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T.M.

Mueller Industries, Inc.

To Our Shareholders:

On December 28, 1990, the Plan of Reorganization for Sharon Steel Corporation was consummated. Mueller Industries, Inc. was formally created, owning primarily the non-steel assets of Sharon, which had been in bankruptcy for approximately 3½ years. Mueller's businesses range from copper and brass fabricating operations to mining and railway interests. Our revenues in 1990 exceeded $500 million from these business segments.

The reorganization is officially behind us. All distributions of stock have been made, and we were able to eliminate the need for issuance of the $17.5 million in Delayed Distribution Notes by making direct cash payments to all stockholders on March 25, 1991.

On the operating side, we are streamlining operations and eliminating inefficiencies. We have established the corporate offices for Mueller Industries, Inc., and its major subsidiaries, Mueller Brass Company and Arava Natural Resources Company, Inc., in Wichita, Kansas. We are upgrading systems and improving our existing capabilities and resources, emphasizing our response to customer needs in manufacturing, sales, service and distribution.

Our cash balances since the end of 1990 have continued to increase and we expect the first quarter of 1991 to be profitable, despite major weaknesses in the housing and construction markets, coupled with eroding precious metal prices. We believe that the financial performance of the Company will improve in 1991.

The transition is underway. A collection of companies formerly owned by a bankrupt parent is now being molded and integrated into a new company. We are hopeful that 1991, a year of significant change, will continue to reward the employees and shareholders who have confidence and believe in the future of Mueller Industries, Inc.

Sincerely,

Raymond H. Wechsler
Chairman of the Board

Robert J. Brown
Vice Chairman, President and
Chief Executive Officer

March 28, 1991

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MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Company emerged from bankruptcy on December 28, 1990 with minimal debt or other long term commitments.

Pursuant to the successful Chapter 11 Plan of Reorganization (the "Plan") of Sharon Steel Corporation, Mueller Industries became a publicly-held company (a) whose businesses include the manufacturing and marketing of brass and copper products, the mining and marketing of various natural resources (including coal and gold) and the operation of a railway in Utah and (b) whose assets are now free from substantially all of the claims, obligations and liabilities of Sharon Steel Corporation. The former businesses of Sharon Steel Corporation (and claims relating to the manufacturing, marketing and distribution of steel and steel products) were, pursuant to the Plan, sold to an unaffiliated entity, Sharon, Inc.

Pursuant to the Plan of Reorganization, the recapitalization and realignment of the Company resulted in (i) the cancellation of the old common stock of Sharon Steel Corporation; (ii) the exchange of unsecured debt of approximately $584.4 million for 70% of the Company's new Common Stock and $17.5 million principal amount of its Delayed Distribution Notes; (iii) a capital infusion of $50 million for 30% of the Company's new Common Stock and $7.5 million principal amount of its Delayed Distribution Notes; (iv) the Company's acquisition of Sharon, Inc.'s Junior Preferred Stock having an aggregate liquidation preference of approximately $34 million; and (v) the assumption of approximately $21.5 million of bankruptcy-related obligations payable over the next six years.

As a consequence of the Plan of Reorganization, substantially all pre-petition debt was discharged and the Company's capitalization has been significantly strengthened as evidenced by ratios of current assets to current liabilities of 1.78 to 1 and of long-term debt to equity of .27 to 1. The combination of (a) successful emergence from bankruptcy; (b) elimination of substantially all of the claims and liabilities pursuant to the Plan; and (c) new management should permit Mueller to compete more efficiently and profitably in today's complex international marketplace. The Company's short term commitments resulting from the reorganization transaction include $25 million of Delayed Distribution Notes, and a requirement that the Company purchase from the Quantum Fund, Sharon, Inc.'s (the purchaser of the steel-related assets under the Plan) series C preferred stock for $5 million plus interest. Subsequent to year end, these commitments were satisfied with existing cash balances.

The Company's principal subsidiary, Mueller Brass Company, has availability of up to $25 million under the terms of a revolving credit agreement (the Facility) which expires on September 1, 1992. Amounts borrowed under the Facility bear interest at a rate based on one of the following options as selected by the Company: (i) negotiated rate with the lender; (ii) secondary certificate of deposit rate plus .9%; or (iii) LIBOR plus .75%. Additionally, an annual commitment fee of 3/8 of 1% is required on the unused portion of the Facility.

Management believes that cash provided by operations and cash available under the Facility will be adequate to meet the Company's capital expenditures and operational needs. Refer to the discussion under "Capital Stock Information" on page 30 regarding restrictions on dividends.

The Company is environmentally sensitive and has initiated various programs to manage and minimize environmental concerns. Pursuant to the Plan, the Company formed Mining Remedial Recovery Company (MRRC) for the purpose of managing the remediation of certain non-operating sites. MRRC was capitalized with a $7.85 million cash contribution after initiation and completion of environmental audits. These cash balances will only be utilized as needed by MRRC.

RESULTS OF OPERATIONS

The Company operates two business segments: the Mueller Brass group which is engaged in copper, brass, iron, and plastic fabrication supplying diverse products for many markets; and Arava Natural Resources group which is engaged in gold, copper, and coal mining, and railway transportation.

PERFORMANCE IN 1990 COMPARED TO 1989

GENERAL

Revenues from continuing operations totaled $505.4 million in 1990 as compared to $510.5 million in 1989. Selling, general and administrative expenses increased from $31.0 million in 1989 to $40.2 million in 1990, partially due to the January, 1990 acquisition of U-Brand. Operating income declined from $22.6 million in 1989 to a loss of $4.5 million in 1990.

Interest expense increased primarily due to the acquisition financing of U-Brand of $25 million in early 1990. Environmental reserves declined because of the absence of the 1989 reserve for the Midvale Site which was discharged as part of the reorganization. Loss on restructuring of assets relates to plans to streamline and consolidate various operations. The provision for income taxes decreased primarily due to a decrease in foreign, state and local income taxes.

The Company's consolidated financial statements are prepared on a historical cost basis which does not completely account for the effects of inflation. During 1990, the Company experienced increased raw material and other manufacturing costs incurred in the production of certain products which, to a degree, could not be recovered through increased sales prices due to market conditions. Since the cost of most of the Company's inventories is determined using the last-in, first-out (LIFO) method of accounting for inventories, the cost of goods sold reported in the statement of operations approximates current costs. The Company endeavors to consider rising production costs in setting pricing policies, to the extent permitted by competitive factors in the marketplace.

MUELLER BRASS

Revenues from the copper and brass segment increased to $462.2 million in 1990 compared to $458.1 million in the prior year primarily due to the January, 1990 acquisition of U-Brand Corporation (with 1990 revenues of $58.7 million) offset by a decline in revenues from brass and copper milling production.

Cost of goods sold of $411.4 million was 89.0% of revenues in 1990 compared to $401.9 million and 87.7% respectively in the prior year as copper tube prices declined due to competitive pressures brought on by the sharp downturn in the construction industry. Cost of goods sold was decreased by $4.1 million in 1990 and increased by $1.7 million in 1989 due to liquidations of LIFO inventory quantities in those years. Selling, general and administrative expenses increased from $23.7 million in 1989 to $34.0 million in 1990 primarily attributable to the acquisition of the U-Brand Corporation which historically has had higher SG&A expenses relative to Mueller Brass. The combination of these factors resulted in sharply lower operating results. As operations are streamlined and consolidated where appropriate, the Company expects to reduce SG&A expenses from the 1990 levels.

ARAVA NATURAL RESOURCES

Revenues of the natural resources segment decreased 18% to $43.2 million from $52.4 million in 1989 primarily due to decreased export sales of coal. U.S. Fuel sales increased to $14.4 million in 1990 from $14.0 million in 1989 primarily due to an increase in sales price per ton offset by a decrease in coal shipments. Coal shipments from U.S. Fuel decreased to 636,000 tons from 704,000 tons in 1989, and coal reserves decreased to 22.4 million tons from 23.0 million tons in 1989. Gold sales for Alaska Gold decreased to $8.5 million in 1990 from $8.7 million in 1989 due to a decrease in the number of ounces sold (23,000 in 1989 and 22,000 in 1990.) Sales from the other operations, which include the Utah Railway and USSRAM Exploration Company, decreased to $20.4 million from $31.2 million in 1989 due to the reduction in export coal sales. Utah Railway carried 3.3 million tons of coal in 1990, a decrease of 0.5 million tons from 1989. Total tonnage of exported coal decreased to 217,000 tons in 1990 from 454,000 tons in 1989.

The group's operating loss increased to $10.7 million in 1990 compared to $0.4 million in 1989. The loss was primarily due to increased production and amortization costs at Alaska Gold, coupled with reduced export shipments of coal.

PERFORMANCE IN 1989 COMPARED TO 1988

GENERAL

Revenues increased from $488.2 million in 1988 to $510.5 million in 1989. Income from continuing operations declined to $8.0 million in 1989 compared to income of $31.4 million in 1988. The decline is primarily due to the recognition of environmental charges totaling $13.1 million in 1989 in addition to the unfavorable effect of higher raw material, repair and maintenance, and other manufacturing costs during 1989 and the absence of a gain of $27.1 million which was recorded in the second quarter of 1988 related to settlements of long-term contracts for the sale of coal.

The provision for income taxes and charge in lieu of income taxes declined to $2.3 million in 1989 compared to $22.7 million in the prior year. The decrease is primarily due to the decline in income before taxes. In 1988 an extraordinary tax credit was recognized to reflect the utilization of operating loss carryforwards which offset the 1988 charge in lieu of income taxes. For financial reporting purposes, no loss carryforwards were utilized in 1989. The remaining tax provision for 1989 and 1988 represents the federal alternative minimum tax, foreign income tax and state income tax.

MUELLER BRASS

Revenues of the copper and brass fabrication segment increased 2% to $458.1 million from $448.0 million in 1988 primarily due to increased prices for brass rod partially offset by modest volume declines. Sales of copper tube increased due to volume improvements in addition to modest price gains. Operating income declined to $22.3 million in 1989 from $39.7 million in the prior year primarily as the result of increased raw material costs.

ARAVA NATURAL RESOURCES

Revenues of the natural resources segment increased 30% to $52.4 million compared to $40.2 million in 1988 primarily due to increased export sales of coal. Operating income declined to a loss of $.4 million in 1989 compared to an operating loss of $8.4 million in the prior year primarily as a result of lower operating costs at U.S. Fuel, significantly lower production costs at Alaska Gold, and increased export shipments at other operations.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of
Mueller Industries, Inc.

In our opinion, the accompanying consolidated balance sheets and the related statements of operations and of cash flows present fairly, in all material respects, the financial position of Mueller Industries,Inc. and its subsidiaries (the Company) as of December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 11 to the consolidated financial statements, the Company changed its method of accounting for post retirement benefits other than pensions in 1988.

As discussed more fully in Notes 1 and 2 to the consolidated financial statements, on November 21, 1990, the United States Bankruptcy Court for the Western District of Pennsylvania confirmed the Third Amended and Restated Plan of Reorganization proposed by Quantum Overseas, N.V. and Castle Harlan, Inc., dated September 27, 1990 as modified. The Amended Plan was consummated on December 28, 1990. On this date, Sharon Steel Corporation, the predecessor entity, pursuant to the Amended Plan, sold all of the net assets of its steel business, and changed its jurisdiction of organization from Pennsylvania to Delaware by merging itself with and into its wholly-owned Delaware subsidiary, Mueller Industries, Inc., the surviving corporation in the merger. The Company is a successor to Sharon Steel Corporation for the purposes of the Bankruptcy Code.

Price Waterhouse

Price Waterhouse
Pittsburgh, Pennsylvania
March 15, 1991

MUELLER INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31

(In thousands)	1990	1989	1988
Revenues	**$505,376**	$510,537	$488,211
Cost of goods sold	**456,304**	443,859	413,047
Depreciation, depletion, and amortization	**13,333**	13,066	13,066
Selling, general, and administrative expense	**40,230**	30,969	30,786
Operating income (loss)	**(4,491)**	22,643	31,312
Interest expense	**4,773**	1,901	2,007
Environmental reserves (Note 12)	**3,050**	13,122	—
Other (income) expense (Note 14)	**(2,972)**	(6,421)	(29,826)
Income (loss) from continuing operations, before reorganization items, income taxes, discontinued operations, extraordinary item and cumulative effect of change in accounting principal	**(9,342)**	14,041	59,131
Reorganization items—			
Gain on litigation settlement (Note 15)	**64,582**	—	—
Loss on restructuring of assets (Note 13)	**(21,123)**	—	—
Chapter 11 professional fees	**(25,075)**	(3,722)	(5,020)
Provision for income taxes (Note 10)	**(1,108)**	(2,310)	(22,711)
Income from continuing operations	**7,934**	8,009	31,400
Fresh start reporting adjustments (Note 2)	**56,894**	—	—
Discontinued Operations (Note 3):			
Loss from operations of discontinued steel operations	**(91,635)**	(60,337)	(63,242)
Gain on the disposal of steel operations	**83,545**	—	—
Extraordinary item—forgiveness of debt	**392,416**	—	—
Cumulative effect on prior years of a change in accounting principle (Note 11)	—	—	(8,136)
Net income (loss)	**$449,154**	$ (52,328)	$ (39,978)
Net income (loss) per common share	*	*	*

** Per share amounts are irrelevant due to the reorganization (see Notes 1, 2, and 9).*

See accompanying notes to consolidated financial statements.

MUELLER INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31

(In thousands)	1990	1989
ASSETS		
Current Assets		
Cash and cash equivalents	$ 40,728	$ 35,696
Accounts receivable, less allowance for doubtful accounts of $1,985 in 1990 and $1,558 in 1989	53,841	49,824
Inventories (Note 5)	97,681	70,048
Other current assets	8,629	4,429
Total current assets	200,879	159,997
Property, plant and equipment, net (Note 7)	187,103	129,335
Other assets	27,621	11,344
Intangible pension asset	—	1,758
Assets of discontinued steel operations (Note 3)	—	359,525
	$415,603	$661,959

See accompanying notes to consolidated financial statements.

MUELLER INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31

(In thousands, except per share data)	1990	1989
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Current portion of long-term debt (Note 8)	$ 7,759	$ 3,191
Delayed Distribution Notes	25,000	—
Accounts payable	11,872	17,066
Accrued pension contributions (Note 11)	5,348	3,972
Accrued wages and other employee costs	7,594	7,378
Restructuring reserves	18,404	—
Current deferred taxes	14,673	1,170
Other current liabilities	22,472	6,197
Total current liabilities	113,122	38,974
Prepetition liabilities	—	590,025
Long-term debt (Note 8)	54,003	16,017
Pension liabilities (Note 11)	11,122	10,331
Postretirement benefits other than pensions (Note 11)	8,671	7,530
Environmental reserves (Note 13)	9,850	28,800
Deferred income taxes (Note 10)	6,931	4,021
Other noncurrent liabilities	11,904	7,289
Liabilities of discontinued steel operations (Note 3)	—	391,253
Total liabilities	215,603	1,094,240
Stockholders' equity (deficit) (Notes 2 and 9)		
Preferred stock—shares authorized 5,000,000; none outstanding	—	—
Common stock—$.01 par value; shares authorized 20,000,000; issued and outstanding 10,000,000	100	—
Additional paid-in capital, common	199,900	
Predecessor common stock—$.01 par value; shares authorized 500,000,000; issued and outstanding 82,220,589	—	822
Predecessor additional paid-in capital	—	136,168
Retained earnings (accumulated deficit)	—	(567,826)
Treasury common stock at cost, 167,970 predecessor common shares	—	(1,445)
Total stockholders' equity (deficit)	200,000	(432,281)
Commitments and contingencies (Note 12)	—	—
	$415,603	$661,959

See accompanying notes to consolidated financial statements.

MUELLER INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31

(In thousands)	1990	1989	1988
Cash flows from operating activities			
Net income (loss)	**$449,154**	$ (52,328)	$ (39,978)
Cumulative effect of accounting change	**—**	—	8,136
Extraordinary gain—forgiveness of debt	**(392,416)**	—	—
Gain on litigation settlements, net	**(64,582)**	—	—
Gain on disposal of discontinued operations	**(83,545)**	—	—
Loss from discontinued operations—reclassified	**91,635**	60,337	63,242
Fresh start adjustments	**(56,894)**	—	—
Depreciation, depletion and amortization	**13,333**	13,066	13,066
Provision for doubtful accounts receivable	**854**	50	507
Gain (loss) on disposal of properties	**(673)**	(344)	—
Loss on restructuring of assets	**21,123**	—	—
Changes in assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in receivables	**3,742**	9,165	7,402
(Increase) decrease in inventories	**14,533**	4,158	(1,531)
(Increase) decrease in other assets	**(20,821)**	181	(3,974)
Increase (decrease) in current liabilities	**10,559**	(9,595)	(9,171)
Increase (decrease) in other liabilities	**(18,748)**	8,658	8,270
Other, net	**2,548**	(1,761)	(565)
Net cash provided (used) by operating activities	**(30,198)**	31,587	45,404
Investing activities:			
Capital expenditures	**(9,951)**	(8,986)	(14,214)
Business acquisition, net of cash acquired	**(25,776)**	—	—
Proceeds from sales of properties	**213**	2,569	1,111
Net cash used by investing activities	**(35,514)**	(6,417)	(13,103)
Financing activities:			
Proceeds from issuance of common stock	**42,500**	—	—
Proceeds from issuance of notes	**7,500**	—	—
Proceeds from issuance of long-term debt	**25,000**	7,870	4,759
Retirements of long-term debt	**(4,256)**	(4,055)	(18,606)
Cash provided to discontinued operations	**—**	(27,706)	(17,443)
Net cash provided (used) by financing activities	**70,744**	(23,891)	(31,290)
Increase in cash and cash equivalents	**5,032**	1,279	1,011
Cash and cash equivalents at the beginning of the year	**35,696**	34,417	33,406
Cash and cash equivalents at the end of the year	**$ 40,728**	$ 35,696	$ 34,417

See Note 2 for significant non-cash transaction not reflected above.
See accompanying notes to consolidated financial statements.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - REORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REORGANIZATION

Mueller Industries, Inc. (the Company) was formed for the purpose of merging with Sharon Steel Corporation (Sharon), the predecessor company, pursuant to the Third Amended and Restated Plan of Reorganization proposed by Quantum Overseas, N.V. and Castle Harlan, Inc., as modified by a modification motion dated November 19, 1990, filed with the United States Bankruptcy Court for the Western District of Pennsylvania, Erie Division (the Bankruptcy Court) and confirmed by order of the Bankruptcy Court entered on November 21, 1990 (the Plan). Upon consummation of the Plan on December 28, 1990, Sharon changed its jurisdiction of organization from Pennsylvania to Delaware by merging itself with and into its wholly-owned Delaware subsidiary, Mueller Industries, Inc., the surviving corporation in the merger. The Company is a successor to Sharon for purposes of the Bankruptcy Code.

FRESH START REPORTING

The Company is adopting AICPA SOP 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code.* Based on the specific elements of the Plan, the SOP requires that the accompanying financial statements be prepared on the basis that a new reporting entity is created and that assets and liabilities should be recorded at their fair values. This reporting is referred to herein as "fresh start" reporting.

Since the December 31, 1990 Consolidated Balance Sheet has been prepared as if it is a new reporting entity, a black line has been shown between 1990 and prior years since 1990 information has not been prepared on a comparable basis.

ACCOUNTING POLICIES

The accounting policies presented below have been followed in preparing the accompanying financial statements. Subsequent to the adoption of fresh start reporting, the Company expects that it will continue to utilize the same policies.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Mueller Industries, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

INVENTORIES

The majority of the Company's inventories are valued at cost as determined by the last-in, first-out (LIFO) method which is less than market. The remaining inventories are valued at the lower of cost or market on a first-in, first-out (FIFO) basis. Inventory costs generally include materials, labor costs and manufacturing overhead.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DEPRECIATION, DEPLETION AND AMORTIZATION

In general, depreciation and amortization of buildings, machinery and equipment is provided on the straight-line method over the estimated useful lives ranging from 20 to 40 years for buildings and 5 to 20 years for machinery and equipment.. Depletion of mineral properties is generally computed using the units-of-production method.

RETIREMENT AND DISPOSAL OF PROPERTIES

The cost of properties retired or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts and any resulting gain or loss is recognized in current operations.

MAINTENANCE AND REPAIRS

Routine maintenance, repairs and replacements are charged to operations. Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Capitalized renewals or replacements are charged to the property accounts, in which event the properties that were replaced are removed from the property accounts.

REVENUE RECOGNITION

Revenue from the sale of products is recognized upon passage of title to the customer, which in most cases coincides with shipment of the related products.

EMPLOYEE BENEFITS

The Company sponsors defined benefit plans, all but one of which are noncontributory, which cover most employees. The plans provide pension benefits based on years of service and average monthly earnings or benefits of stated amounts for each year of service.

In addition to providing pension benefits, the Company sponsors certain health and life insurance programs for substantially all employees. Similar programs extend to most pensioners who retire at normal retirement age. Benefits are provided principally through insurance companies whose premiums are based on the amount of benefits paid during the year. During 1988, the Company adopted the accrual method of accounting for these benefits.

INCOME TAXES

Effective December 31, 1990 the Company adopted Statement of Financial Accounting Standards No. 96 (SFAS No. 96), *Accounting for Income Taxes.* Deferred income taxes are provided for differences between the tax basis and the financial reporting basis of the Company's assets and liabilities. The principal temporary differences relate to inventories, properties, and employee benefit liabilities.

Under the provision of SFAS No. 96, the Company elected to not restate prior years and has determined that the cumulative effect of implementation was immaterial, principally due to the Company's net operating loss carryforward position. The effect of adoption of the new method is described in Note 10-Income Taxes. In 1989 and 1988, the Company accounted for income taxes using Accounting Principles Board Opinion No. 11.

As of December 31, 1990, the Company had unremitted earnings of foreign subsidiaries of $11.7 million for which a deferred tax liability has not been recognized. The Company estimates that the unrecognized deferred tax liabilities attributed to such earnings is not significant, but withholding taxes of approximately $1.2 million would be payable on remittance of the entire amount of undistributed earnings.

CASH EQUIVALENTS

Temporary investments with maturities of three months or less are considered to be cash equivalents. These investments are stated at cost. At December 31, 1990 and 1989, temporary investments consisted of certificates of deposit and bank repurchase agreements totaling $38.7 million and $35.7 million, respectively.

NOTE 2 - CHAPTER 11 PROCEEDINGS

On April 17, 1987, Sharon Steel Corporation, the predecessor company, filed a voluntary petition for relief under Chapter 11 of the Federal Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Western District of Pennsylvania, Erie Division, and was assigned Case No. 87-00207E. None of Sharon's subsidiaries except Carpentertown filed for relief under the Bankruptcy Code. Under Chapter 11, claims against Sharon in existence prior to the filing of the petition for relief under the Bankruptcy Code (Prepetition) were stayed while business operations continued. From the filing date to January 11, 1988, Sharon was authorized to operate its business and manage its properties as a debtor-in-possession pursuant to the Bankruptcy Code. On January 11, 1988 the Bankruptcy Court entered an order directing the appointment of a Trustee for Sharon and on January 15, 1988 the Court approved the selection by the United States Trustee's office of James W. Toren as the Trustee for Sharon. The appointment of a trustee vests in the trustee all property of the estate and the power to operate Sharon's business pursuant to the powers and limitation of the Bankruptcy Code. On November 7, 1988, Mr. Toren announced his intention to resign as Trustee. On January 26, 1989, Mr. Franklin E. Agnew III was appointed Trustee for Sharon replacing Mr. Toren.

On November 21, 1990, the Third Amended and Restated Plan of Reorganization, as modified by a modification order dated November 19, 1990 was confirmed by order of the Bankruptcy Court. The major elements of the Plan were (a) sale of designated steel assets and assumption of designated steel liabilities by an unaffiliated newly formed entity, Sharon, Inc. (refer to Note 3 for additional discussion of discontinued operations); (b) recapitalization of the Company, including a $50 million private placement (refer to Note 9 for additional discussion); (c) realignment of certain subsidiaries and assets; (d) distribution of cash for the satisfaction of certain allowed claims; and (e) distribution of seven million shares of common stock and cash in satisfaction of Allowed General Unsecured Creditors.

Total Chapter 11 claims filed against the Company allowed in the bankruptcy proceedings and not assumed by Sharon, Inc. included approximately $584.4 million of Allowed General Unsecured Claims. The Plan discharged these claims through the issuance of $17.5 million in Delayed Distribution Notes, assumption of other debt and liabilities, and the issuance of 7 million shares of New Common Stock to unsecured creditors. The reorganization resulted in an extraordinary gain of $392.4 million.

The effect of the Plan of Reorganization on the Company's balance sheet as of December 31, 1990 is as follows:

		Adjustments to Recognize the Reorganization		
(In thousands)	Prereorganization	Reorganization Adjustments	Fresh Start Adjustments	Reorganized Balance Sheet
Current assets				
Cash	$ 42,235	$ (1,507)	—	$ 40,728
Accounts receivable	53,841	—	—	53,841
Inventories	69,995	—	$ 27,686	97,681
Other current assets	6,083	2,546	—	8,629
Property, plant, and equipment, net	133,270	—	53,833	187,103
Other assets	30,184	—	(2,563)	27,621
Total assets	$ 335,608	$ 1,039	$ 78,956	$ 415,603
Current liabilities				
Current portion of long-term debt	$ 4,851	$ 2,908	—	$ 7,759
Delayed Distribution Notes	—	25,000	—	25,000
Accounts payable	11,872	—	—	11,872
Other current liabilites	69,376	(14,360)	13,475	68,491
Prepetition liabilities	584,439	(584,439)	—	—
Long-term debt	35,395	18,608	—	54,003
Noncurrent deferred income taxes	(1,656)	—	8,587	6,931
Other liabilities	60,756	(19,209)	—	41,547
Total liabilities	$ 765,033	$ (571,492)	$ 22,062	$ 215,603
Equity				
Common stock	822	(722)	—	100
Additional paid-in capital	136,168	(93,698)	157,430	199,900
Retained earnings (deficit)	(564,970)	665,506	(100,536)	—
Treasury stock	(1,445)	1,445	—	—
Total equity	(429,425)	572,531	56,894	200,000
Total liabilities and stockholders' equity	$ 335,608	$ 1,039	$ 78,956	$ 415,603

The reorganization adjustments reflect the effect of the distribution of cash and securities to satisfy prepetition obligations in accordance with the Third Amended and Restated Plan of Reorganization. The fresh start adjustments record the allocation of reorganization value to the Company's assets and liabilities. An independent appraisal of the Company supports the $200 million reorganization value used for the allocation.

The methodology employed involved estimation of the Company's enterprise value (i.e., the market value of shareholder's equity and the Company's debt). The estimate of enterprise value was based upon a comparison of the Company's normalized historical operating performance, including management's estimates of fiscal 1991 performance, to that of comparable publicly traded companies and their respective enterprise values.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - DISCONTINUED OPERATIONS

On December 28, 1990 pursuant to the Plan of Reorganization, all of the assets, real property, property, plant, equipment, inventory, and accounts receivable of Sharon's steel division including the Farrell facility, the Brainard facilities, the Damascus Tubular Products Division, the Fairmont assets, any and all of the proceeds from the sale of the Dearborn Division and the Lower Lake Erie Judgement Proceeds (Steel Business) were sold to Sharon, Inc. (New Steelco) pursuant to the Asset Purchase Agreement dated December 28, 1990. The purchase price of the Steel Businesses was the sum of: (i) Series A and Series B New Steelco preferred stock which had fair market value of $11.9 million as of the transaction date; (ii) the assumption of certain liabilities with a book value of $426.8 million; and (iii) any contingent payment under a tax benefits agreement.

The assets and liabilities of the discontinued steel businesses have been reclassified. The following condensed financial information is presented for additional analysis:

(In thousands)	**December 28, 1990**	December 31, 1989
Current assets	**$156,062**	$151,494
Properties	**166,736**	166,688
Other assets	**30,502**	41,343
Assets of discontinued steel businesses	**$353,300**	$359,525
Current liabilities	**147,352**	137,302
Prepetition liabilities	**138,902**	138,902
Other noncurrent liabilities	**140,591**	115,049
Liabilities of discontinued steel businesses	**$426,845**	$391,253

(In thousands)	**1990**	1989	1988
Revenues	**$484,698**	$525,344	$537,662
Depreciation and amortization	**$ 17,324**	$ 16,873	$ 15,097
Loss from discontinued operations	**$ 91,635**(1)	$ 60,337	$ 63,242

(1) As a result of the settlement of the claims of Cleveland-Cliffs, and Cliffs TIOP, Inc., the Company recorded and charged to expense $27.0 million which is included as a component of the loss from discontinued operations. Additionally, the Company recorded a charge of $9.5 million related to the settlements of health care insurance claims.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - BUSINESS ACQUISITION

Effective January 13, 1990, the Company's wholly-owned subsidiary, Mueller Brass Co., acquired all the outstanding common stock of U-Brand Corporation ("U-Brand") from Worthington Industries, Inc. which had net assets of $24.9 million, subject to final purchase price adjustments. Such acquisition was financed principally through external debt which includes $15 million of 9.89% fixed rate debt and $10 million of variable rate debt at a rate determined at 1/8% below the prevailing prime rate. Principal and interest of debt issues are due quarterly through December 31, 1999. U-Brand, based in Ashland, Ohio, is a manufacturer and distributor of iron and plastic fittings. The acquisition has been accounted for as a purchase and, accordingly, the Company's consolidated financial statements include the opening results of U-Brand from the acquisition date forward.

NOTE 5 - INVENTORIES

Inventories have been revalued in accordance with the principles of fresh start reporting (See Note 2). Finished and semi-finished inventories are restated to market value less cost of disposal, cost to complete and a reasonable profit allowance on the completion and selling efforts. Raw materials are valued at current replacement costs. Inventories at December 31, are as follows:

(In thousands)	1990	1989
Raw materials and supplies	$ 21,752	$ 17,544
Finished and semi-finished goods	75,929	86,295
Allowance to reduce FIFO cost to LIFO values	—	(33,791)
	$ 97,681	$ 70,048

Prior to applying fresh start reporting, during 1990 inventory quantities were reduced resulting in a liquidation of LIFO inventory quantities. The effect of the reduction decreased cost of sales and increased income before taxes by approximately $4.1 million during 1990. During 1989 inventory quantities were reduced resulting in a liquidation of LIFO inventory quantities carried at higher costs prevailing in prior years. The effect of the reduction increased cost of sales and decreased income before taxes by approximately $1.7 million during 1989. Inventories valued using the LIFO method comprised 88% of total gross inventory value at December 31, 1990 and 1989.

NOTE 6 - RESTRICTED CASH

Other assets includes restricted cash of approximately $7.8 million which represents the amount of capitalization of Mining Remedial Recovery Company, (MRRC) a wholly-owned subsidiary of the Company. The amount of the capitalization was stipulated in the Plan of Reorganization as a reserve which was deemed to be sufficient to cover the environmental contingencies which were known to exist relating to the properties transferred to MRRC as a part of the Plan. It was agreed as a part of the Plan that the cash capitalization was to be used only for the remediation of these environmental matters; the $7.8 million is fully reserved in these financial statements.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - PROPERTIES

Properties at December 31, stated at historical cost for 1989 and at fair value for 1990 are as follows:

(In thousands)	1990	1989
Land and land improvements	$ 9,882	$ 12,046
Mineral reserves	14,709	14,560
Buildings, machinery and equipment	145,971	162,682
Construction in progress	5,713	5,164
Idle facilities, net of accumulated depreciation, depletion and amortization	10,828	11,568
	187,103	206,020
Less accumulated depreciation, depletion and amortization	—	(76,685)
	$187,103	$129,335

As discussed in Note 1, the Company adopted fresh start reporting as of December 31, 1990. Fresh start reporting has resulted in an increase of approximately $53.8 million to net properties. The Company has made a preliminary determination of the classification of the properties; the Company is presently undertaking an extensive appraisal of the assets to confirm the appropriateness of the classification utilized.

Idle facilities include closed plants and certain properties which are not in current use and are not being depreciated. The carrying value of idle facilities is not believed to be in excess of net realizable value.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT

At December 31, 1990 and 1989 long-term debt consisted of the following:

(In thousands)	1990	1989
Retiree Obligation, due through 1995 with imputed interest at 10%	$15,177	—
Contribution Agreement, due through 1996 with imputed interest at 10%	6,339	—
Note Payable, due through 2000 with interest at 9.89%	15,000	—
Note payable, due through 2000 with variable interest at 1/8% below prime	9,310	—
$5.5 million note, payable in semi-annual installments of $.4 million through April 1999 which includes principal and 10.1% interest, secured by certain railroad trackage	4,241	4,543
Pollution Control Revenue Bonds, interest at 8% to 8.125%, due through 2001	3,540	3,740
Industrial Revenue Bonds, interest at 9%, due through 1993, secured by certain property and equipment	7,940	10,290
Other, including capitalized lease obligations	215	635
	61,762	19,208
Less current portion of long-term debt	7,759	3,191
Long-term debt	$ 54,003	$ 16,017

Aggregate annual maturities of such debt are $8.2 million, $8.8 million, $6.4 million and $6.9 million for the years 1992 through 1995, respectively. Interest paid in 1990, 1989, and 1988 was $4.8 million, $1.9 million and $2.0 million, respectively. Interest cost capitalized by the Company totaled none in 1990, $.3 million in 1989 and none in 1988.

The Retiree Obligation and Contribution Agreement were liabilities retained as a part of the plan of reorganization.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In January 1990, in conjunction with the purchase of U-Brand (See Note 4), the Company borrowed $15.0 million under a fixed note agreement with interest at 9.89% and $10.0 million under a variable note with interest at 1/8% below prime. Such agreement has been revised in March 1991, to add additional security (the Company's Fulton plant in addition to U-Brand accounts receivable and inventory). Such agreement requires U-Brand, among other things, to maintain minimum levels of working capital and to meet certain minimum financial rates and operational results.

The Company has availability of up to $25 million under the terms of a new revolving credit agreement (the Facility) executed on March 25, 1991 which expires on September 1, 1992. Amounts borrowed under the Facility bear interest at a rate based on one of the following options as selected by the Company: (i) negotiated rate with the lender; (ii) secondary certificate of deposit rate plus .9%; or (iii) LIBOR plus .75%. Additionally, an annual commitment fee of 3/8 of 1% is required on the unused portion of the Facility. Borrowings under this agreement require the Company, among other things to maintain minimum levels of working capital and tangible net worth, as well as certain minimum financial ratios and dividend restrictions.

As it relates to both agreements, the Company is currently in compliance with all covenants.

NOTE 9 - STOCKHOLDERS' EQUITY (DEFICIT)

Pursuant to the Plan of Reorganization the old Common Stock of the Predecessor company was cancelled effective December 28, 1990. Concurrently, 7 million shares of new common stock were issued to holders of Allowed General Unsecured Claims. Additionally, under the Plan, the Company issued 3 million shares of new common stock and $7.5 million of Delayed Distribution Notes to Quantum Fund, N.V. for $50 million.

During 1990, 1989 and 1988, the accumulated deficit increased and was eliminated as follows:

(In thousands)	
Balance at December 31, 1987	$(475,520)
Net loss	(39,978)
Balance at December 31, 1988	(515,498)
Net loss	(52,328)
Balance at December 31, 1989	(567,826)
Net income	449,154
Elimination of accumulated deficit	118,672
Balance at December 31, 1990	$ —

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - INCOME TAXES

The components of income from continuing operations before taxes, extraordinary tax credit and cumulative effect of a change in accounting principle were taxed under the following jurisdictions:

(In thousands)	**1990**	1989	1988
Domestic	**$ 5,070**	$ 4,551	$27,023
Foreign	**2,864**	3,458	4,377
	$ 7,934	$ 8,009	$31,400

Income tax expense from continuing operations consists of the following:

(In thousands)	**1990**	1989	1988
Federal tax provision and charge in lieu of income tax	**—**	$ 287	$19,279
Foreign	**$ 944**	1,294	1,734
State and local	**164**	729	1,698
	$ 1,108	$ 2,310	$22,711

The adoption of SFAS 96 had no material effect on the provision for income taxes. The charge in lieu of federal income tax in 1988 of $17.4 million is offset by an extraordinary credit resulting from the utilization of operating loss carryforwards.

The deferred tax liabilities (assets) are reflected in the consolidated balance sheet as follows:

(In thousands)	**1990**	1989
Current liabilities	**$ 14,673**	$ 1,170
Noncurrent liabilities	**6,931**	4,021
Net liability	**$ 21,604**	$ 5,191

The deferred tax liabilities at December 31, 1990 primarily relate to the combined effects of adopting SFAS 96 and the application of fresh start reporting, as discussed in Note 1. The resulting increase in the net deferred tax liability during 1990 reduced the amount reported in the income statement as "Fresh start reporting adjustments" by $22.1 million.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The difference between the reported provision for income taxes and charge in lieu of income taxes and a tax determined by applying the applicable U.S. statutory income tax rate to income from continuing operations before taxes, is reconciled as follows:

(In thousands)	1990	1989	1988
Income tax expense from continuing operations after reorganization items at 34%	$ 3,074	$ 3,508	$ 18,398
Adjustments related to discontinued operations	(1,114)	(4,396)	1,220
Foreign income	30	118	246
State income taxes	108	481	1,075
Purchase accounting	(1,000)	1,926	1,740
Other, net	10	673	32
Provision for income taxes	$ 1,108	$ 2,310	$ 22,711

The tax effects of fresh start reporting and discontinued operations do not affect the 1990 provision for taxes on income. Fresh start reporting adjustments are presented net of tax effects and discontinued operations are presented before tax effects, which are not material. The gain on forgiveness of debt and litigation settlements are not taxable for federal income tax purposes.

As a result of the ownership change which occurred in connection with the reorganization on December 28, 1990 (see Note 2), the Company's operating loss carryforwards will be subject to an annual limitation of approximately $11 million. The Company has available $151.0 million of federal income tax carryforwards at December 31, 1990 which expires as follows: $7.7 million in 1998; $84.2 million in 2000; $4.9 million in 2001; $5.2 million in 2002 and $49.0 million in 2005. However, if the Company does not continue to operate the copper and brass fabrication segment of the historical business at all times through December 28, 1992, the operating loss carryforwards may not be available for utilization, subsequent to the 1990 tax return.

At December 31, 1990, approximately $9 million of future net deductions (which will expire between 2006 and 2010) and approximately $76 million of operating loss carryforwards have not yet been recognized for financial reporting purposes. Any future benefit recognized with respect to the loss carryforward amounts will be reported as an increase in additional paid in capital; any future benefit recognized with respect to the future net deductions will be reported as a reduction of the tax provision.

Income taxes paid (relating to both current and prior years) were approximately $1 million in 1990, $3 million in 1989 and $4 million in 1988.

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - EMPLOYEE BENEFITS

PENSION PLANS

Pension cost for the defined benefit plans sponsored by the Company includes the following components:

(In thousands)	1990	1989
Service cost of benefits earned during the year	$ 885	$ 886
Interest cost on the projected benefit obligation	4,500	4,309
Return on plan assets:		
Actual	(3,120)	(3,484)
Deferred gain or (loss)	(33)	(33)
Net amortization	985	1,485
Net periodic pension cost	$ 3,217	$ 3,163

As part of the reorganization, the Company terminated three plans. All plan participants became fully vested effective with the plan termination. In addition, during 1991, annuity contracts and or cash payments will be made to settle such obligations. The effect of these terminations was to record a loss during 1990 of $0.8 million.

A reconciliation of the funded status of the plans at December 31, 1990 and 1989 to the amounts recorded in the consolidated balance sheet is as follows:

(In thousands)	1990	1989
Actuarial present value of:		
Vested benefit obligation	$ (36,328)	$ (47,149)
Accumulated benefit obligation	$ (36,647)	$ (48,022)
Projected benefit obligation	$ (36,647)	$ (51,699)
Plan assets at fair value held in the pension plan trusts, primarily listed stocks and U.S. Government obligations	24,657	35,750
Plan assets less than projected benefit obligation	(11,990)	(15,949)
Unamortized portion of transition loss at date of adoption of new accounting standard being recognized over 15 years	—	2,790
Unrecognized net (gain) or loss from past experience difference from that assumed	—	(1,413)
Prior service cost not yet recognized in net periodic pension cost	—	2,027
Adjustment required to recognize minimum liability	—	—
Accrued pension cost	$ (11,990)	$ (12,545)

The accrued pension cost at December 31, 1990 includes $3.7 million relating to the three curtailed plans discussed above.

The assumed discount rate used in determining the actuarial present value of the projected benefit obligations presented above was 9% and future compensation was assumed to increase 5% annually. For purposes of determining 1990 and 1989 pension cost, the assumed weighted average long-term rate of return on plan assets was 9%.

U.S. Fuel makes contributions to United Mine Workers of America ("UMWA") multi-employer pension plans based on hours worked. The collective bargaining agreement between the UMWA and U.S. Fuel contains a provision which commits the employer's signatory to guarantee the payment of the benefits provided by the UMWA plans during the term of the agreement. Pension expense under the UMWA pension plans was $.7 million in 1990 and $.6 million in 1989.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Company provides a portion of the costs of medical and life insurance benefits to certain retired hourly and salary employees. Such benefits are recorded on the accrual method of accounting. Under the accrual method, the cost of benefits is recognized as earned during the active service life of employees.

Effective January 1, 1988, the Company adopted the accrual method of accounting for postretirement medical and life insurance benefits, which is considered preferable to the pay-as-you-go method which was used prior to 1988. Under the accrual method, the cost of these benefits is recognized as earned during the active service life of employees. As a result of the change in accounting principle, the Company recorded a liability and expensed the amount of such benefits earned by employees and retirees through January 1, 1988. The cumulative effect of the change in accounting principle, $8.1 million, was charged to 1988 results.

The cost of medical and life insurance benefits for retired employees reflected on the accrual basis was $2.1 million in 1990 and $.1 million in 1989. The actuarially determined present value of the accumulated postretirement benefit obligation, calculated using the unit credit cost method assuming future medical cost escalation of 9% per year and a discount rate of 9%, was $9.0 million and $7.9 million at December 31, 1990 and 1989, respectively. The accumulated postretirement benefit obligation at December 31, 1990 and 1989 includes $7.9 million and $6.9 million, respectively, relating to medical benefits and the remaining portions relate to life insurance benefits.

As of December 31, 1990, $.3 million of the accumulated postretirement benefit obligation is classified as a current liability and included in the caption "Accrued wages and other employee costs" and the noncurrent portion of the liability, $8.7 million, included in the caption "Postretirement benefits other than pensions."

The Company's policy of accounting for OPEB's is materially in compliance with the Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions.*

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company is subject to demanding environmental standards imposed by federal, state and local environmental laws and regulations. It is the policy of the Company to endeavor to comply with applicable environmental laws and regulations. The Company has provided and charged to income $ 3.1 million in 1990 and $ 13.1 million in 1989 for pending environmental matters. The 1990 charge relates to various environmental sites. The 1989 charge relates to the Midvale Site. Management believes as a practical matter, that the outcome of these proceedings, including those that follow and taking into account reserves which have been established, will not materially affect the overall financial position of the Company.

Pursuant to the Plan of Reorganization, the Company has the following commitments:

(a) The Company had agreed to guarantee up to $16.5 million of debt used to finance the construction of a caster unit if New Steelco finances such project on or before December 28, 1991. If the Company executes such a guarantee, the Company will have a secured position on the assets of Monessen, Inc., a wholly-owned subsidiary of New Steelco; and

(b) The Company was required to purchase from Quantum, N.V. New Steelco's series C preferred stock for $5 million. The Company purchased the series C stock on March 25, 1991.

In addition, the Company is involved in certain litigation as either plaintiff or defendant as a result of claims that arise in the ordinary course of business, including environmental proceedings, which management believes will not have a material effect on the Company's financial condition.

NOTE 13 - LOSS ON RESTRUCTURING OF ASSETS

In 1990, the Company recorded charges of $21.1 million related to the consolidation of several manufacturing, mining and distribution facilities and related severance and relocation costs. The expenses include provisions for the disposal of idle equipment, transfer of inventories, and other restructuring costs.

NOTE 14 - OTHER INCOME AND EXPENSE

Other (income) expense, net included in the consolidated statement of operations consists of the following:

(In thousands)	1990	1989	1988
Interest income	$ (4,117)	$ (5,587)	$ (3,294)
Gain on contract settlements	—	—	(27,100)
Port Huron consolidation	—	1,706	—
Other, net	1,145	(2,540)	568
	$ (2,972)	$ (6,421)	$(29,826)

During 1989, Mueller Brass Company recorded charges of $2.7 million, of which $1.7 million related to estimated costs to remove and reinstall machinery and equipment in addition to building demolition and disposal costs in order to consolidate its Port Huron facility.

The 1988 gain on contract settlements of $27.1 million relates to the operations of United States Fuel Company ("U.S. Fuel"), a wholly-owned subsidiary. For several years prior to 1988, the majority of the coal production of U.S. Fuel had been sold under long-term sales contracts with two customers. In early 1986, one of these customers disputed certain costs charged under the contract and, as of April 1986, the customer informed U.S. Fuel that it considered the contract terminated. U.S. Fuel commenced an action against the customer seeking, among other things, a declaratory judgment that the costs charged by U.S. Fuel pursuant to the contract were proper; specific performance by the customer of the contract was terminated and a new contract dated May 1988 was entered into with the customer. In addition, U.S. Fuel was a plaintiff in another sales contract related case dating back to 1986, which was settled in April 1988.

NOTE 15 - LITIGATION SETTLEMENTS

On July 25, 1990, an agreement was reached to settle all litigation, claims and disputes between the Corporation and Victor Posner and various affiliates of Victor Posner, including DWG Corporation, NVF Company and Pennsylvania Engineering Corporation. The agreement resulted in the elimination of recorded net liabilities totaling $67.7 million, and cash payments totaling $7.5 million to be paid to the Company resulted in a net gain of $74.1 million which is shown as a gain on litigation settlement.

As a result of the settlement of the claims of the UV Trust, prepetition liabilities of $30 million and a current liability of $7.5 million were recorded; previously recorded liabilities related to the UV Trust totalling $25.2 million were eliminated resulting in a charge to the litigation settlement account of $12.3 million.

As the result of the settlement of claims with an insurance carrier, the Company received $3.0 million related to certain environmental issues.

NOTE 16 - RELATED PARTY TRANSACTIONS

Through September 1988, Sharon Steel Corporation secured a major portion of its property, liability and all worker's compensation insurance coverage through Insurance and Risk Management, Inc. ("IRM"), a company owned by NVF Company (the majority common stockholder of Sharon prior to reorganization) and affiliated companies under common control with NVF Company. Aggregate payments made to affiliated companies for common insurance policies amounted to approximately $3.3 million in 1989 and $3 million in 1988. Through March 1989, the Company was self-insured for employee health, accident and sickness costs as administered through IRM. Aggregate payments made to an affiliated company for such costs and services amount to approximately $2.7 million in 1989 and $6 million in 1988.

On December 28, 1990, pursuant to the Plan, the Company paid the following related parties for services rendered in connection with the reorganization: Quantum Fund, N.V., a 46% stockholder of the Company, $2,340,329; Soros Fund Management, an advisor to Quantum Fund, N.V., $2,700,000; Wechsler Management Corp., a company owned by the Chairman, $1,329,339; WexField Management Corp., a company owned by the Chairman and Vice-Chairman, $333,344.

NOTE 17 - INDUSTRY SEGMENTS

The Company is engaged in the fabrication and sale of copper and brass products, and in natural resource operations consisting principally of coal mining and placer gold mining, and other businesses which include the operation of a Class III short-line railroad. Income and expenses not allocated to industry segments in computing operating income include general corporate income and expense, interest expense and interest income. General corporate assets are principally cash and temporary investments. Intersegment sales are transferred at market prices. The Company does not have significant foreign operations and, accordingly, geographical segment information is not presented. Industry segment information is as follows:

(In thousands)	1990	1989	1988
Revenues:			
Copper and brass fabrication	$462,214	$458,101	$448,032
Natural resources	43,162	52,436	40,179
Consolidated revenues	$505,376	$510,537	$488,211
Operating income (loss):			
Copper and brass fabrication	$ 6,209	$ 22,270	$ 39,713
Natural resources	(10,700)	373	(8,401)
Consolidated operating income (loss)	(4,491)	22,643	31,312
Non-operating income (expense)*	18,306	(10,423)	24,806
Interest Expense	(4,773)	(1,901)	(2,007)
Consolidated income before taxes, extraordinary item and cumulative effect of a change in accounting principle	$ 9,042	$ 10,319	$ 54,111
Provision for depreciation, depletion and amortization			
Copper and brass fabrication	$ 10,619	$ 10,367	$ 10,922
Natural resources	2,714	2,699	2,144
Consolidated provision for depreciation, depletion and amortization	$ 13,333	$ 13,066	$ 13,066
Capital expenditures:			
Copper and brass fabrication	$ 17,712	$ 8,049	$ 9,500
Natural resources	2,622	937	4,714
Consolidated capital expenditures	$ 20,334	$ 8,986	$ 14,214
Identifiable assets:			
Copper and brass fabrication	$252,053	$175,412	$207,565
Natural resources	90,189	84,681	87,566
Total identifiable assets	342,242	260,093	295,131
General corporate assets	73,361	42,341	29,189
Consolidated assets	$415,603	$302,434	$324,320

**The sum of environmental reserves, other income, and reorganization items.*

MUELLER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Financial results by quarter for the years ended December 31, 1990 and 1989 are as follows:

(In thousands)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
1990				
Revenues:				
Continuing operations	$137,729	$137,543	$122,635	$107,469
Discontinued operations	125,375	117,648	124,994	—
Previously reported	$263,104	$255,191	$247,629	—
Gross profit[1]:				
Continuing operations	$ 17,614	$ 19,086	$ 10,243	$ 2,129
Discontinued operations	651	(8,143)	974	—
Previously reported	$ 18,265	$ 10,943	$ 11,217	—
Net income (loss)	$ (9,695)	$ (14,610)	$ 49,670[2]	$423,789[3]
Net income (loss) per share	**	**	**	**

(In thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1989				
Revenue:				
Continuing operations	$ 130,191	$ 139,047	$ 130,693	$ 110,606
Discontinued operations	142,950	138,907	130,180	113,307
Previously reported	$ 273,141	$ 277,954	$ 260,873	$ 223,913
Gross profit[1]				
Continuing operations	$ 13,211	$ 16,707	$ 17,942	$ 18,818
Discontinued operations	10,103	4,287	742	(14,075)
Previously reported	$ 23,314	$ 20,994	$ 18,684	$ 4,743
Net income (loss)	$ (1,874)	$ (601)	$ (20,467)	$ (29,386)[4]
Net income (loss) per share	**	**	**	**

(1) Revenues less cost of goods sold. Cost of goods sold excludes depreciation, depletion and amortization.

(2) During the third quarter of 1990, a $61.8 million net gain on litigation settlements was recognized.

(3) During the fourth quarter of 1990, several significant transactions were recognized which primarily were: (a) disposition of steel businesses; (b) forgiveness of debt; (c) fresh start reporting adjustments; and (d) litigation settlements. Additionally, reserves were provided for the restructuring of the Company's operations.

(4) During the fourth quarter of 1989, a pre-tax charge of $5.5 million was recorded to reflect estimated additional environmental costs related to the Company's Midvale, Utah site.

***Per share amounts are irrelevant due to the reorganization under which the predecessor's common stock was cancelled (see Note 9).*

CAPITAL STOCK INFORMATION

The principal market for Mueller's Common Stock is the New York Stock Exchange. Mueller's Common Stock began trading on the New York Stock Exchange under the symbol MLI on a "when issued" basis on February 25, 1991 and, as of February 27, 1991, has been traded regular way on such exchange. As of February 28, 1991, the number of holders of record of Mueller's Common Stock was 5,052. The New York Stock Exchange's closing price for Mueller's Common Stock on February 28, 1991 was $10\frac{5}{8}$.

The principal market for Sharon's old common stock was the Pacific Stock Exchange. Historical information concerning the high and low sales prices of Sharon's old common stock has not been included because Sharon's old common stock was cancelled pursuant to the Plan of Reorganization.

Sharon did not pay any dividends on the old common stock during the last two fiscal years and Mueller has paid no dividends on its Common Stock. Mueller does not presently anticipate paying cash dividends for the foreseeable future.

Mueller's ability to pay dividends to its stockholders is materially limited by financial coverage covenants and restrictions on the payment of dividends and cash and asset transfers that apply to its principal subsidiary, Mueller Brass Co., under credit and guaranty agreements covering that subsidiary's line of credit and other outstanding debts and guaranties to Michigan National Bank.

SELECTED FINANCIAL DATA

Selected consolidated financial data for the five year period ended December 31, 1990 is as follows:

(In thousands)	1990[7]	1989[2]	1988[2][3][6]	1987[2]	1986
Revenues	$505,376	$510,537	$488,211	$416,176	(1)
Income from Continuing Operations[4]	$ 7,934	$ 8,009	$ 31,400	$ 33,147	(1)
Income (loss) per Common Share[5] from Continuing Operations	*	*	*	*	*
From Continuing Operations:					
Total Assets	$415,603	$302,434	$324,320	$322,672	(1)
Long-term Debt	$ 54,003	$ 16,017	$ 13,023	$ 22,359	(1)

*Per share amounts are irrelevant due to the reorganization of the Company (See Notes 1, 2 and 9).

Reference is made to Notes 1 and 2 of the Consolidated Financial Statements regarding the Company's Chapter 11 proceedings and reorganization under the Federal Bankruptcy Code.

(1) As a result of the Company's bankruptcy, financial data is not available for 1986.

(2) Previously reported consolidated financial information has been restated to reflect the discontinuance and disposition of the steel segment of the Company's businesses. (See Note 3)

(3) Effective January 1, 1988, the Company adopted the accrual method of accounting for postretirement benefits other than pensions. As a result of the change, a liability was established which represents the actuarially determined present value of the accumulated postretirement benefits related to prior service of active employees and retirees. This change in accounting method caused 1988 income before the effect of the change to decrease by $8.1 million for continuing operations.

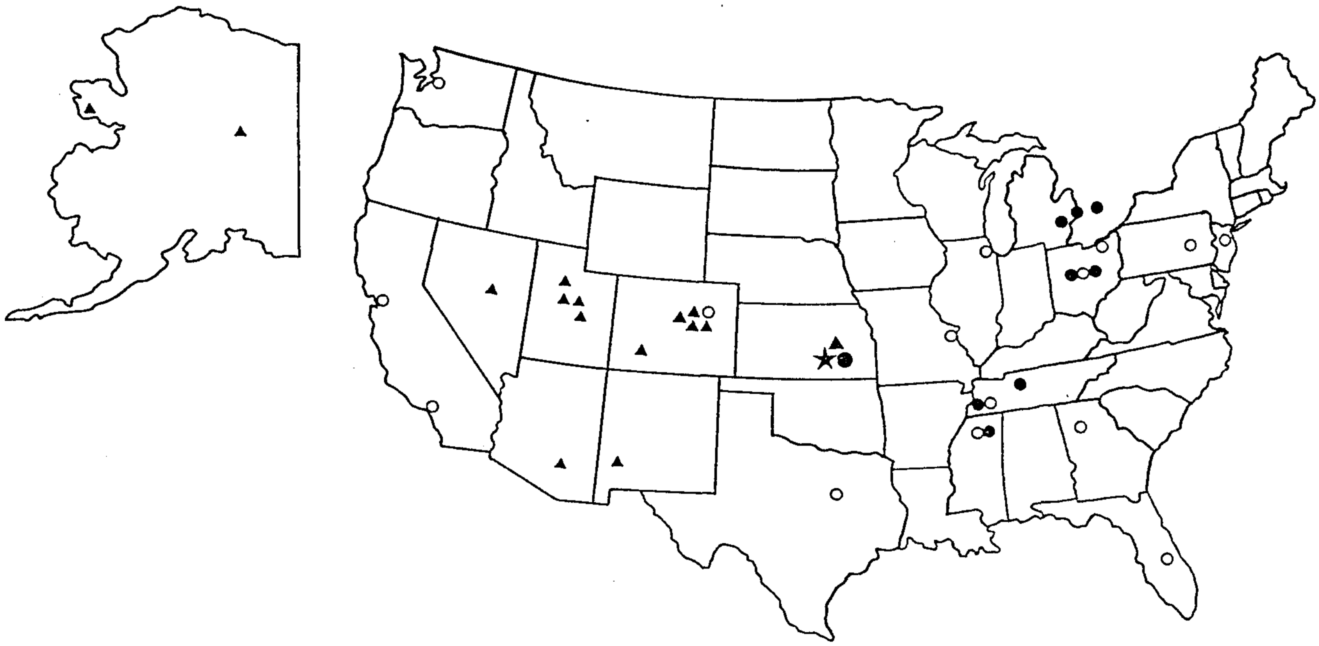
(4) Income from continuing operations decreased by $13.1 million in 1989 and by $10 million in 1987 due to recognition of environmental reserves.

(5) If interest had been accrued on all debt under pre-bankruptcy filing terms and conditions, interest expense would have been increased by $53.4 million in 1990, 1989 and 1988 and $39.1 million in 1987.

(6) Gains on settlement of contracts totaling $27.1 million related to disputed sales contracts for coal during 1988.

(7) Income from continuing operations includes gain from litigation settlements, Chapter II professional fees, restructuring reserves and environmental reserves.

LOCATIONS OF MUELLER INDUSTRIES, INC.



★Mueller Industries, Inc.
Corporate Headquarters
Wichita, Kansas

●Mueller Brass Company
Corporate Headquarters
Wichita, Kansas

●Manufacturing Locations
Port Huron, Michigan
Marysville, Michigan
Upper Sandusky, Ohio
Ashland, Ohio
Hartsville, Tennessee
Covington, Tennessee
Fulton, Mississippi
Strathroy, Ontario, Canada

○Distribution Centers
Seattle, Washington
San Francisco, California
Los Angeles, California
Denver, Colorado
Dallas, Texas
Chicago, Illinois
St. Louis, Missouri
Covington, Tennessee
Fulton, Mississippi
Cleveland, Ohio
Shelby, Ohio
Atlanta, Georgia
Orlando, Florida
Hazelton, Pennsylvania
Little Falls, New Jersey

▲Arava Natural Resources Company
Corporate Headquarters
Wichita, Kansas

▲Subsidiary Locations
Washington Mining Company
Denver, Colorado
Silverton, Colorado
U.S. Fuel Company
Hiawatha, Utah
Utah Railway Company
Salt Lake City, Utah
Provo, Utah
Martin, Utah
Canco Oil & Gas
Denver, Colorado
(Holdings Locations:)
Saskatchewan, Canada
Alberta, Canada
Manitoba, Canada
Bayard Mining Corporation
Silver City, New Mexico
AmWest Exploration
Denver, Colorado
USSRAM Exploration
Denver, Colorado
Ruby Hill Mining Company
Eureka, Nevada
Mining Remedial Recovery Company, Inc.
Tucson, Arizona
Alaska Gold Company
Nome, Alaska
Fairbanks, Alaska

MUELLER INDUSTRIES, INC.
DIRECTORS AND OFFICERS

DIRECTORS

Raymond H. Wechsler*	Chairman of the Board Mueller Industries, Inc.
Robert J. Brown*	Vice Chairman, President and Chief Executive Officer, Mueller Industries, Inc.
Gary S. Gladstein	Managing Director of Soros Fund Management
J. Allan Mactier*	Private Investor
Gerard Manolovici*	Managing Director of Soros Fund Management
James R. O'Mara†	Executive Vice President of Atlas Energy Group, Inc.
Peter E. Schwab*†	President of Foothill Capital Corporation

OFFICERS

Raymond H. Wechsler	Chairman of the Board, and Acting Chief Financial Officer
Robert J. Brown	Vice Chairman, President and Chief Executive Officer
Kent A. McKee	Treasurer and Secretary

SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS	555 North Woodlawn Wichita, Kansas 67208
ANNUAL MEETING	The date for the Annual Meeting of shareholders has not been set.
FORM 10-K	Copies of Mueller's Annual Report on Form 10-K are available upon written request from the Investor Relations Department, Mueller Industries, Inc., P.O. Box 20570, Wichita, Kansas 67208.
COMMON STOCK	Mueller common stock is traded on the NYSE — Symbol MLI.
INDEPENDENT ACCOUNTANTS	Price Waterhouse, Pittsburgh, Pennsylvania
LEGAL COUNSEL	Foulston & Siefkin, 700 Fourth Financial Center, Wichita, Kansas 67202
TRANSFER AGENT AND REGISTRAR	Continental Stock Transfer & Trust Company, 72 Reade Street, New York, New York 10007
SHAREHOLDER INQUIRIES	To notify Mueller of address changes or lost certificates, shareholders can call Continental Stock Transfer & Trust Company at (212) 406-2740.

* *Member of the Compensation Committee*
† *Member of the Audit Committee*

Mueller Industries, Inc.

P.O. Box 20570
Wichita, KS 67208

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Fax: (316) 682-9650

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