

MUELLER INDUSTRIES INC
Form 10-Q
October 24, 2014
Index

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

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
27, 2014

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

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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 22, 2014, was 56,890,102.

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MUELLER INDUSTRIES, INC.

FORM 10-Q

For the Quarterly Period Ended September 27, 2014

As used in this report, the terms “Company,” “Mueller,” and “Registrant” mean Mueller Industries, Inc. and its consolidated subsidiaries taken as a whole, unless the context indicates otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(In thousands, except per share data)	For the Quarter Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net sales	\$ 602,820	\$ 528,854	\$ 1,826,885	\$ 1,670,826
Cost of goods sold	521,278	456,302	1,574,830	1,440,277
Depreciation and amortization	8,952	7,882	25,651	24,364
Selling, general, and administrative expense	34,864	32,921	102,167	99,078
Gain on sale of plastic fittings manufacturing assets	—	(39,765)	—	(39,765)
Impairment charges	—	4,304	—	4,304
Insurance settlements	—	—	—	(106,332)
Operating income	37,726	67,210	124,237	248,900
Interest expense	(1,430)	(1,243)	(3,913)	(2,940)
Other income, net	225	842	440	4,324
Income before income taxes	36,521	66,809	120,764	250,284
Income tax expense	(12,199)	(26,816)	(36,279)	(92,015)
Consolidated net income	24,322	39,993	84,485	158,269
Net income attributable to noncontrolling interest	(499)	(129)	(911)	(1,053)
Net income attributable to Mueller Industries, Inc.	\$ 23,823	\$ 39,864	\$ 83,574	\$ 157,216
Weighted average shares for basic earnings per share(1)	56,107	55,787	55,999	55,704
Effect of dilutive stock-based awards(1)	637	723	746	737
Adjusted weighted average shares for diluted earnings per share(1)	56,744	56,510	56,745	56,441
Basic earnings per share(1)	\$ 0.42	\$ 0.71	\$ 1.49	\$ 2.82
Diluted earnings per share(1)	\$ 0.42	\$ 0.71	\$ 1.47	\$ 2.79
Dividends per share(1)	\$ 0.075	\$ 0.0625	\$ 0.225	\$ 0.1875

See accompanying notes to condensed consolidated financial statements.

1 Adjusted retroactively to reflect the two-for-one stock split that occurred on March 14, 2014.

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

(In thousands)	For the Quarter Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Consolidated net income	\$ 24,322	\$ 39,993	\$ 84,485	\$ 158,269
Other comprehensive (loss) income, net of tax:				
Foreign currency translation	(6,661)	6,738	(3,698)	770
Net change with respect to derivative instruments and hedging activities	(174) ⁽²⁾	531 ⁽³⁾	(1,650) ⁽⁴⁾	1,005 ⁽⁵⁾
Net actuarial loss on pension and postretirement obligations	646 ⁽⁶⁾	(186) ⁽⁷⁾	490 ⁽⁸⁾	1,975 ⁽⁹⁾
Other, net	(1)	22	7	105
Total other comprehensive (loss) income	(6,190)	7,105	(4,851)	3,855
Consolidated comprehensive income	18,132	47,098	79,634	162,124
Comprehensive income attributable to noncontrolling interest	(889)	(186)	(548)	(1,613)
Comprehensive income attributable to Mueller Industries, Inc.	\$ 17,243	\$ 46,912	\$ 79,086	\$ 160,511

See accompanying notes to condensed consolidated financial statements.

2 Net of tax of \$42

3 Net of tax of \$(280)

4 Net of tax of \$907

5 Net of tax of \$(607)

6 Net of tax of \$(232)

7 Net of tax of \$(3)

8 Net of tax of \$(109)

9 Net of tax of \$(963)

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

(In thousands, except share data)	September 27, 2014	December 28, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 259,858	\$ 311,800
Accounts receivable, less allowance for doubtful accounts of \$981 in 2014 and \$2,391 in 2013	332,508	271,847
Inventories	282,493	251,716
Current deferred income taxes	8,963	8,106
Other current assets	40,356	31,248
Total current assets	924,178	874,717
Property, plant, and equipment, net	246,169	244,457
Goodwill	103,242	94,357
Other assets	54,147	34,236
Total assets	\$ 1,327,736	\$ 1,247,767
Liabilities		
Current liabilities:		
Current portion of debt	\$ 37,207	\$ 29,083
Accounts payable	92,342	80,897
Accrued wages and other employee costs	34,577	37,109
Other current liabilities	69,197	72,167
Total current liabilities	233,323	219,256
Long-term debt, less current portion	205,500	206,250
Pension liabilities	9,299	10,645
Postretirement benefits other than pensions	16,561	16,781
Environmental reserves	21,557	22,144
Deferred income taxes	33,342	35,975
Other noncurrent liabilities	581	849
Total liabilities	520,163	511,900
Equity		
Mueller Industries, Inc. stockholders' equity:		
Preferred stock - \$1.00 par value; shares authorized 5,000,000; none outstanding	—	—
Common stock - \$.01 par value; shares authorized 100,000,000; issued 80,183,004; outstanding 56,885,661 in 2014 and 56,604,674(10) in 2013	802	401
Additional paid-in capital	267,361	267,142
Retained earnings	979,079	908,274
Accumulated other comprehensive loss	(15,309)	(10,819)

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Treasury common stock, at cost	(457,371)	(461,593)
Total Mueller Industries, Inc. stockholders' equity	774,562	703,405
Noncontrolling interest	33,011	32,462
Total equity	807,573	735,867
Commitments and contingencies	—	—
Total liabilities and equity	\$ 1,327,736	\$ 1,247,767

See accompanying notes to condensed consolidated financial statements.

10 Adjusted retroactively to reflect the two-for-one stock split that occurred on March 14, 2014.

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

	For the Nine Months Ended	
	September 27, 2014	September 28, 2013
(In thousands)		
Cash flows from operating activities		
Consolidated net income	\$ 84,485	\$ 158,269
Reconciliation of consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	25,888	24,583
Stock-based compensation expense	4,957	4,560
Insurance settlements	—	(106,332)
Insurance proceeds – noncapital related	—	32,395
Gain on sale of plastic fittings manufacturing assets	—	(39,765)
Gain on disposal of properties	(1,146)	(3,316)
Impairment charges	—	4,304
Deferred income taxes	(6,908)	14,152
Income tax benefit from exercise of stock options	(829)	(670)
Changes in assets and liabilities, net of business acquired:		
Receivables	(62,854)	(38,370)
Inventories	(14,868)	(4,566)
Other assets	(15,272)	4,886
Current liabilities	(8,675)	19,649
Other liabilities	(797)	(297)
Other, net	223	508
Net cash provided by operating activities	4,204	69,990
Cash flows from investing activities		
Capital expenditures	(28,406)	(33,402)
Acquisition of business	(30,137)	—
Insurance proceeds for property and equipment	—	29,910
Net withdrawals from (deposits into) restricted cash balances	2,507	(2,473)
Proceeds from sales of assets	4,920	64,966
Net cash (used in) provided by investing activities	(51,116)	59,001
Cash flows from financing activities		
Dividends paid to stockholders of Mueller Industries, Inc.	(12,606)	(10,449)
Debt issuance cost	—	(50)
Issuance of long-term debt, net	12,008	—
(Repayment) issuance of debt by joint venture, net	(3,170)	4,940
Net cash used to settle stock-based awards	(887)	(337)
Repurchase of common stock	(58)	—
Repayments of long-term debt	(800)	(750)
Income tax benefit from exercise of stock options	829	670

Net cash used in financing activities	(4,684)	(5,976)
Effect of exchange rate changes on cash	(346)	228
(Decrease) increase in cash and cash equivalents	(51,942)	123,243
Cash and cash equivalents at the beginning of the period	311,800	198,934
Cash and cash equivalents at the end of the period	\$ 259,858	\$ 322,177

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.

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 and vesting of restricted stock awards, computed using the treasury stock method. Approximately 180 thousand stock based awards were excluded from the computation of diluted earnings per share for the quarter ended September 27, 2014 because they were antidilutive.

On February 21, 2014, the Company's Board of Directors announced a two-for-one stock split of its common stock effected in the form of a stock dividend of one share for each outstanding share. The record date for the stock split was March 14, 2014, and the additional shares were distributed on March 28, 2014. Accordingly, all references to share and per share amounts presented in the Condensed Consolidated Financial Statements and this Quarterly Report on Form 10-Q have been adjusted retroactively to reflect the stock split.

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, results of operations, or cash flows. The Company may also realize the benefit of certain legal claims and litigation in the future; these gain contingencies are not recognized in the Condensed Consolidated Financial Statements.

U.K. Actions Relating to the European Commission's 2004 Copper Tube Decision and 2006 Copper Fittings Decision

In the Competition Appeal Tribunal (the CAT) in the United Kingdom, IMI plc and IMI Kynoch Limited (IMI) and Boliden AB (Boliden) were served with claims by 21 claimants, all companies within the Travis Perkins Group (TP and the TP Claimants) regarding copper tube. The TP Claimants sought follow-on damages arising out of conduct described in the European Commission's September 3, 2004, decision regarding copper tube. The claims purported to arise from the findings of the European Commission as set forth in that decision (Copper Tube Decision). IMI and Boliden commenced legal proceedings against Mueller Industries, Inc., WTC Holding Company, Inc., DENO Holding Company, Inc., Mueller Europe, Limited, and DENO Acquisition EURL (the five Mueller entities), and in those

proceedings claimed a contribution for any follow-on damages.

In the High Court in the United Kingdom, IMI was also served with claims by 21 TP Claimants regarding copper fittings. The TP Claimants are seeking follow-on damages arising out of conduct described in the European Commission's September 20, 2006, decision regarding copper fittings. The claims similarly purport to arise from the findings of the European Commission as set forth in that decision. IMI commenced legal proceedings against Mueller Industries, Inc., Mueller Europe Limited, and WTC Holding Company, Inc. (the three Mueller entities), and in those proceedings claimed a contribution for any follow-on damages.

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As to the claims arising from the Copper Tube Decision brought in the CAT, following the CAT's grant of approval, the case was transferred to the High Court. Mueller's defense in response to the contribution claims brought by IMI and Boliden was served on March 15, 2013. During the second quarter of 2014, a settlement was reached in respect of the claims against Mueller and the High Court has dismissed the claims against Mueller. The total payment made by Mueller pursuant to the settlement did not have a material impact on the Company's financial position, results of operations, or cash flows.

As to the claims arising from the Copper Fittings Decision, Mueller's defense in response to the contribution claims brought by IMI was served on May 30, 2014. During the third quarter of 2014, a settlement was reached in respect of the claims against Mueller and the High Court has dismissed the claims against Mueller. The total payment made by Mueller pursuant to the settlement did not have a material impact on the Company's financial position, results of operations, or cash flows.

Environmental

Lead Refinery Site

U.S.S. Lead Refinery, Inc. (Lead Refinery), a non-operating wholly owned subsidiary of Mining Remedial Recovery Company, has conducted corrective action and interim remedial activities and studies (collectively, Site Activities) at Lead Refinery's East Chicago, Indiana site pursuant to the Resource Conservation and Recovery Act. Site Activities, which began in December 1996, have been substantially concluded. Lead Refinery is required to perform monitoring and maintenance activities with respect to Site Activities pursuant to a post-closure permit issued by the Indiana Department of Environmental Management effective as of March 2, 2013. Lead Refinery spent approximately \$0.1 million annually in 2013, 2012 and 2011 with respect to this site. Approximate costs to comply with the post-closure permit, including associated general and administrative costs, are between \$2.1 million and \$3.9 million over the next 20 years.

On April 9, 2009, pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Environmental Protection Agency (EPA) added the Lead Refinery site, and properties surrounding the Lead Refinery site, to the National Priorities List (NPL). The NPL is a list of priority sites where the EPA has determined that there has been a release or threatened release of hazardous substances that warrant investigation and, if appropriate, remedial action. The NPL does not assign liability to any party including the owner or operator of a property placed on the NPL. The placement of a site on the NPL does not necessarily mean that remedial action must be taken. On July 17, 2009, Lead Refinery received a written notice from the EPA that the agency is of the view that Lead Refinery may be a potentially responsible party (PRP) under CERCLA in connection with the release or threat of release of hazardous substances including lead into properties surrounding the Lead Refinery site. The EPA has identified two other PRPs in connection with the release or threat of release of hazardous substances into properties surrounding the Lead Refinery site. PRPs under CERCLA include current and former owners and operators of a site, persons who arranged for disposal or treatment of hazardous substances at a site, or persons who accepted hazardous substances for transport to a site. In November 2012, the EPA adopted a remedy in connection with properties surrounding the Lead Refinery site. The EPA has estimated that the cost to implement the November 2012 remedy will be \$30.0 million. In September 2014, the EPA announced that it had entered into a settlement with the two other PRPs whereby they will pay approximately \$26.0 million to fund the cleanup of approximately 300 properties surrounding the Lead Refinery site.

The Company monitors EPA press releases and periodically communicates with the EPA to inquire of the status of the investigation and cleanup of the Lead Refinery site. As of September 27, 2014, the EPA has not conducted an investigation of the Lead Refinery site pursuant to CERCLA, proposed remedies for the Lead Refinery site, or informed Lead Refinery that it is a PRP at the Lead Refinery site. Until the extent of any remedial action is determined for the Lead Refinery site, the Company is unable to determine the likelihood of a material adverse outcome or the amount or range of a potential loss with respect to placement of the Lead Refinery site and adjacent properties on the NPL. Lead Refinery lacks the financial resources needed to undertake any investigations or remedial action that may be required by the EPA pursuant to CERCLA.

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Other

Guarantees, in the form of letters of credit, are issued by the Company generally to assure the payment of insurance deductibles and certain retiree health benefits. The terms of the Company's guarantees are generally one year but are renewable annually as required. These letters are primarily backed by the Company's revolving credit facility. The maximum payments that the Company could be required to make under its guarantees at September 27, 2014, were \$10.6 million.

Note 3 – Insurance Claims

In September 2011, a portion of the Company's Wynne, Arkansas manufacturing operation was damaged by fire. Certain inventories, production equipment, and building structures were extensively damaged. During the second quarter of 2013, the Company settled the claim with its insurer for total proceeds of \$127.3 million, net of the deductible of \$0.5 million. As a result of the settlement with its insurer, all proceeds received and all costs previously deferred (which were recorded as other current liabilities in prior periods) were recognized, resulting in a pre-tax gain of \$106.3 million in the second quarter of 2013, or \$1.17 per diluted share after tax.

Note 4 – Inventories

(In thousands)	September 27, 2014	December 28, 2013
Raw materials and supplies	\$ 63,438	\$ 54,613
Work-in-process	44,232	43,796
Finished goods	180,377	159,422
Valuation reserves	(5,554)	(6,115)
Inventories	\$ 282,493	\$ 251,716

Note 5 – Industry Segments

The Company's reportable segments are Plumbing & Refrigeration and Original Equipment Manufacturers (OEM). For disclosure purposes, as permitted under Accounting Standards Codification (ASC) 280, Segment Reporting, 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), Engineered Products (EPD), and Jiangsu Mueller-Xingrong Copper Industries Limited (Mueller-Xingrong). These segments are classified primarily by the markets for their products. Performance of segments is generally evaluated by their operating income. Intersegment transactions are generally conducted on an arms-length basis.

SPD manufactures copper tube and fittings, plastic fittings, plastic pipe, and line sets. These products are manufactured in the U.S. Outside the U.S., the Company's European Operations manufacture copper tube, which is

sold primarily in Europe. SPD also imports and resells brass and plastic plumbing valves, malleable iron fittings, faucets, and plumbing specialty products. Mexican Operations consist of pipe nipple manufacturing and import distribution businesses including product lines of malleable iron fittings and other plumbing specialties. The European Operations also includes the import distribution of fittings, valves, and plumbing specialties primarily in the U.K. and Ireland. 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. For the nine months ended September 27, 2014, cost of goods sold included a decrease in accruals related to import duties of \$3.1 million.

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IPD manufactures brass rod, impact extrusions, and forgings which are used in a wide variety of end products including plumbing brass, automotive components, valves, and fittings. EPD manufactures and fabricates valves and assemblies primarily for the refrigeration, air-conditioning, and gas appliance markets and specialty copper, copper-alloy, and aluminum tubing. Mueller-Xingrong manufactures engineered copper tube primarily for air-conditioning applications. These products are sold primarily to original equipment manufacturers.

Summarized segment information is as follows:

(In thousands)	For the Quarter Ended September 27, 2014			
	Plumbing & Refrigeration Segment	OEM Segment	Corporate and Eliminations	Total
Net sales	\$ 357,843	\$ 247,883	\$ (2,906)	\$ 602,820
Cost of goods sold	308,927	215,225	(2,874)	521,278
Depreciation and amortization	5,287	3,148	517	8,952
Selling, general, and administrative expense	23,473	5,533	5,858	34,864
Operating income	\$ 20,156	\$ 23,977	\$ (6,407)	37,726
Interest expense				(1,430)
Other income, net				225
Income before income taxes				\$ 36,521

(In thousands)	For the Quarter Ended September 28, 2013			
	Plumbing & Refrigeration Segment	OEM Segment	Corporate and Eliminations	Total
Net sales	\$ 301,622	\$ 230,396	\$ (3,164)	\$ 528,854
Cost of goods sold	258,035	201,399	(3,132)	456,302
Depreciation and amortization	4,172	3,150	560	7,882
Selling, general, and administrative expense	20,736	5,779	6,406	32,921
Gain on sale of plastic fittings manufacturing assets	(39,765)	—	—	(39,765)
Impairment charges	4,173	131	—	4,304
Operating income	\$ 54,271	\$ 19,937	\$ (6,998)	67,210
Interest expense				(1,243)
Other income, net				842

Income before income taxes	\$ 66,809
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Segment information (continued):

(In thousands)	For the Nine Months Ended September 27, 2014			
	Plumbing & Refrigeration Segment	OEM Segment	Corporate and Eliminations	Total
Net sales	\$ 1,093,060	\$ 743,322	\$ (9,497)	\$ 1,826,885
Cost of goods sold	934,208	650,020	(9,398)	1,574,830
Depreciation and amortization	14,803	9,123	1,725	25,651
Selling, general, and administrative expense	67,678	15,700	18,789	102,167
Operating income	\$ 76,371	\$ 68,479	\$ (20,613)	124,237
Interest expense				(3,913)
Other income, net				440
Income before income taxes				\$ 120,764

(In thousands)	For the Nine Months Ended September 28, 2013			
	Plumbing & Refrigeration Segment	OEM Segment	Corporate and Eliminations	Total
Net sales	\$ 942,109	\$ 741,227	\$ (12,510)	\$ 1,670,826
Cost of goods sold	800,782	651,875	(12,380)	1,440,277
Depreciation and amortization	12,861	9,854	1,649	24,364
Selling, general, and administrative expense	61,245	18,168	19,665	99,078
Gain on sale of plastic fittings manufacturing assets	(39,765)	—	—	(39,765)
Impairment charges	4,173	131	—	4,304
Insurance settlement	(103,895)	—	(2,437)	(106,332)
Operating income	\$ 206,708	\$ 61,199	\$ (19,007)	248,900
Interest expense				(2,940)
Other income, net				4,324
Income before income taxes				\$ 250,284

Note 6 – Debt

Effective May 29, 2014, the Company amended its credit agreement (the Credit Agreement) entered into on March 7, 2011 to reduce the unsecured \$350.0 million revolving credit facility to \$200.0 million. The Credit Agreement also provides for a \$200.0 million Term Loan Facility, which, together with the Revolving Loan Facility, mature on December 11, 2017.

On March 21, 2014, Mueller Europe, Limited (MEL) entered into a credit agreement (the Invoice Facility) establishing a total borrowing capacity of £40.0 million, or approximately \$65.9 million. The Invoice Facility has an initial term of two years. Borrowings outstanding under the Invoice Facility are secured by MEL's trade account receivables denominated in British pounds. Borrowings were approximately \$11.7 million at September 27, 2014, and bear interest at the latest base-lending rate published by HSBC plus 155 basis points, which was approximately 2.05 percent at the end of the third quarter of 2014.

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On September 23, 2013, Mueller-Xingrong entered into a credit agreement with a syndicate of four banks established a secured revolving credit facility (the JV Credit Agreement), which matured on September 24, 2014. At the maturity date, individual draws on the JV Credit Agreement had maturity dates ranging up to nine months. Mueller-Xingrong is in process of negotiating a new credit agreement. Management believes that cash generated by Mueller-Xingrong's operations and cash currently on hand will be sufficient to fund its operations in the near term. Borrowings under the JV Credit Agreement were approximately \$24.5 million and bear an interest rate at the latest base-lending rate published by the People's Bank of China, which was 5.6 percent at September 27, 2014.

Note 7 – Employee Benefits

The Company sponsors several qualified and nonqualified pension plans and other postretirement benefit plans for certain of its employees. The components of net periodic benefit cost are as follows:

(In thousands)	For the Quarter Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Pension benefits:				
Service cost	\$ 199	\$ 350	\$ 596	\$ 1,051
Interest cost	2,064	2,023	6,191	6,070
Expected return on plan assets	(3,202)	(2,845)	(9,604)	(8,535)
Amortization of prior service cost	1	1	1	1
Amortization of net loss	188	984	565	2,954
Net periodic benefit (income) cost	\$ (750)	\$ 513	\$ (2,251)	\$ 1,541
Other benefits:				
Service cost	\$ 88	\$ 69	\$ 264	\$ 207
Interest cost	181	155	544	467
Amortization of prior service cost (credit)	—	2	(1)	5
Amortization of net gain	(55)	(41)	(164)	(125)
Net periodic benefit cost	\$ 214	\$ 185	\$ 643	\$ 554

Note 8 – Income Taxes

The Company's effective tax rate for the third quarter of 2014 was 33 percent. The difference between the effective tax rate and the amount computed using the U.S. federal statutory tax rate for the third quarter of 2014 was primarily related to the reduction for the U.S. production activities deduction of \$1.0 million, which was partially offset by the provision for state income taxes, net of the federal benefit, of \$0.3 million.

The Company's effective tax rate for the third quarter of 2013 was 40 percent. Factors that explain the difference between the effective tax rate and what would be computed using the U.S. federal statutory tax rate for the third

quarter of 2013 were increases related to: (i) the impairment of goodwill of \$1.8 million; (ii) increases in the valuation allowance of \$1.0 million; (iii) the provision for state income taxes, net of federal benefit of \$1.2 million; and (iv) the effect of foreign adjustments of \$0.4 million. These items were partially offset by the U.S. production activities deduction of \$1.0 million.

The Company's effective tax rate for the first nine months of 2014 was 30 percent. The difference between the effective tax rate and the amount computed using the U.S. federal statutory tax rate was attributable to reductions for: (i) the U.S. production activities deduction of \$3.5 million; (ii) decreases in valuation allowances of \$5.7 million; and (iii) the effect of foreign tax rates lower than statutory tax rates and other foreign adjustments of \$0.5 million. These items were partially offset by the provision for state income taxes, net of the federal benefit, of \$2.8 million.

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The Company's effective tax rate for the first nine months of 2013 was 37 percent. Factors that explain the difference between the effective tax rate and what would be computed using the U.S. federal statutory tax rate for the first nine months were increases related to: (i) goodwill impairment of \$1.8 million and (ii) the provision for state income taxes, net of the federal benefit, of \$7.4 million. These items were partially offset by reductions related to: (i) the effect of foreign tax rates lower than statutory tax rates and other foreign items of \$1.1 million; (ii) decreases in valuation allowances of \$0.4 million; and (iii) the U.S. production activities deduction of \$3.9 million.

The Company released a valuation allowance of \$4.8 million, or eight cents per diluted share, in the second quarter of 2014 related to certain state income tax credits. As a result of legislative changes enacted in the second quarter, the Company now expects to be able to use such credits within the foreseeable future.

Total unrecognized tax benefits, including derecognized deferred tax assets, as of September 27, 2014 were \$2.8 million. It is reasonably possible that this amount may decrease by the full amount over the next twelve months, none of which will impact the effective tax rate.

The Company files a consolidated U.S. federal income tax return and numerous consolidated and separate-company income tax returns in many state, local, and foreign jurisdictions. The statute of limitations is open for the Company's federal tax return and most state income tax returns for 2011 and all subsequent years and is open for certain state and foreign returns for earlier tax years due to ongoing audits and differing statute periods. The Internal Revenue Service has audited the 2012 federal income tax return, the results of which were immaterial to the Company's financial position, results of operations, or cash flows. While the Company believes that it is adequately reserved for possible future audit adjustments, the final resolution of these examinations cannot be determined with certainty and could result in final settlements that differ from current estimates.

Note 9 – Derivative Instruments and Hedging Activities

Earnings and cash flows are subject to fluctuations due to changes in commodity prices, foreign currency exchange rates, and interest rates. The Company uses derivative instruments such as commodity futures contracts, foreign currency forward contracts, and interest rate swaps to manage these exposures.

All derivatives are recognized on the Condensed Consolidated Balance Sheets at their fair value. On the date the derivative contract is entered into, it is designated as (i) a hedge of a forecasted transaction or the variability of cash flow to be paid (cash flow hedge), or (ii) a hedge of the fair value of a recognized asset or liability (fair value hedge). Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in accumulated other comprehensive income (AOCI), to the extent effective, until they are reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged recognized asset or liability that is attributable to the hedged risk, are recorded in current earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current earnings.

The Company documents all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities on the Condensed Consolidated Balance Sheets and linking cash flow hedges to specific forecasted transactions or variability of cash flow.

The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the designated derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow or fair values of hedged items. When a derivative is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, hedge accounting is discontinued prospectively, in accordance with the derecognition criteria for hedge accounting.

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Commodity Futures Contracts

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. The Company occasionally enters into forward fixed-price arrangements with certain customers; the risk of these arrangements is generally managed with commodity futures contracts. These futures contracts have been designated as cash flow hedges.

At September 27, 2014, the Company held open futures contracts to purchase approximately \$18.0 million of copper over the next 15 months related to fixed price sales orders. The fair value of those futures contracts was a \$99 thousand loss position, which was determined by obtaining quoted market prices (Level 1 hierarchy as defined by ASC 820, Fair Value Measurements and Disclosures (ASC 820)). In the next twelve months, the Company will reclassify into earnings realized gains or losses of cash flow hedges. At September 27, 2014, this amount was approximately \$55 thousand of deferred net losses, net of tax.

The Company may also enter into futures contracts to protect the value of inventory against market fluctuations. These futures contracts have been designated as fair value hedges.

At September 27, 2014, the Company held open futures contracts to sell approximately \$11.4 million of copper over the next six months related to copper inventory. The fair value of those futures contracts was a \$445 thousand gain position, which was determined by obtaining quoted market prices (Level 1 hierarchy as defined by ASC 820). During the fourth quarter of 2013, the Company dedesignated previous hedges on its inventory because the hedging relationship was no longer deemed to be highly effective. These contracts no longer qualified as hedging instruments as of December 28, 2013.

Foreign Currency Forward Contracts

During 2012 and 2013, the Company entered into certain contracts to purchase heavy machinery and equipment denominated in euros. In anticipation of entering into these contracts, the Company entered into forward contracts to purchase euros to protect itself against adverse foreign exchange rate fluctuations.

At September 27, 2014, the Company held open forward contracts to purchase approximately 3.0 million euros over the next six months. The fair value of these contracts, which was determined by obtaining quoted market prices (Level 1 hierarchy as defined by ASC 820), was a \$68 thousand loss position recorded in other current liabilities at September 27, 2014, and an \$836 thousand gain position recorded in other current assets at December 28, 2013. At September 27, 2014, there was \$15 thousand of deferred losses, net of tax, included in AOCI that is expected to be reclassified into property, plant, and equipment, net, when the hedged transactions occur.

Interest Rate Swap

On February 20, 2013, the Company entered into a two-year forward-starting interest rate swap agreement with an effective date of January 12, 2015, and an underlying notional amount of \$200.0 million, pursuant to which the Company receives variable interest payments based on one-month LIBOR and pays fixed interest at a rate of 1.4 percent. Based on the Company's current variable premium pricing on its Term Loan Facility, the all-in fixed rate on the effective date is 2.7 percent. The interest rate swap will mature on December 11, 2017, and is structured to offset

the interest rate risk associated with the Company's floating-rate, LIBOR-based Term Loan Facility Agreement. The swap was designated and accounted for as a cash flow hedge from inception.

The fair value of the interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rate and the expected cash flows at the current market interest rate using observable benchmarks for LIBOR forward rates at the end of the period (Level 2 hierarchy as defined by ASC 820). Interest payable and receivable under the swap agreement will be accrued and recorded as an adjustment to interest expense. The fair value of the interest rate swap was an \$8 thousand gain position and was recorded in other assets at September 27, 2014. At September 27, 2014, there was \$5 thousand of deferred net gains, net of tax, included in AOCI that is expected to be reclassified into interest expense over the term of the hedged item.

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We present our derivative assets and liabilities in our Condensed Consolidated Balance Sheets on a net basis by counterparty. The following table summarizes the location and fair value of the derivative instruments and disaggregates our net derivative assets and liabilities into gross components on a contract-by-contract basis:

(In thousands)	Balance Sheet Location	Asset Derivatives Fair Value		Liability Derivatives Fair Value		
		Sept. 27, 2014	Dec. 28, 2013	Balance Sheet Location	Sept. 27, 2014	Dec. 28, 2013
Hedging instrument:						
Commodity contracts - gains	Other current assets	\$ 526	\$ 448	Other current liabilities	\$ 10	\$ 340
Commodity contracts - losses	Other current assets	(76)	(10)	Other current liabilities	(115)	(2,107)
Foreign currency contracts	Other current assets	—	836	Other current liabilities	(68)	—
Interest rate swap	Other assets	8	1,324	Other liabilities	—	—
Total derivatives (1)		\$ 458	\$ 2,598		\$ (173)	\$ (1,767)

(1) Does not include the impact of cash collateral received from or provided to counterparties.

The following tables summarize the effects of derivative instruments on our Condensed Consolidated Statements of Income:

(In thousands)	Location	Three Months Ended		Nine Months Ended	
		Sept. 27, 2014	Sept. 28, 2013	Sept. 27, 2014	Sept. 28, 2013
Fair value hedges:					
Gain (loss) on commodity contracts (qualifying)	Cost of goods sold	\$ 1,100	\$ (846)	\$ 7,371	\$ 4,344
(Loss) gain on hedged item - Inventory	Cost of goods sold	(922)	1,042	(6,702)	(3,770)
(In thousands)	Location	Three Months Ended		Nine Months Ended	
		Sept. 27, 2014	Sept. 28, 2013	Sept. 27, 2014	Sept. 28, 2013
Undesignated derivatives:					
Gain on commodity contracts (nonqualifying)	Cost of goods sold	\$ —	\$ —	\$ 1,466	\$ —

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The following tables summarize amounts recognized in and reclassified from AOCI during the period:

(In thousands)	Three Months Ended September 27, 2014		
	(Loss) Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	(Gain) Loss Reclassified from AOCI (Effective Portion), Net of Tax
Cash flow hedges:			
Commodity contracts	\$ (202)	Cost of goods sold	\$ (174)
Foreign currency contracts	(181)	Property, plant, and equipment, net	(46)
Interest rate swap	430	Interest expense	—

(In thousands)	Three Months Ended September 28, 2013		
	Gain (Loss) Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	Loss (Gain) Reclassified from AOCI (Effective Portion), Net of Tax
Cash flow hedges:			
Commodity contracts	\$ 474	Cost of goods sold	\$ 788
Foreign currency contracts	372	Property, plant, and equipment, net	—
Interest rate swap	(747)	Interest expense	—

(In thousands)	Nine Months Ended September 27, 2014		
	(Loss) Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	Loss (Gain) Reclassified from AOCI (Effective Portion), Net of Tax
Cash flow hedges:			
Commodity contracts	\$ (634)	Cost of goods sold	\$ 285
Foreign currency contracts	(184)	Property, plant, and equipment, net	(283)
Interest rate swap	(837)	Interest expense	—

(In thousands)	Nine Months Ended September 28, 2013		
	(Loss) Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	Loss (Gain) Reclassified from AOCI (Effective Portion), Net of Tax

Tax

Cash flow hedges:

Commodity contracts	\$	(3,056)	Cost of goods sold	\$	3,309
Foreign currency contracts		352	Property, plant, and equipment, net		—
Interest rate swap		649	Interest expense		—

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The Company enters into futures and forward contracts that closely match the terms of the underlying transactions. As a result, the ineffective portion of the open hedge contracts through September 27, 2014 was not material to the Condensed Consolidated Statements of Income.

The Company primarily enters into International Swaps and Derivatives Association (ISDA) master netting agreements with major financial institutions that permit the net settlement of amounts owed under their respective derivative contracts. Under these master netting agreements, net settlement generally permits the Company or the counterparty to determine the net amount payable for contracts due on the same date and in the same currency for similar types of derivative transactions. The master netting agreements generally also provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company does not offset fair value amounts for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral. At September 27, 2014 and December 28, 2013, the Company had recorded restricted cash in other current assets of \$0.5 million and \$2.1 million, respectively, as collateral related to open derivative contracts under the master netting arrangements.

Note 10 – Accumulated Other Comprehensive Income

Changes in AOCI by component, net of taxes and noncontrolling interest, were as follows:

(In thousands)	For the Nine Months Ended September 27, 2014				
	Cumulative Translation Adjustment	Unrealized (Losses)/Gains on Derivatives	Minimum Pension/OPEB Liability Adjustment	Unrealized Gains on Equity Investments	Total
Beginning balance	\$ (462)	\$ 1,546	\$ (12,158)	\$ 255	\$ (10,819)
Other comprehensive income (loss) before reclassifications	(3,337)	(1,652)	143	7	(4,839)
Amounts reclassified from AOCI	—	2	347	—	349
Net current-period other comprehensive income	(3,337)	(1,650)	490	7	(4,490)
Ending balance	\$ (3,799)	\$ (104)	\$ (11,668)	\$ 262	\$ (15,309)

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(In thousands)	For the Nine Months Ended September 28, 2013					Total
	Cumulative Translation Adjustment	Unrealized (Losses)/Gains on Derivatives	Minimum Pension/OPEB Liability Adjustment	Unrealized Gains on Equity Investments		
Beginning balance	\$ (3,033)	\$ (166)	\$ (39,527)	\$ 103	\$ (42,623)	
Other comprehensive income (loss) before reclassifications	211	4,314	79	105	4,709	
Amounts reclassified from AOCI	—	(3,309)	1,896	—	(1,413)	
Net current-period other comprehensive income	211	1,005	1,975	105	3,296	
Ending balance	\$ (2,822)	\$ 839	\$ (37,552)	\$ 208	\$ (39,327)	

Reclassification adjustments out of AOCI were as follows:

(In thousands)	Amount reclassified from AOCI		Affected line item
	For the Quarter Ended Sept. 27, 2014	Sept. 28, 2013	
Unrealized losses/(gains) on derivatives:			
Commodity contracts	\$ (214)	\$ 1,046	Cost of goods sold
Foreign currency contracts	(71)	—	Property, plant, and equipment, net
	65	(258)	Income tax benefit (expense)
	(220)	788	Net of tax
	—	—	Noncontrolling interest
	\$ (220)	\$ 788	Net of tax and noncontrolling interest
Amortization of employee benefit items:			
Amortization of net loss and prior service cost	\$ 134	\$ 946	Selling, general, and administrative expense
	(19)	(318)	Income tax expense
	115	628	Net of tax
	—	—	Noncontrolling interest
	\$ 115	\$ 628	Net of tax and noncontrolling interest

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(In thousands)	Amount reclassified from AOCI		Affected line item
	For the Nine Months		
	Sept. 27, 2014	Sept. 28, 2013	
Unrealized losses/(gains) on derivatives:			
Commodity contracts	\$ 351	\$ 4,922	Cost of goods sold
Foreign currency contracts	(446)		–Property, plant, and equipment, net
	97	(1,613)	Income tax benefit (expense)
	2	3,309	Net of tax
	—		–Noncontrolling interest
	\$ 2	\$ 3,309	Net of tax and noncontrolling interest
Amortization of employee benefit items:			
Amortization of net loss and prior service cost	\$ 401	\$ 2,835	Selling, general, and administrative expense
	(54)	(939)	Income tax expense
	347	1,896	Net of tax
	—		–Noncontrolling interest
	\$ 347	\$ 1,896	Net of tax and noncontrolling interest

Note 11 – Acquisitions and Dispositions

On October 18, 2013, the Company entered into a definitive agreement with KME Yorkshire Limited (Yorkshire) to acquire certain assets and assume certain liabilities of Yorkshire for purposes of acquiring its copper tube business. Yorkshire produces European standard copper distribution tubes. This transaction received regulatory approval in the United Kingdom on February 11, 2014 and closed on February 28, 2014. The purchase price was approximately \$30.1 million, paid in cash. The acquisition of Yorkshire complements the Company's existing copper tube businesses in the Plumbing and Refrigeration segment. In 2012, Yorkshire had annual revenue of approximately \$196.1 million. During the third quarter of 2014, the purchase price allocation, including all fair value measurements, was finalized. The fair value of the assets acquired totaled \$20.7 million, consisting primarily of inventories of \$17.6 million, property, plant, and equipment of \$2.1 million, and other current assets of \$1.0 million. The fair value of the liabilities assumed totaled \$15.6 million, consisting primarily of accounts payable and accrued expenses of \$15.2 million and other current liabilities of \$0.4 million. Of the remaining purchase price, \$8.1 million was allocated to tax-deductible goodwill and \$16.9 million was allocated to other intangible assets such as customer lists of \$11.3 million that will be amortized over approximately 19 years, non-compete agreements of \$4.5 million that will be amortized over approximately three years, and trade names and licenses of \$1.1 million that will be amortized over approximately ten years. The results of operations for Yorkshire have been included in the accompanying Condensed Consolidated Financial Statements from the acquisition date.

On October 17, 2013, the Company entered into a Stock Purchase Agreement with Commercial Metals Company and Howell Metal Company (Howell) providing for the purchase of all of the outstanding capital stock of Howell for approximately \$55.3 million in cash, net of working capital adjustments. Howell manufactures copper tube and line sets for U.S. distribution. The acquisition of Howell complements the Company's copper tube and line sets businesses,

both components of the Plumbing and Refrigeration segment. For the twelve months ended August 31, 2013, Howell's net sales for copper tube and line sets totaled \$156.3 million. During the first quarter of 2014, the purchase price allocation, including all fair value measurements, was finalized. The fair value of the assets acquired totaled \$63.0 million, consisting primarily of receivables of \$14.6 million, inventories of \$27.6 million, property, plant, and equipment of \$20.3 million, and other current assets of \$0.5 million. The fair value of the liabilities assumed totaled \$11.4 million, consisting primarily of accounts payable and accrued expenses of \$9.9 million and other current liabilities of \$1.5 million. Of the remaining purchase price, \$2.3 million was allocated to other intangible assets and \$1.4 million to tax-deductible goodwill. The results of operations for Howell have been included in the accompanying Condensed Consolidated Financial Statements from the acquisition date of October 17, 2013.

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On August 9, 2013, the Company sold certain of its plastic fittings manufacturing assets located in Portage, Michigan and Ft. Pierce, Florida. Simultaneously, the Company entered into a lease agreement with the purchaser of the assets to continue to manufacture and distribute Schedule 40 plastic fittings utilizing the Ft. Pierce assets for a period of approximately eight to 14 months (Transition Period). The total sales price was \$66.2 million, of which \$61.2 million was received on August 9, 2013; the remaining \$5.0 million was received during the second quarter of 2014. This transaction resulted in a pre-tax gain of \$39.8 million in the third quarter of 2013, or 81 cents per diluted share after tax.

The net book value of assets disposed in the aforementioned plastic sale transaction was \$15.9 million. For goodwill testing purposes, these assets were part of the SPD reporting unit which is a component of the Company's Plumbing & Refrigeration operating segment. Because these assets met the definition of a business in accordance with ASC 805 Business Combinations, \$10.5 million of the SPD reporting unit's goodwill balance was allocated to the disposal group. The amount of goodwill allocated was based on the relative fair values of the asset group which was disposed and the portion of the SPD reporting unit which was retained.

The Company will continue to manufacture and supply plastic drain, waste, and vent (DWV) fittings. The Company extended its third party supply agreement to complement its product offering with purchased products the Company does not competitively manufacture with its remaining assets. This supply agreement was originally entered into after the majority of the Company's plastic manufacturing assets were destroyed in the 2011 fire at its Wynne, Arkansas facility. The extended supply agreement has an initial five-year term.

With the decision to cease the Company's manufacturing operations in Portage, there was an evaluation of the remaining long-lived assets for impairment, and it was determined that the carrying value of the land and building were no longer recoverable. An impairment charge of \$3.2 million was recognized during the third quarter of 2013 to adjust the carrying value of the land and building to their estimated fair value. The fair value estimate was determined by obtaining and evaluating recent sales data for similar assets (Level 2 hierarchy as defined by ASC 820).

Note 12 – Recently Issued Accounting Standards

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, Balance Sheet (Topic 210) (ASU 2011-11). The amendments in this ASU require improved disclosure information about financial instruments and derivative instruments that are either offset or subject to an enforceable master netting arrangement or similar agreement. Subsequently in January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (ASU 2013-01), which clarifies the types of instruments and transactions that are subject to the offsetting disclosure requirements established by ASU 2011-11. These ASUs should be applied retrospectively for all comparative periods presented for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The requirements of these ASUs were adopted during the first quarter of 2014 and did not have a significant impact on our disclosures.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). The ASU will supersede virtually all existing revenue recognition guidance under U.S. GAAP and will be effective for annual reporting periods beginning after December 15, 2016. The fundamental principles of the new guidance are that companies should recognize revenue in a manner that reflects the timing of the transfer of services to customers and the amount of revenue recognized reflects the consideration that a company expects to receive for the goods and services provided. The new guidance establishes a five-step approach for the recognition of

revenue. Based on our preliminary assessment, we do not anticipate that the new guidance will fundamentally change our revenue recognition policies, practices, or systems.

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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 pipe, fittings and valves; refrigeration valves and fittings; fabricated tubular products; and steel nipples. The Company also resells imported brass and plastic plumbing valves, malleable iron fittings, faucets and plumbing specialty products. Mueller'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 Original Equipment Manufacturers (OEM) segment. For disclosure purposes, as permitted under Accounting Standards Codification (ASC) 280, Segment Reporting, 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), Engineered Products (EPD), and Mueller-Xingrong. Certain administrative expenses and expenses related primarily to retiree benefits at inactive operations are combined into the Corporate and Eliminations classification. These reportable segments are described in more detail below.

SPD manufactures and sells copper tube, copper and plastic fittings, line sets, plastic pipe, and valves in North America and sources certain products for distribution in North America. European Operations manufacture copper tube in Europe, which is sold throughout Europe; activities also include import distribution 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 sells products to wholesalers in the heating, ventilation, and air-conditioning (HVAC), plumbing, and refrigeration markets, to distributors 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. Mueller-Xingrong manufactures engineered copper tube primarily for air-conditioning applications; these products are sold primarily to OEMs located in China. 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 drivers of underlying demand for these products.

The majority of the Company's manufacturing facilities operated at below capacity during 2013 and the first nine months of 2014 due to reduced demand for the Company's products arising from the general economic conditions in the U.S. and foreign markets that the Company serves. These conditions have significantly affected the demand for virtually all of the Company's core products in recent years.

Residential construction activity in 2013 and into the first nine months of 2014 has shown improvement, but remains at levels below historical averages. Continued improvement is expected, but may be tempered by continuing low labor participation rates, the pace of household formations, and tighter lending standards. Per the U.S. Census Bureau, the

September 2014 seasonally adjusted annual rate of new housing starts was 1.0 million compared with the September 2013 rate of 0.9 million. While mortgage rates have risen in 2013 and 2014, they remain at historically low levels, as the average 30-year fixed mortgage rate was 4.24 percent for the first nine months of 2014 and 3.98 percent for the twelve months ended December 2013.

The private non-residential construction sector, which includes offices, industrial, health care, and retail projects, began showing modest improvement in 2012 and 2013 from declines in previous years. According to the U.S. Census Bureau, the actual (not seasonally adjusted) value of private nonresidential construction put in place was \$301.4 billion in 2012 compared to \$304.9 billion in 2013. The seasonally adjusted annual value of private non-residential value of construction put in place was \$333.3 billion in August 2014 compared to the August 2013 rate of \$305.2 billion and the December 2013 rate of \$331.4 billion. The Company expects that most of these conditions will gradually improve, but at an irregular pace.

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Profitability of certain of the Company's product lines depends upon the "spreads" between the costs of raw materials and the selling prices of its products. The open market prices for copper cathode and scrap, for example, influence the selling price of copper tube, 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 impacted by unit volume that is subject to market trends, such as substitute products, imports, technologies, and market share. In core product lines, the Company intensively manages its pricing structure while attempting to maximize its profitability. From time-to-time, this practice results in lost sales opportunities and lower volume. For plumbing systems, plastics are the primary substitute product; these products represent an increasing share of consumption. U.S. consumption of copper tube is still predominantly supplied by U.S. manufacturers. For certain air-conditioning and refrigeration applications, aluminum based systems are the primary substitution threat. The Company cannot predict the acceptance or the rate of switching that may occur. In recent years, brass rod consumption in the U.S. has declined due to the outsourcing of many manufactured products from offshore regions.

Results of Operations

Third Quarter 2014 compared with Third Quarter 2013

During the third quarter of 2014, the Company's net sales were \$602.8 million, which compares with net sales of \$528.9 million over the same period of 2013. The \$73.9 million increase was primarily attributable to higher unit sales volume in the Company's core product lines of \$70.4 million, of which approximately \$64.5 million was attributable to sales recorded by Howell Metal Company (Howell), acquired in October 2013, and Yorkshire Copper Tube (Yorkshire), acquired in February 2014.

Cost of goods sold was \$521.3 million in the third quarter of 2014 compared with \$456.3 million in the same period of 2013. Consistent with the factors noted above regarding net sales, the year-over-year increase was due primarily to increased sales volume.

Depreciation and amortization increased from \$7.9 million in the third quarter of 2013 to \$9.0 million in the third quarter of 2014. This is due to increased capital spending and depreciation and amortization related to businesses acquired. Selling, general, and administrative expense increased slightly from \$32.9 million in the third quarter of 2013 to \$34.9 million in the third quarter of 2014; this increase was primarily due to increased employment costs of \$1.2 million, primarily associated with the acquisitions of Howell and Yorkshire. Additionally, during the third quarter of 2014, the Company recognized severance costs of \$0.9 million at Yorkshire. The Company anticipates it will incur additional rationalization costs at Yorkshire over the next six months which are not expected to be material to the Company's financial position.

During the third quarter of 2013, the Company sold certain of its plastic fittings manufacturing assets and recognized a pre-tax gain of \$39.8 million, or 41 cents per diluted share after tax. The Company also recognized fixed asset impairment charges of \$4.3 million primarily related to real property retained that was associated with the aforementioned plastic sale transaction.

Interest expense increased to \$1.4 million in the third quarter of 2014 from \$1.2 million for the same period in 2013. This was primarily related to increased borrowings by MEL and higher borrowing costs at Mueller-Xingrong to fund working capital.

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The Company's effective tax rate for the third quarter of 2014 was 33 percent. The difference between the effective tax rate and the amount computed using the U.S. federal statutory tax rate for the third quarter of 2014 was primarily related to the reduction for the U.S. production activities deduction of \$1.0 million, which was partially offset by the provision for state income taxes, net of the federal benefit, of \$0.3 million.

The Company's effective tax rate for the third quarter of 2013 was 40 percent. Factors that explain the difference between the effective tax rate and what would be computed using the U.S. federal statutory tax rate for the third quarter of 2013 were increases related to: (i) the impairment of goodwill of \$1.8 million; (ii) increases in the valuation allowance of \$1.0 million; (iii) the provision for state income taxes, net of federal benefit of \$1.2 million; and (iv) the effect of foreign adjustments of \$0.4 million. These items were partially offset by the U.S. production activities deduction of \$1.0 million.

Based on the items described above, consolidated net income decreased to \$24.3 million in the third quarter of 2014 from \$39.9 million in the third quarter of 2013.

Plumbing & Refrigeration Segment

Third quarter net sales by the Plumbing & Refrigeration segment increased to \$357.8 million in 2014 from \$301.6 million for the third quarter of 2013. Of the \$56.2 million increase, approximately \$64.5 million was attributable to sales recorded by Howell, acquired in October 2013, and Yorkshire, acquired in February 2014, offset by lower unit sales volume in certain of the segment's product lines and a decline in copper prices.

Cost of goods sold increased from \$258.0 million in the third quarter of 2013 to \$308.9 million in the same period of 2014, which was due to higher volumes. Depreciation and amortization increased from \$4.2 million in the third quarter of 2013 to \$5.3 million in the third quarter of 2014. This is due to increased capital spending and depreciation and amortization related to businesses acquired. Selling, general, and administrative expense increased from \$20.7 million in 2013 to \$23.5 million in 2014 primarily due to increased employment costs, including incentive compensation, of \$1.5 million, severance costs of \$0.9 million at Yorkshire, and incremental selling, general, and administrative expenses associated with Howell and Yorkshire.

During the third quarter of 2013, the segment sold certain of its plastic fittings manufacturing assets and recognized a pre-tax gain of \$39.8 million. During the same quarter, it also recognized fixed asset impairment charges of \$4.2 million. Operating income for the segment decreased \$34.1 million in the third quarter of 2014 compared with the third quarter of 2013 primarily as a result of these items.

OEM Segment

The OEM segment's third quarter net sales were \$247.9 million in 2014 compared with \$230.4 million in 2013. The \$17.5 million increase in net sales was primarily attributable to higher unit sales volume, offset by lower net selling prices of \$6.5 million in the segment's core product lines of brass rod, forgings, impacts, and commercial tube. Cost of goods sold increased to \$215.2 million in the third quarter of 2014 from \$201.4 million in the same period of 2013, which was also due to factors consistent with those noted regarding net sales. Depreciation and amortization remained relatively consistent for both quarters. Selling, general, and administrative expenses were \$5.5 million in the third quarter of 2014 and \$5.8 million in the third quarter of 2013. Operating income increased from \$19.9 million in the third quarter of 2013 to \$24.0 million in the same period of 2014, due primarily to improved margins and higher

volumes.

Nine Months Ended September 27, 2014, compared with Nine Months Ended September 28, 2013

During the nine months ended September 27, 2014, the Company's net sales were \$1.83 billion, which compares with net sales of \$1.67 billion over the same period of 2013. The \$156.1 million increase in net sales was primarily due to overall higher unit sales volume in the Company's product lines of \$205.6 million, of which approximately \$171.4 million was attributable to sales recorded by Howell, acquired in October 2013, and Yorkshire, acquired in February 2014. This was partially offset by a \$46.3 million decrease related to lower net selling prices in the Company's core product lines. The Comex average copper price in the first nine months of 2014 was approximately \$3.17 per pound, or six percent lower than the 2013 average of \$3.36 per pound.

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Cost of goods sold was \$1.57 billion in the first nine months of 2014 compared with \$1.44 billion in the same period of 2013. Consistent with the factors noted above regarding net sales, the year-over-year increase was due primarily to increased sales volume, offset by a decrease in the price of copper, the Company's principal raw material, and a decrease in accruals related to import duties of \$3.1 million.

Depreciation and amortization increased from \$24.4 million in the first nine months of 2013 to \$25.7 million in 2014. This is due to increased capital spending and depreciation and amortization related to businesses acquired. Selling, general, and administrative expenses increased to \$102.2 million in the first nine months of 2014 from \$99.1 million in 2013; this \$3.1 million increase was primarily due to increased employment costs of \$1.3 million and severance costs of \$3.1 million at Yorkshire, offset by a reduction in expense related to legal matters of \$1.2 million.

During the nine months ended September 28, 2013, the Company settled the insurance claim related to the September 2011 fire at its Wynne, Arkansas manufacturing operation and recognized a \$106.3 million gain. During the same period, the Company also sold certain of its plastic fittings manufacturing assets and recognized a pre-tax gain of \$39.8 million, or 41 cents per diluted share after tax, and recognized fixed asset impairment charges of \$4.3 million.

Interest expense increased to \$3.9 million for the nine months ended September 27, 2014, from \$2.9 million for the same period in 2013. This increase was primarily due to increased borrowings by MEL and higher borrowing costs at Mueller-Xingrong to fund operations. Other income, net totaled \$0.4 million in the first nine months of 2014 compared with \$4.3 million for the same period in 2013. During 2013, the Company recognized a \$3.0 million gain on the sale of non-operating property.

The Company's effective tax rate for the first nine months of 2014 was 30 percent. The difference between the effective tax rate and the amount computed using the U.S. federal statutory tax rate was attributable to reductions for: (i) the U.S. production activities deduction of \$3.5 million; (ii) decreases in valuation allowances of \$5.7 million; and (iii) the effect of foreign tax rates lower than statutory tax rates and other foreign adjustments of \$0.5 million. These items were partially offset by the provision for state income taxes, net of the federal benefit, of \$2.8 million.

The Company's effective tax rate for the first nine months of 2013 was 37 percent. Factors that explain the difference between the effective tax rate and what would be computed using the U.S. federal statutory tax rate for the first nine months were increases related to: (i) goodwill impairment of \$1.8 million and (ii) the provision for state income taxes, net of the federal benefit, of \$7.4 million. These items were partially offset by reductions related to: (i) the effect of foreign tax rates lower than statutory tax rates and other foreign items of \$1.1 million; (ii) decreases in valuation allowances of \$0.4 million; and (iii) the U.S. production activities deduction of \$3.9 million.

Plumbing & Refrigeration Segment

Net sales by the Plumbing & Refrigeration segment in the nine months ended September 27, 2014 were \$1.09 billion compared to net sales of \$0.94 billion in the same period of 2013. Of the \$151.0 million increase, approximately \$171.4 million was attributable to sales recorded by Howell, acquired in October 2013, and Yorkshire, acquired in February 2014. The increase was offset by lower net selling prices of \$20.0 million.

Cost of goods sold increased from \$800.8 million in the first nine months of 2013 to \$934.2 million in the same period of 2014, which was also due to higher volumes. Depreciation and amortization increased from \$12.9 million in the first nine months of 2013 to \$14.8 million in the first nine months of 2014. This is due to increased capital spending and depreciation and amortization related to businesses acquired. Selling, general, and administrative expenses

increased from \$61.2 million in the nine months ended September 28, 2013 to \$67.7 million in the same period of 2014. The \$6.5 million increase was primarily due to increased employment costs, including incentive compensation, of \$2.6 million, severance costs of \$3.1 million at Yorkshire, and incremental selling, general, and administrative expenses associated with Howell and Yorkshire. This was offset by a reduction in expense related to legal matters of \$1.2 million.

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During the first nine months of 2013, the segment recognized a \$103.9 million gain related to the settlement of the insurance claim for the September 2011 fire at the Wynne, Arkansas manufacturing operation. It also sold certain of its plastic fittings manufacturing assets and recognized a pre-tax gain of \$39.8 million, and recognized fixed asset impairment charges of \$4.2 million. Operating income for the segment decreased \$130.3 million in the third quarter of 2014 over the third quarter of 2013 primarily as a result of these items.

OEM Segment

The OEM segment's net sales were \$743.3 million for the nine months ended September 27, 2014, compared with \$741.2 million in the same period of 2013. Of the \$2.1 million increase in net sales, approximately \$31.4 million was attributable to higher unit sales volume, offset by approximately \$26.4 million due to lower net selling prices in the segment's core product lines of brass rod, forgings, impacts, and commercial tube and \$3.2 million due to lower sales in the segment's other products. Cost of goods sold decreased to \$650.0 million in the first nine months of 2014 from \$651.9 million in the same period of 2013, which was due primarily to factors consistent with those noted regarding net sales. Depreciation and amortization remained relatively consistent for both periods. Selling, general, and administrative expenses were \$15.7 million in the first nine months of 2014 compared with \$18.2 million in the first nine months of 2013. The \$2.5 million decrease was due primarily to lower net periodic pension and benefit costs. Operating income increased from \$61.2 million in the first nine months of 2013 to \$68.5 million in the same period of 2014.

Liquidity and Capital Resources

Cash provided by operating activities during the nine months ended September 27, 2014 totaled \$4.2 million, which was primarily attributable to consolidated net income of \$84.5 million and depreciation and amortization of \$25.9 million. These cash increases were offset by increased receivables of \$62.9 million, an increase in other assets of \$15.3 million, an increase in inventories of \$14.9 million, and a decrease in current liabilities of \$8.7 million. These changes are primarily due to increased sales volume in certain businesses and additional working capital needs of acquired businesses.

During the first nine months of 2014, cash used in investing activities totaled \$51.1 million. The major components of net cash used in investing activities included \$30.1 million for the acquisition of Yorkshire and capital expenditures of \$28.4 million, offset by \$4.9 million from the sale of properties and net withdrawals from restricted cash balances of \$2.5 million.

Net cash used in financing activities totaled \$4.7 million, which consisted primarily of \$12.6 million for payment of regular quarterly dividends to stockholders of the Company and \$3.2 million for repayment of debt by Mueller-Xingrong, partially offset by \$12.0 million received from the issuance of debt by MEL.

The Company has significant environmental remediation obligations. The performance of these obligations is expected to occur over a minimum of 20 years. Cash used for environmental remediation activities was approximately \$1.4 million during the first nine months of 2014. The Company expects to spend approximately \$0.3 million for the remainder of 2014 for ongoing environmental remediation activities. The timing of a potential payment for a \$9.5 million settlement offer has not yet been determined.

Effective May 29, 2014, the Company amended its credit agreement (the Credit Agreement) entered into on March 7, 2011 to reduce the unsecured \$350.0 million revolving credit facility (the Revolving Credit Facility) to \$200.0 million. The Credit Agreement also provides for a \$200.0 million Term Loan Facility, which, together with the

Revolving Credit Facility, both mature on December 11, 2017. The Revolving Credit Facility backed approximately \$10.6 million in letters of credit at the end of the quarter.

Additionally, MEL's credit agreement (the Invoice Facility, described in Note 6 of the Notes to the Condensed Consolidated Financial Statements) has a total borrowing capacity of £40.0 million, or approximately \$65.0 million. The Invoice Facility has an initial term of two years. Borrowings outstanding under the Invoice Facility are secured by MEL's trade account receivables denominated in British pounds.

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On September 23, 2013, Mueller-Xingrong entered into a credit agreement with a syndicate of four banks established a secured revolving credit facility (the JV Credit Agreement), which matured on September 24, 2014. At the maturity date, individual draws on the JV Credit Agreement had maturity dates ranging up to nine months. Mueller-Xingrong is in process of negotiating a new credit agreement. Management believes that cash generated by Mueller-Xingrong's operations and cash currently on hand will be sufficient to fund its operations until such time a new credit agreement is executed, which is expected in the near term. Borrowings under the JV Credit Agreement were approximately \$24.5 million and bear an interest rate at the latest base-lending rate published by the People's Bank of China, which was 5.6 percent at September 27, 2014.

As of September 27, 2014, the Company's total debt was \$242.7 million or 23.1 percent of its total capitalization.

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 27, 2014, the Company was in compliance with all of its debt covenants.

The Company declared and paid a regular quarterly cash dividend of 7.5 cents per common share in the third quarter of 2014. Payment of dividends in the future is dependent upon the Company's financial condition, cash flows, capital requirements, earnings, and other factors.

Management believes that the Credit Agreement, cash generated by operations, and currently available cash of \$259.9 million will be adequate to meet the Company's normal future capital expenditures and operational needs for the next twelve months. The Company's current ratio was 4.0 to 1 at September 27, 2014.

The Company's Board of Directors has extended, until October 2015, its authorization to repurchase up to 20 million shares of the Company's common stock through open market transactions or through privately negotiated transactions. The Company has no obligation to repurchase any shares and may cancel, suspend, or extend the time period for the repurchase of shares at any time. Any repurchases will be funded primarily through existing cash and cash from operations. The Company may hold any shares repurchased in treasury or use a portion of the repurchased shares for employee benefit plans, as well as for other corporate purposes. From its initial authorization in 1999 through September 27, 2014, the Company had repurchased approximately 4.7 million shares under this authorization.

Other than the borrowings under the Invoice Facility described above, there have been no significant changes in the Company's contractual cash obligations reported at December 28, 2013.

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.

The Company occasionally enters into future fixed-price arrangements with certain customers. The Company may utilize futures contracts to hedge risks associated with these fixed-price arrangements. The Company may also utilize futures contracts to manage price risk associated with inventory. Depending on the nature of the hedge, changes in the fair value of the futures contracts will either be offset against the change in fair value of the inventory through earnings or recognized as a component of accumulated other comprehensive income (OCI) 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 27, 2014, the Company held open futures contracts to purchase approximately \$18.0 million of copper through March 2015 related to fixed-price sales orders and open futures contracts to sell approximately \$11.4 million of copper through March 2015 to manage the price risk associated with inventory on-hand.

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The Company may enter into futures contracts or forward fixed-price arrangements with certain vendors 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 accumulated OCI 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 27, 2014, the Company held no open futures contracts to purchase natural gas.

Interest Rates

At September 27, 2014, the Company had variable-rate debt outstanding of \$242.7 million. At this borrowing level, 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 exposures on floating-rate debt are based on LIBOR, the base-lending rate published by the People's Bank of China, and the base-lending rate published by HSBC. There was no fixed rate debt outstanding as of September 27, 2014.

The Company has reduced its exposure to increases in LIBOR by entering into interest rate swap contracts. These contracts have been designated as cash flow hedges. The fair value of these contracts has been recorded in the Condensed Consolidated Balance Sheets, and the related gains and losses on the contracts are deferred in stockholders' equity as a component of OCI. Deferred gains or losses on the contracts will be recognized in interest expense in the period in which the related interest payment being hedged is expensed. The interest rate swap agreement has an effective date of January 12, 2015.

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. The Company may utilize certain futures or forward contracts with financial institutions to hedge foreign currency transactional exposures. Gains and losses with respect to these positions are deferred in stockholders' equity as a component of accumulated OCI and reflected in earnings upon collection of receivables or payment of commitments. At September 27, 2014, the Company had open forward contracts with a financial institution to sell approximately 1.3 million Canadian dollars, 4.2 million euros, 23.3 million Swedish kronor, and 8.9 million Norwegian kroner through January 2015. It also held open forward contracts to buy approximately 3.0 million euros through March 2015.

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.

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 (SEC). The words

“pro forma,” “outlook,” “estimate,” “project,” “intend,” “expect,” “believe,” “target,” and similar expressions are intended to be 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.

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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 SEC'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(e) of the Exchange Act as of September 27, 2014. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of September 27, 2014, to ensure that information required to be disclosed in Company reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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 27, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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. 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.

U.K. Actions Relating to the European Commission's 2004 Copper Tube Decision and 2006 Copper Fittings Decision

In the Competition Appeal Tribunal (the CAT) in the United Kingdom, IMI plc and IMI Kynoch Limited (IMI) and Boliden AB (Boliden) were served with claims by 21 claimants, all companies within the Travis Perkins Group (TP and the TP Claimants) regarding copper tube. The TP Claimants sought follow-on damages arising out of conduct described in the European Commission's September 3, 2004, decision regarding copper tube. The claims purported to arise from the findings of the European Commission as set forth in that decision (Copper Tube Decision). IMI and Boliden commenced legal proceedings against Mueller Industries, Inc., WTC Holding Company, Inc., DENO Holding Company, Inc., Mueller Europe, Limited, and DENO Acquisition EURL (the five Mueller entities), and in those proceedings claimed a contribution for any follow-on damages.

In the High Court in the United Kingdom, IMI was also served with claims by 21 TP Claimants regarding copper fittings. The TP Claimants are seeking follow-on damages arising out of conduct described in the European Commission's September 20, 2006, decision regarding copper fittings. The claims similarly purport to arise from the findings of the European Commission as set forth in that decision. IMI commenced legal proceedings against Mueller Industries, Inc., Mueller Europe Limited, and WTC Holding Company, Inc. (the three Mueller entities), and in those proceedings claimed a contribution for any follow-on damages.

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As to the claims arising from the Copper Tube Decision brought in the CAT, following the CAT's grant of approval, the case was transferred to the High Court. Mueller's defense in response to the contribution claims brought by IMI and Boliden was served on March 15, 2013. During the second quarter of 2014, a settlement was reached in respect of the claims against Mueller and the High Court has dismissed the claims against Mueller. The total payment made by Mueller pursuant to the settlement did not have a material impact on the Company's financial position, results of operations, or cash flows.

As to the claims arising from the Copper Fittings Decision, Mueller's defense in response to the contribution claims brought by IMI was served on May 30, 2014. During the third quarter of 2014, a settlement was reached in respect of the claims against Mueller and the High Court has dismissed the claims against Mueller. The total payment made by Mueller pursuant to the settlement did not have a material impact on the Company's financial position, results of operations, or cash flows.

Environmental

Lead Refinery Site

U.S.S. Lead Refinery, Inc. (Lead Refinery), a non-operating wholly owned subsidiary of Mining Remedial Recovery Company, has conducted corrective action and interim remedial activities and studies (collectively, Site Activities) at Lead Refinery's East Chicago, Indiana site pursuant to the Resource Conservation and Recovery Act. Site Activities, which began in December 1996, have been substantially concluded. Lead Refinery is required to perform monitoring and maintenance activities with respect to Site Activities pursuant to a post-closure permit issued by the Indiana Department of Environmental Management effective as of March 2, 2013. Lead Refinery spent approximately \$0.1 million annually in 2013, 2012 and 2011 with respect to this site. Approximate costs to comply with the post-closure permit, including associated general and administrative costs, are between \$2.1 million and \$3.9 million over the next 20 years.

On April 9, 2009, pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Environmental Protection Agency (EPA) added the Lead Refinery site, and properties surrounding the Lead Refinery site, to the National Priorities List (NPL). The NPL is a list of priority sites where the EPA has determined that there has been a release or threatened release of hazardous substances that warrant investigation and, if appropriate, remedial action. The NPL does not assign liability to any party including the owner or operator of a property placed on the NPL. The placement of a site on the NPL does not necessarily mean that remedial action must be taken. On July 17, 2009, Lead Refinery received a written notice from the EPA that the agency is of the view that Lead Refinery may be a potentially responsible party (PRP) under CERCLA in connection with the release or threat of release of hazardous substances including lead into properties surrounding the Lead Refinery site. The EPA has identified two other PRPs in connection with the release or threat of release of hazardous substances into properties surrounding the Lead Refinery site. PRPs under CERCLA include current and former owners and operators of a site, persons who arranged for disposal or treatment of hazardous substances at a site, or persons who accepted hazardous substances for transport to a site. In November 2012, the EPA adopted a remedy in connection with properties surrounding the Lead Refinery site. The EPA has estimated that the cost to implement the November 2012 remedy will be \$30.0 million. In September 2014, the EPA announced that it had entered into a settlement with the two other PRPs whereby they will pay approximately \$26.0 million to fund the cleanup of approximately 300 properties surrounding the Lead Refinery site.

The Company monitors EPA press releases and periodically communicates with the EPA to inquire of the status of the investigation and cleanup of the Lead Refinery site. As of September 27, 2014, the EPA has not conducted an

investigation of the Lead Refinery site pursuant to CERCLA, proposed remedies for the Lead Refinery site, or informed Lead Refinery that it is a PRP at the Lead Refinery site. Until the extent of any remedial action is determined for the Lead Refinery site, the Company is unable to determine the likelihood of a material adverse outcome or the amount or range of a potential loss with respect to placement of the Lead Refinery site and adjacent properties on the NPL. Lead Refinery lacks the financial resources needed to undertake any investigations or remedial action that may be required by the EPA pursuant to CERCLA.

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Item 1A. Risk Factors

The Company is exposed to risk as it operates its businesses. To provide a framework to understand the operating environment of the Company, we have provided a brief explanation of the more significant risks associated with our businesses in our 2013 Annual Report on Form 10-K. There have been no material changes in risk factors that were previously disclosed in our 2013 Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities

The Company's Board of Directors has extended, until October 2015, its authorization to repurchase up to 20 million shares of the Company's common stock through open market transactions or through privately negotiated transactions. The Company has no obligation to repurchase any shares and may cancel, suspend, or extend the time period for the repurchase of shares at any time. Any repurchases will be funded primarily through existing cash and cash from operations. The Company may hold any shares repurchased in treasury or use a portion of the repurchased shares for employee benefit plans, as well as for other corporate purposes. From its initial authorization in 1999 through September 27, 2014, the Company had repurchased approximately 4.7 million shares under this authorization. Below is a summary of the Company's stock repurchases for the period ended September 27, 2014.

	(a)	(b)	(c)	(d)
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
				15,287,060 (1)
June 29 – July 26, 2014	6,194(2)	\$ 29.49	—	
July 27 – August 23, 2014	58,015(2)	28.43	—	
August 24 – September 27, 2014	424(2)	29.39	—	

(1) Shares available to be purchased under the Company's 20 million share repurchase authorization until October 2015. The extension of the authorization was announced on October 24, 2014.

(2) Shares tendered to the Company by holders of stock-based awards in payment of the purchase price and/or withholding taxes upon exercise and/or vesting.

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Item 6. Exhibits

- 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.

101.CAL XBRL Taxonomy Extension Calculation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.INS XBRL Instance Document

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Presentation Linkbase Document

101.SCH XBRL Taxonomy Extension Schema

Items 3, 4, and 5 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.

MUELLER INDUSTRIES, INC.

October 24, 2014
Date

/s/ Jeffrey A. Martin
Jeffrey A. Martin
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

October 24, 2014
Date

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

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EXHIBIT INDEX

Exhibits	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.INS	XBRL Instance Document
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Presentation Linkbase Document
101.SCH	XBRL Taxonomy Extension Schema
