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State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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Executive Director  
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*file ACI/007/011  
#4*

*Copy Jim ad Lowell*

October 25, 1995 *ad ACI/007/011*

*#4*

TO: Pam Grubaugh-Littig, Coal Permit Coordinator  
FROM: Steve Schneider, O&G Audit Manager *Steve*  
RE: Review of Mueller Industries Financial Statements

Pursuant to your request, I have reviewed the financial statements submitted by Mueller Industries. As shown on the attachment, Mueller Industries meets the financial criteria for self-bonding as described in Rule R645-301-800.320 for the period 1990 through September 1995.

If you have any questions regarding this information, please let me know.

Attachment  
cc: R. J. Firth



## Mueller Industries Financial Ratio Review

	12/90	12/91	12/92	12/93	12/94	9/95
<b>CUR ASSETS/CUR LIABILITIES</b> Standard of 1.2 or greater	1.78	1.70	2.96	4.10	2.73	2.54
<b>TOTAL LIABILITIES/NET WORTH</b> Standard of 2.5 or less	1.08	1.19	0.82	0.66	0.78	0.68
<b>TANGIBLE NET WORTH (000's)</b> Minimum of \$10 million	\$200,000	\$152,609	\$204,421	\$222,114	\$241,948	\$273,502
<b>NET INCOME (000's)</b> For information only	\$449,154	(\$43,741)	\$16,666	\$21,136	\$27,926	\$32,318

SLS  
10/25/95

**DRAFT**

**STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, Utah 84180-1204  
(801)538-5340**

**GUARANTEE**

United States Fuel Company ("U.S. Fuel"), a wholly owned subsidiary of Mueller Industries, Inc. ("Mueller"), a Delaware corporation, holds Permit No. ACT/007/011 from the Division of Oil, Gas and Mining (hereinafter referred to as "DOGM") to operate the Hiawatha Mine Complex ("Mine") in Carbon and Emery Counties, Utah under the Mined Land Reclamation Act, Utah Code Ann. § 40-8-1, *et seq.*, 1953, as amended, ("Act") and implementing rules.

U.S. Fuel posted partial surety for reclamation in the form of Self Bonding and Indemnity Agreement dated October 29, 1986, which was adjusted by reduction from \$2,329,000 to \$1,388,000 by joint DOGM/U.S. Fuel Stipulation to Change Bond Amount dated March 20, 1995.

Although U.S. Fuel ceased mining operations at the Mine several years ago and has continued with reclamation thereafter without interruption, DOGM has requested U.S. Fuel to provide additional security for its self-bonding obligation.

NOW THEREFORE, for and in consideration of the continuance of the described Self Bonding and Indemnity Agreement dated October 29, 1986, Mueller hereby unconditionally and irrevocably guarantees to the Board of Oil, Gas and Mining, its successors and assigns, the full, prompt and faithful payment, performance and discharge by U.S. Fuel of each of the covenants and obligations set forth in the described Self Bonding and Indemnity Agreement, Permit No. ACT/007/001, the Reclamation Plan and in any other related written instrument executed by U.S. Fuel to carry out the provisions of the Self Bonding and Indemnity Agreement.

Mueller hereby represents:

(a) Mueller has been in continuous operation as a business entity for the last five (5) years;

(b) Mueller meets financial criteria for self bonding (as shown in the attached Self Bonding Qualification Sheet);

(c) Mueller has submitted to DOGM financial statements in the form of (i) 1994 Annual Report containing an audit opinion prepared by Ernst & Young, LLP, certified public accountants, for the fiscal year ending December 31, 1994, (ii) Mueller's unaudited financial statements for completed quarters in the current fiscal year and (iii) other annual reports for 1990, 1991, 1992 and 1993; and

(d) That if U.S. Fuel fails to complete the reclamation required under its Reclamation Plan, Mueller will do so or provide funds to DOGM sufficient to complete the Reclamation Plan not exceeding the adjusted self bond amount.

This guarantee shall continue in full force and effect, subject to all terms of the Self Bonding and Indemnity Agreement, until DOGM and the Board of Oil, Gas and Mining shall have approved and accepted in writing a replacement reclamation bond and/or U.S. Fuel is released from all obligations under the described Self Bonding and Indemnity Agreement.

**MUELLER INDUSTRIES, INC.**

By: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 )ss.  
COUNTY OF \_\_\_\_\_ )

On the \_\_\_\_\_ day of \_\_\_\_\_, 1995, personally appeared before me \_\_\_\_\_, who being by me duly sworn did say that he/she, the said \_\_\_\_\_ of Mueller Industries, Inc. and said instrument was signed in behalf of said corporation by authority of its bylaws or a resolution of its board of directors and said \_\_\_\_\_ duly acknowledged to me that said corporation executed the same.

\_\_\_\_\_  
NOTARY PUBLIC  
My Commission Expires: \_\_\_\_\_

0395.97  
0395\guarantee.frm

MUELLER INDUSTRIES, INC.

COAL  
(August 1985)

Mine Name United States Fuel Company  
 Permit No. Hiawatha Complex  
 Date ACT 007/001  
 Checked By October 20, 1995

SELF BONDING QUALIFICATION SHEET

Applicant Required to Meet One of the Following Criteria:

UMC 800.23(b)(3)

	12/31/94	9/30/95
1. Current rating for most recent bond issuance ("A" or higher) (Moody's Investor Service or Standard and Poor's Corporation)		
or		
2.		
A. Tangible Net Worth = (at least \$10 million) (Net worth minus intangibles [Goodwill and rights to patents or royalties])	241,948,000	273,502,000
B. Total Liabilities/Net Worth = Obligations to transfer to other assets or provide services to other entities/Total assets minus total liabilities and is equivalent to owner's equity (2.5 times or less).	.78	.68
C. Current Assets/Current Liabilities = Cash or other assets or resources which are reasonably expected to be converted to cash or sold or consumed within one year/Obligations which are reasonably expected to be paid or liquidated within one year (1.2 times or greater).	2.73	2.54
Reference: <u>Ernst &amp; Young Audit as of</u>		
or <u>December 31, 1994 and</u>		
3. <u>Mueller Condensed Consolidated</u>		
<u>Balance Sheets (unaudited) as of</u>		
<u>September 30, 1995</u>		
A. Fixed assets in the United States (at least \$20 million) =		

B. Total Liabilities/Net Worth =  
(2.5 times or less)

Current Assets/Current  
Liabilities (1.2 times or  
greater) =

Reference: \_\_\_\_\_

UMC 800.23(b)(1)

Suitable agent (resident within the state of Utah)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

UMC 800.23(b)(2)

Been in continuous operation of not less than five (5) years  
(immediately preceding the time of application) (submitted five  
annual reports--Yes  No )

UMC 800.23(b)(4)

(i) Financial statements prepared by an independent certified  
public accountant in conformity with generally accepted accounting  
principles. Yes  No

(ii) Unaudited financial statements for completed quarters in  
the current fiscal year. Yes  No

(iii) Additional unaudited information as requested by the  
Division.



FOR IMMEDIATE RELEASE  
October 18, 1995

Contact: Kent A. McKee  
(316) 636-6300

### MUELLER INDUSTRIES, INC. ANNOUNCES 36 PERCENT INCREASE IN THIRD QUARTER EARNINGS

Wichita, KS - Mueller Industries, Inc. (NYSE: MLI) today reported net income for the quarter ended September 30, 1995 of \$11.6 million or 60 cents per share, on 19,263,000 weighted average shares outstanding. This compared with net income for the third quarter of 1994 of \$8.5 million, or 45 cents per share on 18,997,000 weighted average shares outstanding. Net sales for the third quarter of 1995 were \$171.5 million compared with net sales of \$138.0 million for the same quarter of 1994. Earnings per share and weighted average shares outstanding have been adjusted in all periods presented for the Company's two-for-one stock split that was effected in September, 1995.

For the first nine months of 1995, net income was \$32.3 million, or \$1.69 per share, on net sales of \$524.7 million, which compares with net income of \$18.5 million, or 92 cents per share on net sales of \$395.4 million for the same period of 1994.

Harvey L. Karp, Chairman, stated, "We are pleased to report that the copper tube modernization project and our new high-volume copper fittings plant should be substantially completed by year-end. Additionally, the indirect extrusion press project at our Port Huron rod mill should be completed by early 1996. We expect to achieve substantial benefits from these capital programs in the years ahead."

Mueller Industries, Inc. is a leading and diversified fabricator whose products include copper tube and fittings; brass and copper alloy rods, bars and shapes; brass and bronze forgings; aluminum and copper impact extrusions; plastic fittings and valves; and refrigeration valves, driers and flare fittings. The Company also owns a short line railroad in Utah, a placer gold mining operation in Alaska, and other natural resource properties.

**MUELLER INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share data)

	For the Quarter Ended		For the Nine-Months Ended	
	September 30, 1995	September 24, 1994	September 30, 1995	September 24, 1994
	(Unaudited)		(Unaudited)	
Net sales	\$ 171,549	\$ 137,975	\$ 524,699	\$ 395,363
Cost of goods sold	137,410	113,253	427,557	325,483
Depreciation and amortization	4,098	3,227	11,507	9,102
Selling, general, and administrative expense	13,011	10,497	38,387	32,411
Operating income	17,030	10,998	47,248	28,367
Interest expense	(820)	(1,988)	(3,331)	(5,300)
Environmental reserves	(955)	-	(955)	(412)
Unusual items	-	-	-	(1,406)
Other income, net	1,736	3,023	4,311	6,566
Income before taxes	16,991	12,033	47,273	27,815
Income tax expense	(5,386)	(3,515)	(14,955)	(9,337)
Net income	\$ <u>11,605</u>	\$ <u>8,518</u>	\$ <u>32,318</u>	\$ <u>18,478</u>
Net income per share:				
Primary:				
Average shares outstanding	<u>19,263,000</u>	<u>18,997,000</u>	<u>19,115,000</u>	<u>20,071,000</u>
Net income	\$ <u>0.60</u>	\$ <u>0.45</u>	\$ <u>1.69</u>	\$ <u>0.92</u>
Fully diluted:				
Average shares outstanding	<u>19,263,000</u>	<u>19,029,000</u>	<u>19,256,000</u>	<u>20,077,000</u>
Net income	\$ <u>0.60</u>	\$ <u>0.45</u>	\$ <u>1.68</u>	\$ <u>0.92</u>

**MUELLER INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	September 30, 1995	(Unaudited)	December 31, 1994
<b>ASSETS</b>			
Cash and cash equivalents			
Accounts receivable, net	\$ 31,176		\$ 34,492
Inventories	96,229		66,925
Other current assets	69,734		74,368
Total current assets	<u>9,193</u>		<u>7,766</u>
	206,332		183,551
Property, plant and equipment, net	220,315		196,772
Other assets	<u>33,372</u>		<u>50,432</u>
	<u>\$ 460,019</u>		<u>\$ 430,755</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current portion of long-term debt			
Accounts payable	\$ 17,721		\$ 18,611
Other current liabilities	23,446		21,607
Total current liabilities	<u>40,047</u>		<u>27,003</u>
	81,214		67,221
Long-term debt	62,727		76,125
Other noncurrent liabilities	<u>42,576</u>		<u>45,461</u>
Total liabilities	186,517		188,807
Stockholders' equity	<u>273,502</u>		<u>241,948</u>
	<u>\$ 460,019</u>		<u>\$ 430,755</u>
Book value per share	<u>\$ 15.78</u>		<u>\$ 13.91</u>

## CONSOLIDATED BALANCE SHEETS

As of December 31, 1994 and December 25, 1993

(In thousands, except share data)	1994	1993
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 34,492	\$ 77,336
Accounts receivable, less allowance for doubtful accounts of \$3,336 in 1994 and \$3,495 in 1993	66,925	59,197
Inventories	74,368	53,118
Current deferred income taxes	4,491	3,242
Other current assets	3,275	1,518
<b>Total current assets</b>	<b>183,551</b>	<b>194,411</b>
Property, plant and equipment, net	196,772	154,403
Deferred income taxes	23,797	12,751
Other assets	26,635	8,178
<b>TOTAL ASSETS</b>	<b>\$ 430,755</b>	<b>\$ 369,743</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current portion of long-term debt	\$ 18,611	\$ 8,391
Accounts payable	21,607	15,637
Accrued wages and other employee costs	13,105	11,787
Current deferred income taxes	366	446
Other current liabilities	13,532	11,169
<b>Total current liabilities</b>	<b>67,221</b>	<b>47,430</b>
Long-term debt	76,125	54,320
Pension liabilities	9,499	9,336
Postretirement benefits other than pensions	8,946	9,498
Environmental reserves	11,178	10,448
Deferred income taxes	3,016	3,810
Other noncurrent liabilities	12,822	12,787
<b>Total liabilities</b>	<b>188,807</b>	<b>147,629</b>
Stockholders' Equity		
Preferred stock - shares authorized 4,985,000; none outstanding	—	—
Series A junior participating preferred stock - \$1.00 par value; shares authorized 15,000; none outstanding	—	—
Common stock - \$.01 par value; shares authorized 20,000,000; issued 10,000,000; outstanding 8,698,977 in 1994 and 9,583,193 in 1993	100	100
Additional paid-in capital, common	254,251	236,406
Retained earnings (accumulated deficit) since January 1, 1991	21,987	(5,939)
Cumulative translation adjustments	(2,832)	(1,944)
Treasury common stock, at cost	(31,558)	(6,509)
<b>Total stockholders' equity</b>	<b>241,948</b>	<b>222,114</b>
Commitments and contingencies	—	—
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 430,755</b>	<b>\$ 369,743</b>

See accompanying notes to consolidated financial statements.