Items 1A, 3, and 4 are not applicable and have been omitted.

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SIGNATURES

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

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MUELLER INDUSTRIES, INC.

October 26, 2007
Date

/s/ Kent A. McKee
Kent A. McKee
Executive Vice President and
Chief Financial Officer

October 26, 2007
Date

/s/ Richard W. Corman
Richard W. Corman
Vice President - Controller

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EXHIBIT INDEX

Exhibits	Description
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