



Walter Industries, Inc.

INFORMATION STATEMENT Spin-off of Mueller Water Products, Inc. Through the Distribution by Walter Industries, Inc. of Mueller Water Products, Inc. Series B Common Stock

Walter Industries, Inc. ("Walter Industries") is sending you this Information Statement because it is spinning-off its ownership interest in Mueller Water Products, Inc. ("Mueller Water Products"). In the spin-off, shareholders of Walter Industries common stock will receive a dividend of 1.6524432 shares of Mueller Water Products Series B common stock for each outstanding share of Walter Industries common stock owned as of the close of business on Dec. 6, 2006 (the "Record Date").

No fractional shares of Mueller Water Products will be delivered; instead, shareholders will receive cash for such fractional share interest. See "When and How You Will Receive Mueller Water Products Series B Shares - Fractional Shares" below. The stock dividend is expected to be distributed on Dec. 14, 2006 (the "Distribution Date").

The spin-off is intended to be tax-free to Walter Industries shareholders for U.S. Federal Income Tax purposes, except for any cash received for a fractional share of Mueller Water Products Series B common stock. See "U.S. Federal Income Tax Consequences" below. You are urged to consult a tax advisor to determine the particular tax consequences of the spin-off to you, including the effect of any federal, state, local and any other tax laws.

In May 2006, Mueller Water Products completed an initial public offering of approximately 28.75 million newly issued shares of its Series A common stock. Following the initial public offering, Walter Industries continued to own approximately 85.8 million shares of Mueller Water Products Series B common stock. On Nov. 6, 2006, the Walter Industries Board of Directors approved the distribution of these shares of Mueller Water Products Series B common stock to all WLT shareholders as of the Record Date. As a result, Walter Industries will distribute to its shareholders, on a pro rata basis, all of the shares of Mueller Water Products Series B common stock currently owned by Walter Industries.

No vote of Walter Industries shareholders is required in connection with the spin-off; therefore, you are not required to take any action. The distribution of Mueller Water Products Series B shares will not affect the number of Walter Industries common shares outstanding or the number of Walter Industries shares owned by each shareholder. Walter Industries is sending you this Information Statement, which contains additional information about the terms of the spin-off, including tax consequences, and Mueller Water Products Series B common stock for your information only.

If you would like more information, please call The Bank of New York at 1-800-524-4458.

Neither the Securities and Exchange Commission nor any state securities regulator have approved the Mueller Water Products Series B common stock to be distributed to you pursuant to this stock dividend or has determined if this Information Statement is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this Information Statement is Dec. 12, 2006.

INFORMATION ABOUT THE SPIN-OFF

The Distribution of Mueller Water Products Series B Shares

On Nov. 6, 2006, the Walter Industries Board of Directors approved the distribution of Walter Industries' remaining equity interest in Mueller Water Products. To effect this distribution, the Walter Industries Board of Directors declared a dividend on Walter Industries common stock consisting of approximately 85.8 million shares of Mueller Water Products Series B common stock.

These shares represented approximately 75 percent of the total outstanding value of Mueller Water Products common stock and approximately 96 percent of the total outstanding voting rights of Mueller Water Products' common stock on Dec. 6, 2006. On the Distribution Date, holders of Walter Industries common stock will receive 1.6524432 shares of Mueller Water Products Series B common stock as a dividend on each outstanding share of Walter Industries common stock owned as of the Record Date, calculated as described below. You will not be required to pay any cash or other consideration for the shares of Mueller Water Products Series B common stock distributed to you or to surrender or exchange your shares of Walter Industries common stock to receive the dividend of Mueller Water Products Series B common stock. The distribution will not affect the number of, or the rights attaching to, shares of Walter Industries common stock.

Calculating The Number of Shares You Will Receive

For each share of Walter Industries common stock held by you at the close of business on the Record Date, you are entitled to receive a number of Mueller Water Products Series B shares equal to the quotient obtained by dividing the total number of shares of Mueller Water Products Series B common stock to be distributed by the total number of shares of Walter Industries common stock (including restricted stock) outstanding as of the Record Date. Thus, the following equation determined the distribution ratio of Mueller Water Products Series B common stock for each share of Walter Industries common stock you hold:

$$\frac{\text{Number of Mueller Water Products Series B shares to be distributed in the spin-off}}{\text{Number of shares of Walter Industries common stock outstanding as of the Record Date}}$$

Or

$$\frac{85,844,920}{51,950,299}$$

Cash will be paid for any fractional share interest distributed but not delivered to you.

The shares of Mueller Water Products Series B common stock that you receive will be fully paid and non-assessable and have no preemptive rights.

Trading Prior to the Distribution Date

From Dec. 4, 2006 through the Distribution Date, there are two markets in which Walter Industries common stock will trade, a "regular way" market and a "when-issued" market.

Shares of Walter Industries common stock that trade on the regular way market ("WLT") carry an entitlement to shares of Mueller Water Products Series B common stock to be distributed pursuant to the spin-off. Shares of Walter Industries common stock that trade on the "when-issued" ("WLT.wi") market trade without an entitlement to shares of Mueller Water Products Series B common stock to be distributed pursuant to the spin-off. Therefore, if you owned

shares of Walter Industries common stock at the Record Date, and sell those shares on the regular way market prior to or on the Distribution Date, you will also be selling the right to those shares of Mueller Water Products Series B common stock that would have been distributed to you pursuant to the spin-off. If you sell shares of Walter Industries common stock on the when-issued market prior to or on the Distribution Date, you will still receive the shares of Mueller Water Products common stock that are to be distributed to you pursuant to your ownership of Walter Industries common stock as of the Record Date. After the Distribution Date, shares of Walter Industries common stock will continue to trade on the New York Stock Exchange under the symbol "WLT."

Also, from Dec. 4, 2006 through the Distribution Date, there are two markets in which Mueller Water Products can be traded. The Mueller Water Products Series A common stock ("MWA") trades in the "regular way" market. Mueller Water Products Series B common stock will trade in the "when-issued" trading market ("MWA.b.wi") through Dec. 14. The "regular way" market is the same market for shares of Mueller Water Products Series A common stock that currently exists. The when-issued trading market is a market for shares of Mueller Water Products Series B common stock that will be distributed to Walter Industries shareholders on the Distribution Date.

You may trade this entitlement to shares of Mueller Water Products Series B common stock, without the shares of Walter Industries common stock you own, on the when-issued trading market for Mueller Water Products Series B common stock. After the Distribution Date, shares of Mueller Water Products Series B common stock will continue to trade on the New York Stock Exchange under the symbol "MWA.B."

When and How You Will Receive Mueller Water Products Series B shares

Walter Industries will distribute the stock dividend on the Distribution Date by releasing its shares of Mueller Water's Series B common stock to The Bank of New York, Walter Industries' disbursing agent and the transfer agent of Mueller Water Products. On the Distribution Date, the disbursing agent will cause the shares of Mueller Water Products Series B common stock to which you are entitled to be registered in your name or in the "street name" of your bank or brokerage firm.

Registered Holders

If you are a registered holder of Walter Industries common stock and hold your Walter Industries common stock either in physical form or in book-entry form, the shares of Mueller Water Products Series B common stock to be distributed to you will be registered in your name by The Bank of New York and you will become the registered holder of those shares of Mueller Water Products Series B common stock.

"Street Name" Holders

Many Walter Industries shareholders have their Walter Industries common stock held in an account with a bank or brokerage firm. If this applies to you, that bank or brokerage firm is the registered holder that holds the shares on your behalf. The Mueller Water Products Series B common stock to be distributed will be registered in the "street name" of your bank or broker, who in turn will then credit your account for the shares of Mueller Water Products Series B common stock that you are entitled to receive in the distribution. It is anticipated that this will take a few business days after the Distribution Date. You are encouraged to contact your bank or broker if you have any questions regarding the mechanics of having your shares of Mueller Water Products Series B common stock posted to your account.

Fractional Shares

Only whole shares of Mueller Water Products Series B common stock will be delivered to shareholders.

Walter Industries' disbursing agent, The Bank of New York, will not deliver any fractional shares of Mueller Water Products Series B common stock in connection with the spin-off. Instead, you will receive a cash payment in an amount equal to the value of any fractional share that may be due to you. Your check for any cash that you may be entitled to receive for a fractional share of Mueller Water Products Series B common stock will be disbursed after the Distribution Date. Walter Industries currently estimates that it will take about two weeks from the Distribution Date for the disbursing agent to complete check mailings.

Direct Registration System

Shares of Mueller Water Products Series B common stock are uncertificated and registered in book-entry form through the direct registration system. No physical stock certificates will be issued for any shares of Mueller Water Products Series B common stock. Rather, under the direct registration system, instead of receiving stock certificates, you will receive a direct registration statement reflecting your ownership interest in shares of Mueller Water Products Series B common stock. Under the direct registration system, registered holders may be able to sell shares of Mueller Water Products Series B common stock through Mueller Water Products' transfer agent and registrar or request that your shares of Mueller Water Products Series B common stock be transferred to your bank or brokerage firm. For registered holders, Mueller Water Products' transfer agent and registrar will mail your direct registration statement reflecting your ownership of shares of Mueller Water Products Series B common stock after the spin-off. When you receive your first account statement, you will receive information explaining the direct registration system and detailing the various options of this form of ownership. Walter Industries currently estimates that it will take about two weeks from the Distribution Date for the transfer and disbursing agent to complete these mailings. Shareholders who hold their securities in "street name" will not receive a direct registration statement, but will have their accounts credited by their bank or brokerage firm.

U.S. Federal Income Tax Consequences

Walter Industries has received a ruling from the Internal Revenue Service that for U.S. federal income tax purposes, the distribution of Mueller Water Products Series B common stock is tax-free to Walter Industries and to Walter Industries shareholders, except in respect of any cash received for fractional share interests and will receive an opinion of counsel on the distribution date with respect to certain issues on which the Internal Revenue Service will no longer rule.

After the distribution is completed, Walter Industries will provide its shareholders with information to enable them to compute their tax basis in both Walter Industries and Mueller Water Products Series B shares and other information they will need to report their receipt of Mueller Water Products Series B common stock on their 2006 U.S. Federal Income Tax return. Walter Industries intends to provide this tax information by making it publicly available on the investor websites of Walter Industries (www.walterind.com) and Mueller Water Products (www.muellerwaterproducts.com).

You are urged to consult your tax advisor about the particular tax consequences of the distribution to you, including the application of federal, state, local and foreign tax laws.

About Walter Industries

Walter Industries, Inc. is a diversified company with consolidated annual revenues, before giving effect to the spin-off, of approximately \$3.2 billion. Walter Industries is a significant producer of high-quality metallurgical coal and natural gas for worldwide markets and is a leader in affordable homebuilding and financing. Until the spin-off, Walter Industries is the majority shareholder of Mueller Water Products, a leading water infrastructure, flow control and water transmission products company. Including Mueller Water, Walter Industries employs approximately 10,000 people. For more information about Walter Industries, please visit its web site at <http://www.walterind.com>.

About Mueller Water Products

Mueller Water Products, Inc. is currently and until the spin-off a majority-owned subsidiary of Walter Industries. Mueller Water Products has pro forma revenues of approximately \$1.9 billion. Mueller Water Products is comprised of three main operating segments: Mueller Co., U.S. Pipe and Anvil. Mueller Water Products is a leader in water infrastructure, flow control and water transmission products. Headquartered in Atlanta, Ga., Mueller Water Products employs approximately 7,000 people. For more information about Mueller Water Products, please visit the Company's web site at www.muellerwaterproducts.com

About The Bank of New York

The Bank of New York is the transfer agent and registrar for Mueller Water Products Series B common stock. You may contact the transfer agent and registrar at the address below. You can also call The Bank of New York at 1-800-524-4458.

All correspondence should be sent to the following address:

General Correspondence:

The Bank of New York
Investor Services
Church Street Station
P.O. Box 11258
New York, NY 10286-1258

For Additional Information:

Mueller Water Products and Walter Industries are each subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended, and accordingly, each company files registration statements, reports, proxy statements and other information with the Securities and Exchange Commission, or SEC, including financial statements. Mueller Water Products has advised the Company that it has been subject to the Securities Exchange Act reporting requirements for at least 90 days and is current in its reporting. If you would like more information about Mueller Water, you are urged to read its reports filed with the SEC. You may read and obtain copies (at prescribed rates) of Mueller Water's and Walter Industries reports at the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain these reports at the SEC's website at <http://www.sec.gov>. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also inspect these reports at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Mueller Water Products and Walter Industries each maintain a website that offers additional information about each company at www.walterind.com and www.muellerwaterproducts.com.