BADGER METER INC
Form DEF 14A
March 19, 2009

**SCHEDULE 14A INFORMATION**
**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**
**(Amendment No. )**

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Badger Meter, Inc.
(Name of Registrant as Specified in its Charter)
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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o

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**BADGER METER, INC.**
**4545 West Brown Deer Road**
**Milwaukee, Wisconsin 53223**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**April 24, 2009**

The Annual Meeting of the Shareholders of Badger Meter, Inc. will be held at Discovery World at Pier Wisconsin, 500 North Harbor Drive, Milwaukee, Wisconsin 53202, on Friday, April 24, 2009, at 8:30 a.m., local time, for the following purposes:

1. To elect as directors the eight nominees named in the proxy statement, each for a one-year term;

2. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Our Board of Directors recommends a vote FOR each nominee named in the proxy statement.

Holders of record of our common stock at the close of business on February 27, 2009, are entitled to notice of and to vote at the meeting and any adjournments or postponements thereof. Shareholders are entitled to one vote per share.

By Order of the Board of Directors

William R. A. Bergum,
*Secretary*

March 19, 2009

**We urge you to submit your proxy as soon as possible. If the records of our transfer agent, American Stock Transfer & Trust Company, LLC, show that you own shares in your name, or you own shares in our Dividend Reinvestment Plan, then you can submit your proxy for those shares via the Internet or by using a toll-free telephone number provided on the proxy card. Or you can mark your votes on the proxy card we have enclosed, sign and date it, and mail it in the postage-paid envelope we have provided. Instructions for using these convenient services are set forth on the proxy card. If your shares are held in street name by a broker, nominee, fiduciary or other custodian, follow the directions given by the broker, nominee, fiduciary or other custodian regarding how to instruct them to vote your shares.**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on April 24, 2009**

**This Proxy Statement and our 2008 annual report on Form 10-K are available at http:www.amstock.com/ProxyServices/ViewMaterials.asp.**

**BADGER METER, INC.**
**4545 West Brown Deer Road**
**Milwaukee, Wisconsin 53223**

## PROXY STATEMENT

To the Shareholders of

BADGER METER, INC.

We are furnishing you with this Proxy Statement in connection with the solicitation of proxies by the Board of Directors of Badger Meter, Inc. to be used at our Annual Meeting of Shareholders (referred to as the Annual Meeting), which will be held at 8:30 a.m., local time, on Friday, April 24, 2009, at Discovery World at Pier Wisconsin, 500 North Harbor Drive, Milwaukee, Wisconsin 53202, and at any adjournments or postponements thereof.

If you execute a proxy, you retain the right to revoke it at any time before it is voted by giving written notice to us, by submitting a valid proxy bearing a later date or by voting your shares in person at the Annual Meeting. Unless you revoke your proxy, your shares will be voted at the Annual Meeting. Anyone who is a shareholder as of the close of business on February 27, 2009 may attend the Annual Meeting and vote in person. Street name holders who wish to attend the Annual Meeting cannot vote in person at the Annual Meeting unless they first obtain a proxy issued in their name from their broker, nominee, fiduciary or other custodian.

Since you were a shareholder of record as of the close of business on February 27, 2009, you are entitled to notice of, and to vote at, the Annual Meeting. As of the record date, we had 14,811,220 shares of common stock, par value $1 per share, outstanding and entitled to vote. You are entitled to one vote for each of your shares.

We commenced mailing this Proxy Statement and accompanying form of proxy on or about March 19, 2009.

## NOMINATION AND ELECTION OF DIRECTORS

You and the other holders of the common stock are entitled to elect eight directors at the Annual Meeting. If you submit a proxy to us, it will be voted as you direct. If, however, you submit a proxy without specifying voting directions, it will be voted in favor of the election of each of the eight nominees for director identified below. If your shares are held in street name by your broker, nominee, fiduciary or other custodian, your broker, nominee, fiduciary or other custodian may choose to vote for you on the election of the eight directors or may leave your shares unvoted (otherwise referred to as a broker nonvote).

Directors will be elected by a plurality of votes cast at the Annual Meeting (assuming a quorum is present). If you do not vote your shares at the Annual Meeting, whether due to abstentions, broker nonvotes or otherwise, and a quorum is present, it will have no impact on the election of directors. Once elected, a director serves for a one-year term or until his successor has been duly appointed, or until his death, resignation or removal.

The nominees of the Board of Directors for director, together with certain additional information concerning each such nominee, are identified below. All of the nominees are current directors of our company. If any nominee is unable or unwilling to serve, the named proxies have discretionary authority to select and vote for substitute nominees. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve.

## NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

| Name | Age | Business Experience During Last Five Years | Director Since |
|---|---|---|---|
| Ronald H. Dix | 64 | Badger Meter, Inc.: Senior Vice President Administration. Formerly, Senior Vice President Administration and Secretary; Senior Vice President Administration/ Human Resources and Secretary; and Vice President Administration/Human Resources. | 2005 |
| Thomas J. Fischer | 61 | Consultant in corporate financial and accounting matters and retired partner of Arthur Andersen LLP. | 2003 |
| Kenneth P. Manning | 67 | Sensient Technologies Corporation (a global manufacturer and marketer of flavors, colors and fragrances): Chairman and Chief Executive Officer. | 1996 |
| Richard A. Meeusen | 54 | Badger Meter, Inc.: Chairman, President and Chief Executive Officer. Formerly, President and Chief Executive Officer. | 2001 |
| Ulice Payne, Jr. | 53 | Addison-Clifton, LLC (a global trade compliance consulting firm): President. Formerly, Milwaukee Brewers Baseball Club, Inc.: President and Chief Executive Officer. Formerly, Foley & Lardner LLP (a law firm): Managing Partner, Milwaukee Office. | 2000 |
| Andrew J. Policano | 59 | Paul Merage School of Business, University of California Irvine: Dean. Formerly, University of Wisconsin School of Business: Professor and Dean. | 1997 |
| Steven J. Smith | 59 | Journal Communications, Inc. (a diversified media and communications company): Chairman and Chief Executive Officer. Formerly, Journal Communications, Inc.: President. | 2000 |
| John J. Stollenwerk | 69 | Allen-Edmonds Shoe Corporation (a manufacturer and marketer of shoes): Retired Chairman. Formerly, Allen-Edmonds Shoe Corporation: Owner and President. | 1996 |

**THE BOARD UNANIMOUSLY RECOMMENDS THAT OUR SHAREHOLDERS VOTE FOR EACH NOMINEE IDENTIFIED ABOVE.**

Certain of our directors also serve as directors of the following companies, some of which are publicly-held. Mr. Fischer is a director of Actuant Corporation, Regal-Beloit Corporation and Wisconsin Energy Corporation. Mr. Manning is a director of Sensient Technologies Corporation and Sealed Air Corporation. Mr. Meeusen is a director of Menasha Corporation. Mr. Payne is a director of Manpower, Inc., The Northwestern Mutual Life Insurance

Company and Wisconsin Energy Corporation. Mr. Policano is a director of Rockwell- Collins, Inc. Mr. Smith is a director of Journal Communications, Inc. Mr. Stollenwerk is a director of The Northwestern Mutual Life Insurance Company and Koss Corporation.

**Independence, Committees, Meetings and Attendance**

Our Board of Directors has three standing committees: the Audit and Compliance Committee (referred to as the Audit Committee), the Compensation and Corporate Governance Committee (referred to as the Compensation and Governance Committee) and the Employee Benefit Plans Committee. The Board of Directors has adopted written charters for each committee, which are available on our website at www.badgermeter.com under the selection Company Investors Corporate Governance Committees of the Board.

The board has determined that each of the directors (other than Mr. Meeusen and Mr. Dix) (i) is independent within the definitions contained in the current New York Stock Exchange listing standards and our Corporate Governance Guidelines; (ii) meets the categorical independence standards adopted by the board (set forth below); and (iii) has no other material relationship with the company that could interfere with his ability to exercise independent judgment. In addition, the board has determined that each member of the Audit Committee meets the additional independence standards for audit committee members. One of the Audit Committee members, Mr. Fischer, serves on three other audit committees. Our board has affirmatively determined that such simultaneous service does not impair Mr. Fischer s ability to effectively serve on our Audit Committee.

The current committee assignments are:

| | **BOARD COMMITTEES** | | |
|---|---|---|---|
| **Director** | **Audit and Compliance** | **Compensation and Corporate Governance** | **Employee Benefit Plans** |
| Thomas J. Fischer | X* | | X |
| Kenneth P. Manning | X | X* | |
| Ulice Payne, Jr. | X | X | |
| Andrew J. Policano | | X | X |
| Steven J. Smith | X | | X* |
| John J. Stollenwerk | | X | X |
| Richard A. Meeusen | | | |
| Ronald H. Dix | | | |

* Chairman of the Committee

The Audit Committee met five times in 2008. The Audit Committee oversees our financial reporting process on behalf of the board and reports the results of their activities to the board. The activities of the Audit Committee include employing an independent registered public accounting firm for us, discussing with the independent registered public accounting firm and internal auditors the scope and results of audits, monitoring our internal controls and preapproving and reviewing audit fees and other services performed by our independent registered public accounting firm. The Audit Committee also monitors our compliance with our policies governing activities which include but are not limited to our Code of Conduct and our environmental, safety, diversity, product regulation and quality processes. The board has determined that each member of the Audit Committee qualifies as an audit committee financial expert as defined by Securities and Exchange Commission. Furthermore, the board has determined that all members of our Audit Committee meet the financial literacy requirements of the New York Stock Exchange.

The Compensation and Governance Committee met twice in 2008 and once in January 2009. The Compensation and Governance Committee reviews and establishes all forms of compensation for our officers and directors and administers our compensation plans, including the various stock plans. The Compensation and Governance Committee also reviews the various management development and succession programs and adopts and maintains our Principles of Corporate Governance. In addition, the Compensation and Governance Committee selects nominees for the Board of Directors.

The Employee Benefit Plans Committee met three times in 2008. The Employee Benefit Plans Committee oversees the administration of our pension plan, employee savings and stock ownership plan, health plans and other benefit plans.

The Board of Directors held five meetings in 2008. Mr. Smith currently serves as lead outside director of the board. The lead outside director chairs executive sessions of the non-management directors of the board and, when necessary, represents the independent directors. During 2008, all directors attended at least 75% of the meetings of the full board and meetings of the committees held in 2008 on which they served during the period. A closed session for only outside directors was held following each of the board meetings. All members of the board attended the

2008 Annual Meeting of Shareholders. It is the board s policy that all directors attend the Annual Meeting of Shareholders, unless unusual circumstances prevent such attendance.

**Nomination of Directors**

The Compensation and Governance Committee has responsibility for selecting nominees for our Board of Directors. All members of the Compensation and Governance Committee meet the definition of independence set forth by the New York Stock Exchange. The board has adopted a policy by which the Compensation and Governance Committee will consider nominees for board positions, as follows:

The Compensation and Governance Committee will review potential new candidates for Board of Directors positions.

The Compensation and Governance Committee will review each candidate s qualifications in light of the needs of the Board of Directors and the company, considering the current mix of director attributes and other pertinent factors.

The following minimum qualifications must be met by each director nominee:

Each director must display the highest personal and professional ethics, integrity and values.

Each director must have the ability to exercise sound business judgment.

Each director must be highly accomplished in his or her respective field, with superior credentials and recognition and broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest.

Each director must have relevant expertise and experience, and be able to offer advice and guidance to the Chief Executive Officer based on that expertise and experience.

Each director must be independent of any particular constituency, be able to represent all shareholders of the company and be committed to enhancing long-term shareholder value.

Each director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of the company s business.

The specific qualities and skills required of any candidate will vary depending on our specific needs at any point in time.

No candidate, including current directors, may stand for reelection after reaching the age of 72.

There are no differences in the manner in which the Compensation and Governance Committee evaluates candidates recommended by shareholders and candidates identified from other sources.

To recommend a candidate, shareholders should write to the Board of Directors, c/o Secretary, Badger Meter, Inc., P.O. Box 245036, Milwaukee, WI 53224-9536, via certified mail. Such recommendation should include the candidate s name and address, a brief biographical description and statement of qualifications of the candidate and the candidate s signed consent to be named in the proxy statement and to serve as a director if elected.

To be considered by the Compensation and Governance Committee for nomination and inclusion in our proxy statement, the Board of Directors must receive shareholder recommendations for director no later than October 15 of the year prior to the relevant annual meeting of shareholders.

During 2008, and as of the date of this Proxy Statement, the Compensation and Governance Committee did not pay any fees to third parties to assist in identifying or evaluating potential candidates. Also, the Compensation and Governance Committee has not received any shareholder nominees for consideration at the 2009 Annual Meeting of Shareholders.

**Communications with the Board of Directors**

Shareholders may communicate with the full Board of Directors, non-management directors as a group or individual directors, including the lead outside director, by submitting such communications in writing to the Secretary of Badger Meter, Inc., P.O. Box 245036, Milwaukee, WI 53224-9536, via certified mail. The Secretary will forward communications received to the appropriate party. However, commercial advertisements or other forms of solicitation will not be forwarded.

**Categorical Independence Standards for Directors**

A director who at all times during the previous three years has met all of the following categorical standards and has no other material relationships with Badger Meter, Inc. will be deemed to be independent:

1. The company has not employed the director, and has not employed (except in a non-executive officer capacity) any of his or her immediate family members. Employment as an interim Chairman or Chief Executive Officer shall not disqualify a director from being considered independent following that employment.

2. Neither the director, nor any of his or her immediate family members, has received more than $100,000 per year in direct compensation from the company, other than director and committee fees, and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by a director for former service as an interim Chairman or Chief Executive Officer need not be considered in determining independence under this test. Compensation received by an immediate family member for service as a non-executive employee of the company need not be considered in determining independence under this test.

3. The director has not been employed by, or affiliated with the company s present or former internal or external auditor, nor have any of his or her immediate family members been so employed or affiliated (except in a nonprofessional capacity).

4. Neither the director, nor any of his or her immediate family members, has been part of an interlocking directorate in which any of the company s present executives serve on the compensation (or equivalent) committee of another company that employs the director or any of his or her immediate family members in an executive officer capacity.

5. Neither the director, nor any of his or her immediate family members (except in a non-executive officer capacity), has been employed by a company that makes payments to, or receives payments from, the company for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues. In applying this test, both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year. The look-back provision for this test applies solely to the financial relationship between the company and the director s or immediate family member s current employer; the company need not consider former employment of the director or immediate family member. Charitable organizations shall not be considered companies for purposes of this test, provided however that the company shall disclose in its annual proxy statement any charitable contributions made by the company to any charitable organization in which a director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of $1 million, or 2% of such charitable organization s consolidated gross revenues.

6. Neither the director, nor any of his or her immediate family members, has been an employee, officer or director of a foundation, university or other non-profit organization to which the company gives directly, or indirectly through the provision of services, more than $1 million per annum or 2% of such organization s consolidated gross revenues

(whichever is greater). The company shall disclose in its annual proxy statement any charitable contributions made by the company to any charitable organization in which a director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of $1 million, or 2% of such charitable organization s consolidated gross revenues.

In addition to satisfying the criteria set forth above, directors who are members of the Audit Committee will not be considered independent for purposes of membership on the Audit Committee unless they satisfy the following additional criteria:

1. A director who is a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the board, or any other board committee, accept directly or indirectly any consulting, advisory, or other compensatory fee from the company or any subsidiary thereof, provided that, unless the rules of the New York Stock Exchange provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the company (provided that such compensation is not contingent in any way on continued service).

2. A director, who is a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the board, or any other board committee, be an affiliated person of the company.

3. If an Audit Committee member simultaneously serves on the audit committees of more than two other public companies, then the board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the company s Audit Committee. The company must disclose this determination in its proxy statement.

**Available Corporate Governance Information**

The company s Code of Conduct, Principles of Corporate Governance and charters of all current board committees are available on our website at www.badgermeter.com under the selection Company Investors Corporate Governance. Copies can also be obtained by writing to the Secretary of Badger Meter, Inc., P.O. Box 245036, Milwaukee, WI 53224-9536.

## RELATED PERSON TRANSACTIONS

We had no transactions during 2008, and none are currently proposed, in which we were a participant and in which any related person had a direct or indirect material interest. Our Board of Directors has adopted policies and procedures regarding related person transactions. For purposes of these policies and procedures:

A related person means any person who is, or was at some time since the beginning of the last fiscal year, (a) one of our directors, executive officers or nominees for director, (b) a greater than five percent beneficial owner of our common stock, or (c) an immediate family member of the foregoing; and

A related person transaction generally is a transaction (including any indebtedness or a guarantee of indebtedness) in which we were or are to be a participant and the amount involved exceeds $120,000, and in which a related person had or will have a direct or indirect material interest.

Each of our executive officers, directors or nominees for director is required to disclose to the Compensation and Governance Committee certain information relating to related person transactions for review, approval or ratification by the Compensation and Governance Committee. Disclosure to the Compensation and Governance Committee should occur before, if possible, or as soon as practicable after the related person transaction is effected, but in any event as soon as practicable after the executive officer, director or nominee for director becomes aware of the related person transaction. The Compensation and Governance Committee s decision whether or not to approve or ratify a related person transaction is to be made in light of the Compensation and Governance Committee s determination that consummation of the transaction is not or was not contrary to our best interests. Any related person transaction must be disclosed to the Board of Directors.

Certain related person transactions are deemed pre-approved, including, among others, (a) any transaction with another company, or charitable contribution, grant or endowment to a charitable organization, foundation or university, at which a related person s only relationship is as an employee (other than an executive officer), director or beneficial owner of less than ten percent of that company s shares, if the aggregate amount involved does not exceed the greater of $1,000,000 or two percent of the company s total annual revenues or the charitable organization s total annual receipts, and (b) any transaction involving a related person where the rates or charges involved are determined by competitive bids.

**STOCK OWNERSHIP OF BENEFICIAL OWNERS HOLDING MORE THAN FIVE PERCENT**

The following table provides information concerning persons known by us to beneficially own more than five percent of our common stock as of February 27, 2009.

| Name | Aggregate Number of Shares and Percent of Common Stock Beneficially Owned |
|---|---|
| Invesco Ltd.<br>1555 Peachtree Street NE<br>Atlanta, GA 30309 | 1,386,331(1)<br>9.4% |
| Marshall & Ilsley Corporation<br>770 North Water Street<br>Milwaukee, WI 53202 | 1,007,088(2)<br>6.8% |
| T. Rowe Price Associates, Inc.<br>100 East Pratt Street<br>Baltimore, MD 21202 | 795,588(3)<br>5.3% |

(1) Information shown is based on a jointly filed Schedule 13G filed with the Securities and Exchange Commission by Invesco Ltd. on behalf of itself and its subsidiaries, Invesco Ltd. Bermuda and Invesco PowerShares Capital Management LLC US. The Schedule 13G indicates that Invesco Ltd. has sole voting and dispositive power over all of such shares.

(2) Information shown is based on a jointly filed Schedule 13G filed with the Securities and Exchange Commission by Marshall & Ilsley Corporation, Marshall & Ilsley Trust Company N.A. and M&I Investment Management Corp. The Schedule 13G indicates that Marshall & Ilsley Corporation has sole voting power over 92,277 of such shares and sole dispositive power over 90,277 of such shares, and that it has shared voting power over 914,811 of such shares and shared dispositive power over 916,811 of such shares. The Schedule 13G indicates that Marshall & Ilsley Trust Company N.A. has sole voting power over 92,152 of such shares and sole dispositive power over 90,152 of such shares, and that it has shared voting power over 914,811 of such shares and shared dispositive power over 916,811 of such shares. The Schedule 13G indicates that M&I Investment Management Corp. has sole voting power over 125 of such shares and sole dispositive power over 125 of such shares, and that it has no shared voting or dispositive power over any of such shares.

(3) Information shown is based on a Schedule 13G filed with the Securities and Exchange Commission by T. Rowe Price Associates, Inc.

## STOCK OWNERSHIP OF MANAGEMENT

The following table sets forth, as of February 27, 2009, the number of shares of common stock beneficially owned and the number of exercisable options outstanding by (i) each of our directors, (ii) each of the executive officers named in the Summary Compensation Table set forth below (referred to as the named executive officers), and (iii) all of our directors and executive officers as a group. Securities and Exchange Commission rules define beneficial owner of a security to include any person who has or shares voting power or investment power with respect to such security.

| | **Aggregate Number of Shares and Percent of Common Stock Beneficially Owned(1)** |
|---|---|
| Ronald H. Dix | 195,572(2) 1.3% |
| Thomas J. Fischer | 25,635 * |
| Kenneth P. Manning | 62,835 * |
| Richard A. Meeusen | 156,076(3) 1.0% |
| Ulice Payne, Jr. | 18,435 * |
| Andrew J. Policano | 21,696(4) * |
| Steven J. Smith | 51,635 * |
| John J. Stollenwerk | 79,212(5) * |
| Horst E. Gras | 17,420(6) * |
| Richard E. Johnson | 117,225(7) * |
| Dennis J. Webb | 48,993(8) * |
| All Directors and Executive Officers as a Group (16 persons, including those named above) | 942,509 6.4% |

* Less than one percent

(1) Unless otherwise indicated, the beneficial owner has sole investment and voting power over the reported shares, which includes shares from stock options that are currently exercisable or were exercisable within 60 days of February 27, 2009.

(2) Ronald H. Dix has sole investment and voting power over 41,500 shares he holds directly, 13,362 shares in our Employee Savings and Stock Ownership Plan, 40,260 shares subject to stock options and 6,350 shares of restricted stock. He has shared investment and voting power over 94,100 shares he owns with his spouse.

(3) Richard A. Meeusen has sole investment and voting power over 120,864 shares he holds directly, 3,532 shares in our Employee Savings and Stock Ownership Plan, 21,380 shares subject to stock options and 10,300 shares of restricted stock.

(4) Does not include deferred director fee holdings of 481 phantom stock units held by Mr. Policano under the Badger Meter Deferred Compensation Plan for Directors. The value of the phantom stock units is based upon and fluctuates with the market value of the common stock. When a participant chooses to exit the plan, the phantom stock units are paid out only in cash.

(5) Does not include deferred director fee holdings of 20,332 phantom stock units held by Mr. Stollenwerk under the Badger Meter Deferred Compensation Plan for Directors. The value of the phantom stock units is based upon and fluctuates with the market value of the common stock. When a participant chooses to exit the plan, the phantom stock units are paid out only in cash.

(6) Horst E. Gras has sole investment and voting power over 13,320 shares he holds directly and 4,100 shares of restricted stock. He has no shares subject to stock options that are currently exercisable or were exercisable within 60 days of February 27, 2009.

(7) Richard E. Johnson has sole investment and voting power over 28,000 shares he holds directly in an IRA, 1,773 shares in our Employee Savings and Stock Ownership Plan, 9,860 shares subject to stock options and 7,400 shares of restricted stock. He has shared investment and voting power over 70,192 shares he owns with his spouse.

(8) Dennis J. Webb has sole investment and voting power over 30,000 shares he holds directly, 14,010 shares in our Employee Savings and Stock Ownership Plan and 4,983 shares of restricted stock. He has no shares subject to stock options that are currently exercisable or were exercisable within 60 days of February 27, 2009.

# EXECUTIVE COMPENSATION

## Compensation Discussion and Analysis

### *Overview of Compensation Policies and Procedures*

Our executive compensation program for all elected officers, including each named executive officer, is administered by the Compensation and Governance Committee. The Compensation and Governance Committee is composed of four independent non-employee directors Messrs. Manning (Chairman), Payne, Policano and Stollenwerk.

The compensation policies that guide the Compensation and Governance Committee as it carries out its duties include the following:

- Executive pay programs should be designed to attract and retain qualified executive officers, as well as motivate and reward performance.

- The payment of annual incentive compensation should be directly linked to the attainment of performance goals approved by the Compensation and Governance Committee.

- Long-term incentive programs should be designed to enhance shareholder value by utilizing stock options, restricted stock and long-term cash incentives in order to ensure that our executive officers are committed to our long-term success.

- The Compensation and Governance Committee should attempt to achieve a fair and competitive compensation structure by implementing both short-term and long-term plans with fixed and variable components.

In making its decisions and recommendations regarding executive compensation, the Compensation and Governance Committee reviews, among other things:

- Compensation data obtained through an independent executive compensation consultant for competitive businesses of similar size and similar business activity. The data considered includes information relative to both base salary and bonus data separately and on a combined basis, as well as total cash and long-term incentive compensation.

- Our financial performance as a whole and for various product lines relative to the prior year, our budget and other meaningful financial data, such as sales, return on assets, return on equity, cash generated from operations and financial position.

- The recommendations of the Chairman, President and Chief Executive Officer with regard to the other executive officers.

### *Total Compensation*

We strive to compensate our executive officers at competitive levels, with the opportunity to earn above-median compensation for above-market performance, through programs that emphasize performance-based incentive compensation in the form of annual cash payments, equity-based awards and a long-term incentive program. To that end, total executive compensation is tied to our performance and is structured to ensure that, due to the nature of our business, there is an appropriate balance focused on our long-term versus short-term performance, and also a balance between our financial performance, individual performance of our executive officers and the creation of shareholder value. For those compensation components where individual performance is a consideration, individual performance is considered in a general way and may only result in minor adjustments to compensation levels.

We believe that the total compensation paid or awarded to our named executive officers during 2008 was consistent with our financial performance and the individual performance of each of the named executive officers. Based on our analysis and the advice of Hewitt Associates LLC, our independent executive compensation consultant, we also believe that the compensation was reasonable in its totality and is consistent with our compensation philosophies as described above. The consultant was paid a fixed fee for this service.

To the extent that base salaries and equity grants vary by professional role in the market place, as demonstrated by the competitive market data supplied by our independent executive compensation consultant, the base salaries and equity grants of the executive officers will vary, sometimes significantly. For example, consistent with the level of responsibility and the executive compensation practices of the companies in the market comparisons, Chief Executive Officers typically earn significantly more in base salary and equity grants than other executive officers.

As noted above, our Chief Executive Officer serves in an advisory role to the Compensation and Governance Committee with respect to executive compensation for executive officers other than himself (the Chief Executive Officer does not participate in determining or recommending compensation for himself). His recommendations are given significant weight by the Compensation and Governance Committee, but the Compensation and Governance Committee remains responsible for all decisions on compensation levels for the executive officers and on our executive compensation policies and executive compensation programs. The executive compensation consultant does not make specific recommendations on individual compensation amounts for the executive officers or the outside directors, nor does the consultant determine the amount or form of executive and director compensation. All decisions on executive compensation levels and programs are made by the Compensation and Governance Committee.

***Elements of Compensation***

The compensation program for our executive officers involves base salaries, benefits, short-term annual cash incentive bonuses and a long-term incentive program using stock options, restricted stock and cash incentives.

*Base Salary.* Salary rates and benefit levels are established for each executive officer by the Compensation and Governance Committee, using data supplied by an independent executive compensation consultant on organizations of similar size and business activity. The compensation data incorporates privately-held as well as publicly-held companies of similar size, and has a broad definition of similar business activity, thereby providing a more comprehensive basis for evaluating compensation relative to those companies that compete with us for executives. The data includes salaries, benefits, total cash compensation, long-term incentive compensation and total compensation. In establishing the compensation of each officer, including the Chairman, President and Chief Executive Officer, the Compensation and Governance Committee is given a five-year history, which sets forth the base salary, short-term incentive awards, and long-term compensation of each officer. Our policy is to pay executive officers at market, with appropriate adjustments for performance and levels of responsibility. The Compensation and Governance Committee has consistently applied this policy and procedure with respect to base salaries for the past 18 years.

Base salary increases for our executive officers approved as of February 1, 2009, by the Compensation and Governance Committee ranged from 2.9% to 11.0%. The Chairman, President and Chief Executive Officer s compensation increased 11.0%. The other named executive officers received base salary increases of 5.7% each for Messrs. Johnson and Dix, 2.9% for Mr. Gras and 4.3% for Mr. Webb. These increases were based on an evaluation of the factors set forth above relative to each individual s circumstances and performance and are believed to be fair and competitive. The Compensation and Governance Committee believes that each of these individual increases is appropriate and necessary to maintain competitive salary levels and to recognize the contribution of each executive officer to our financial success.

*Annual Bonus Plan.* Our annual bonus plan is designed to promote the maximization of shareholder value over the long term. The plan is intended to provide a competitive level of compensation when the executive officers achieve their performance objectives. Under the annual bonus plan, the target bonus for the Chairman, President and Chief Executive Officer is 60% of his base salary and the target bonus for all other named executive officers is 50% 55% of their base salary. The targets set pursuant to the annual bonus plan are comprised of two components a financial factor based on the attainment of a certain level of Earnings Before Interest and Taxes (EBIT) and individual performance.

The Compensation and Governance Committee approves the target level of earnings used for the financial component of the determination of an executive s annual bonus at the beginning of each year. For 2008, the financial factor was based on achieving an increase in adjusted EBIT of 15.0% over the 2007 adjusted EBIT, at which point the maximum annual bonus could be paid. No annual bonus was to be paid if 2008 adjusted EBIT did not increase over the 2007 adjusted EBIT, and the annual bonus was to be pro-rated for any increase up to 15.0%. The

Compensation and Governance Committee has the discretion to adjust these EBIT factors based on unusual events, such as acquisitions or losses on discontinued operations. For 2008, no such adjustments were made. Annual bonuses paid for 2008 were 100% of target annual bonus amounts.

The target annual bonus may also be adjusted up or down 10% at the discretion of the Compensation and Governance Committee. Further, the Compensation and Governance Committee has the authority to adjust the total amount of any annual bonus award on a discretionary basis. Several increase adjustments were made for 2008 within these guidelines in consideration of the overall performance of the individual executives, based on the judgment of the Committee.

*Long-Term Incentive Plan (referred to as LTIP).* Our long-term incentive compensation program consists of a combination of stock option awards, restricted stock awards and cash incentives. This program presents an opportunity for executive officers and other key employees to gain or increase their equity interests in our stock. Each executive officer is expected to hold common stock equal to at least two-times his or her annual base salary. New executive officers are expected to achieve this level of stock ownership within a reasonable time, but in any event, within six years of joining us. Each named executive officer has achieved the targeted level of stock ownership.

Stock options and restricted stock awards are granted annually to the executive officers and other key employees at amounts determined each year by the Compensation and Governance Committee. All of the stock options and restricted stock awards are granted at the market price on the date of grant. Since 2003, the Compensation and Governance Committee has granted all such annual awards on the first Friday of May in each year, and has priced all such awards at the closing price of the common stock on that date. The Compensation and Governance Committee has established that date to avoid any inference of timing such awards to the release of material non-public information. If material non-public information is pending on the first Friday of May in any year, then the Compensation and Governance Committee will select a new date for awarding stock options and restricted stock for that year.

In addition to stock options and restricted stock awards, our LTIP provides a cash bonus to all officers, including the named executive officers. The last LTIP was based on a three-year performance period (2006-2008), and provided for the payment of a cash bonus in February of 2009 if a specified diluted earnings per share target for the combined three-year period was met. The target was met and the full incentive was paid.

Two new LTIP programs were established in January of 2009, one for a two-year performance period (2009-2010), and the other for a three-year performance period (2009-2011), Both provide the payment of a cash bonus, the former to be paid in February of 2011 and the latter to be paid in February of 2012, if certain diluted earnings per share targets for the performance periods are met. For the 2009-2010 period, no incentive will be paid if the combined diluted earnings per share is below $3.44. The target incentive will be paid if the combined diluted earnings per share equals $3.70 and the stretch incentive will be paid if the combined diluted earnings per share reaches or exceeds $3.96. For the 2009-2011 period, no incentive will be paid if the combined diluted earnings per share is below $5.30, the target incentive will be paid if the combined diluted earnings per share equals $5.83 and the stretch incentive will be paid if the combined diluted earnings per share reaches or exceeds $6.39. The incentive payments will be prorated for any earnings per share amounts between these targets. The Compensation and Governance Committee may, at its discretion, adjust these targets or the achieved earnings per share for unusual factors, such as acquisitions or losses on discontinued operations.

***Other Benefits***

*Salary Deferral Plan.* All executive officers, except Mr. Gras, are eligible to participate in a salary deferral plan described in Note 1 of the Nonqualified Deferred Compensation Table below. The Compensation and Governance Committee believes that it is appropriate to offer this program to enable the executive officers to better manage their taxable income and retirement planning. Based on its analysis and the advice of our independent executive compensation consultant, the Compensation and Governance Committee believes that this program is competitive with comparable programs offered by other companies.

*Supplemental Retirement Plans.* We offer various supplemental retirement plans to certain employees, including certain named executive officers. The purpose of these plans is to compensate the employees for pension reductions caused by salary deferrals or by regulatory limitations on qualified plans. Also, there are nonqualified supplemental executive retirement plans which are designed to enhance their regular retirement programs. Currently, Messrs. Meeusen, Dix and Johnson are participants in these plans. The Compensation and Governance Committee believes that these supplemental retirement plans are appropriate to attract and retain qualified executives. For more information on these plans, see the narrative discussion that follows the Pension Benefits Table below.

*Additional benefits.* Each executive officer receives his/her choice of either the use of a vehicle or a car allowance for both personal and business purposes. We also pay certain club dues for Mr. Meeusen. In addition, we provide long-term disability benefits and tax gross-ups on life insurance benefits for Messrs. Meeusen, Dix and Johnson, both of which ended on December 31, 2008. All executive officers, except Mr. Gras, participate in the Badger Meter, Inc. Employee Savings and Stock Ownership Plan and other benefit and pension plans provided to all of our U.S. employees.

*Section 162(m) Limitations.* It is anticipated that all 2008 compensation to executive officers will be fully deductible under Section 162(m) of the Code and therefore the Compensation and Governance Committee determined that a policy with respect to qualifying compensation paid to certain executive officers for deductibility is not necessary.

***Potential Payments Upon Termination or Change-in-Control***

We have entered into Key Executive Employment and Severance Agreements (each referred to as a KEESA) with all executive officers (except Mr. Gras who would receive similar benefits from the company under German law), whose expertise has been critical to our success, to remain with us in the event of any merger or transition period. Each KEESA provides for payments in the event there is a change in control and (1) the executive officer s employment with us terminates (whether by us, the executive officer or otherwise) within 180 days prior to the change in control and (2) it is reasonably demonstrated by the executive officer that (a) any such termination of employment by us (i) was at the request of a third party who has taken steps reasonably calculated to effect a change in control or (ii) otherwise arose in connection with or in anticipation of a change in control, or (b) any such termination of employment by the executive officer took place because of an event that allowed the termination for good reason, which event (i) occurred at the request of a third party who has taken steps reasonably calculated to effect a change in control or (ii) otherwise arose in connection with or in anticipation of a change in control. For more information regarding the KEESAs, see the discussion in Potential Payments Upon Termination or Change-in-Control below.

**Summary Compensation Table**

The following table sets forth information concerning compensation earned or paid to each of the named executive officers for each of the last three fiscal years, consisting of: (1) the dollar value of base salary and bonus earned during the applicable fiscal year; (2) the dollar value of the compensation cost of all outstanding stock and option awards recognized over the requisite service period, as computed in accordance with SFAS No. 123(R); (3) the dollar value of earnings for services pursuant to awards granted during the applicable fiscal years under non-equity incentive plans; (4) the change in pension value and non-qualified compensation earnings during the applicable fiscal years; (5) all other compensation for the applicable fiscal years; and finally; (6) the dollar value of total compensation for the applicable fiscal years. The named executive officers are our principal executive officer, principal financial officer and three most highly compensated executive officers employed as of December 31, 2008 (each of whose total cash compensation exceeded $100,000 for fiscal year 2008).

**Summary Compensation Table for 2008 (all amounts in $)**

| e & Principal Position | Year | Salary | Bonus (1) | Stock Awards (2) | Option Awards (3) | Non-Equity Incentive Plan Compensation (4) | Change in Pension Value and Non-Qualified Deferred Compensation (5) | All Other Compensation (6) | Tota |
|---|---|---|---|---|---|---|---|---|---|
| ard A. Meeusen | 2008 | 439,750 | 291,720 | 71,833 | 48,046 | 53,333 | 94,418 | 21,216 | 1,020,3 |
| rman, President & | 2007 | 411,858 | 180,062 | 94,179 | 39,463 | 53,333 | 83,772 | 14,564 | 877,2 |
| ) | 2006 | 375,802 | 153,101 | 59,506 | 42,506 | 53,333 | 76,650 | 15,007 | 775,9 |
| ard E. Johnson | 2008 | 263,917 | 160,325 | 48,236 | 31,175 | 44,444 | 53,440 | 15,130 | 616,6 |
| ice President | 2007 | 251,000 | 100,227 | 70,258 | 26,483 | 44,444 | 47,522 | 13,747 | 553,6 |
| nce, CFO and Treasurer | 2006 | 239,053 | 89,272 | 45,459 | 29,638 | 44,444 | 44,173 | 14,156 | 506,1 |
| ald H. Dix | 2008 | 263,916 | 160,325 | 48,822 | 23,179 | 44,444 | 82,426 | 19,003 | 642,1 |
| ice President | 2007 | 251,000 | 100,227 | 70,258 | 26,483 | 44,444 | 203,504 | 16,940 | 712,8 |
| ministration | 2006 | 239,053 | 89,272 | 45,459 | 29,477 | 44,444 | 195,676 | 15,318 | 658,6 |
| t E. Gras | 2008 | 316,664 | 162,543 | 20,361 | 13,388 | 35,556 | 50,277 | 13,633 | 612,4 |
| President | 2007 | 288,228 | 100,288 | 43,051 | 13,019 | 35,556 | 57,415 | 13,742 | 551,2 |
| national Operations | 2006 | 280,957 | 0 | 29,666 | 17,540 | 35,556 | 61,035 | 11,287 | 436,0 |
| nis J. Webb | 2008 | 231,083 | 116,000 | 37,086 | 17,825 | 35,556 | 41,101 | 14,954 | 493,6 |
| President | 2007 | 220,083 | 79,907 | 55,735 | 20,488 | 35,556 | 47,441 | 14,234 | 473,4 |
| s & Marketing | 2006 | 209,062 | 71,012 | 36,646 | 23,289 | 35,556 | 45,781 | 14,109 | 435,4 |

(1) Bonus amounts represent bonuses earned during the year indicated but paid in February of the following year. For example, the bonus earned during 2008 was paid in February of 2009 under the bonus program described above in the Compensation Discussion and Analysis.

(2) These amounts reflect the dollar value of the compensation cost of all outstanding stock awards recognized over the requisite service period, computed in accordance with FAS 123 and FAS 123(R). The assumptions made in valuing the stock awards are included under the caption Nonvested Stock in Note 5 to the Consolidated Financial

Statements in the 2008 annual report on Form 10-K and such information is incorporated herein by reference.

(3) These amounts reflect the dollar value of the compensation cost of all outstanding option awards recognized over the requisite service period, computed in accordance with FAS 123 and FAS 123(R). The assumptions made in valuing the option awards are included under the caption Stock Options in Note 5 to the Consolidated Financial Statements in the 2008 annual report on Form 10-K and such information is incorporated herein by reference.

(4) Non-Equity Incentive Plan Compensation represents the current year earnings under our LTIP, as previously described. The plan has a total target for the three-year period. These amounts represent one-third of the total payment, reflecting achievement of the three-year earnings per share target.

(5) Change in Pension Value and Non-Qualified Deferred Compensation includes the 2008 aggregate increase in the actuarial present value of each named executive officer s accumulated benefit under our defined benefit pension plans and supplemental pension plans, using the same assumptions and measurement dates used for financial reporting purposes with respect to our audited financial statements. The increases were $94,418 for Mr. Meeusen, $52,239 for Mr. Johnson, $81,458 for Mr. Dix and $39,246 for Mr. Webb. Also, the amounts include $1,201 for Mr. Johnson, $968 for Mr. Dix and $1,855 for Mr. Webb, representing earnings on deferred compensation in excess of 120% of applicable federal long-term rates.

Mr. Gras, a German resident and citizen, is not covered by the defined benefit pension plan. The company, through its European subsidiary, provides Mr. Gras with an insurance policy that provides benefits similar to those of the other named executive officers covered by the cash balance plan. The amount shown for Mr. Gras represents the translated value of the increase in policy value in 2008.

(6) All Other Compensation includes the following items:

a. Contributions to the Badger Meter, Inc. Employee Savings and Stock Ownership Plan (ESSOP) for Messrs. Meeusen, Johnson, Dix and Webb of $3,875 each. Mr. Gras does not participate in the ESSOP.
b. Dividends on restricted stock of $4,174 for Mr. Meeusen, $3,005 for Mr. Johnson, $2,644 for Mr. Dix, $1,703 for Mr. Gras and $2,079 for Mr. Webb.
c. Vehicle usage or allowance of $7,906 for Mr. Meeusen, $6,905 for Mr. Johnson, $9,783 for Mr. Dix, $11,930 for Mr. Gras and $9,000 for Mr. Webb.
d. Long-term disability benefits for Messrs. Meeusen, Johnson and Dix of $620 each. This benefit ended December 31, 2008.
e. Tax gross-up on life insurance benefits for Messrs. Meeusen, Johnson and Dix of $1,278, $725 and $2,081, respectively. This benefit ended December 31, 2008.
f. Club dues for Mr. Meeusen of $3,363.

**Grants of Plan-Based Awards**

The following table sets forth information regarding all incentive plan awards that were granted to the named executive officers during 2008, including incentive plan awards (equity-based and non-equity based) and other plan-based awards. Disclosure on a separate line item is provided for each grant of an award made to a named executive officer during the year. Non-equity incentive plan awards are awards that are not subject to FAS 123(R) and are intended to serve as an incentive for performance to occur over a specified period. There are no equity incentive-based awards, which are equity awards subject to a performance condition or a market condition as those terms are defined by FAS 123(R).

**Grants of Plan-Based Awards for 2008**

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) | | | All Other Stock Awards: Number of Restricted Shares | All Other Option Awards: Number of Securities Underlying Options | Exercise Price of Option Awards | Grant Date Fair Value of Stock and Option Awards |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | **(#)** | **(#)** | **($/share)** | **($)** |
| Richard A. Meeusen | May 2, 2008 | | | | 1,600 | | | 84,496 |
| | May 2, 2008 | | | | | 4,800 | 52.81 | 97,200 |
| Richard E. Johnson | May 2, 2008 | | | | 1,000 | | | 52,810 |
| | May 2, 2008 | | | | | 3,000 | 52.81 | 60,750 |
| Ronald H. Dix | May 2, 2008 | | | | 350 | | | 18,484 |
| | May 2, 2008 | | | | | 0 | | 0 |
| Horst E. Gras | May 2, 2008 | | | | 500 | | | 26,405 |
| | May 2, 2008 | | | | | 1,500 | 52.81 | 30,375 |
| Dennis J. Webb | May 2, 2008 | | | | 250 | | | 13,203 |
| | May 2, 2008 | | | | | 0 | | 0 |

(1) No awards were made in 2008. See discussion of LTIP in Executive Compensation section for discussion of plans for 2009 and beyond.

Stock Awards represent the fair value of restricted stock awards granted to each named executive officer on May 2, 2008 under the 2008 Restricted Stock Grant Plan and valued as of the closing price of the common stock on that date ($52.81 per share). The restricted shares generally vest 100% after three years from the date of grant. Dividends on the restricted shares are accrued during the vesting period and paid to the recipient upon full vesting of the shares. Option Awards represent the fair value of stock options granted to each named executive officer on May 2, 2008. The assumptions made in valuing the option awards are included under the caption Stock Options in Note 5 to the Consolidated Financial Statements in the 2008 annual report on Form 10-K and such information is incorporated herein by reference. All options were granted on May 2, 2008, with an exercise price set at the closing price of the common stock on that date ($52.81 per share). All option awards vest over five years. The fair value of $20.25 per option, only a portion of which we expensed in fiscal year 2008, was computed in accordance with FAS 123R under the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate of 3.08%; dividend yield of 1.44%; expected market price volatility factor of 39%, and a weighted average expected life of 5.4 years. All option awards have a ten-year life from the date of grant. All unvested awards are forfeited on retirement or termination of employment for cause or otherwise. The awards are not subject to any performance-based or other material conditions.

**Outstanding Equity Awards At Year-End**

The following table sets forth information on outstanding option and stock awards held by the named executive officers at December 31, 2008, including the number of shares underlying both exercisable and unexercisable portions of each stock option as well as the exercise price and expiration date of each outstanding option.

**Outstanding Equity Awards as of December 31, 2008**

| | Option Awards(1) | | | | Stock Awards(1) | |
|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable (2) | Option Exercise Price ($) | Option Expiration Date | Number of Shares of Stock That Have Not Vested (#)(2) | Market Value of Shares of Stock That Have Not Vested ($) |
| Richard A. Meeusen | 14,000 | 3,200 | 7.00 | May 2, 2013 | | |
| | 3,960 | 2,640 | 18.33 | May 9, 2015 | | |
| | 2,160 | 3,240 | 31.41 | May 5, 2016 | | |
| | 1,260 | 5,040 | 24.94 | May 5, 2017 | | |
| | 0 | 4,800 | 52.81 | May 2, 2018 | 10,300 | 298,906 |
| Richard E. Johnson | 5,000 | 2,500 | 7.00 | Jan. 29, 2013 | | |
| | 2,700 | 1,800 | 18.33 | May 2, 2015 | | |
| | 1,440 | 2,160 | 31.41 | May 9, 2016 | | |
| | 720 | 2,880 | 24.94 | May 4, 2017 | | |
| | 0 | 3,000 | 52.81 | May 2, 2018 | 7,400 | 214,748 |
| Ronald H. Dix | 20,000 | 0 | 7.13 | May 2, 2011 | | |
| | 15,400 | 2,500 | 7.00 | May 2, 2013 | | |
| | 2,700 | 1,800 | 18.33 | May 9, 2015 | | |
| | 1,440 | 2,160 | 31.41 | May 9, 2016 | | |
| | 720 | 2,880 | 24.94 | May 4, 2017 | 6,350 | 184,277 |
| Horst E. Gras | 0 | 1,800 | 7.00 | July 16, 2013 | | |
| | 0 | 1,440 | 18.33 | May 2, 2015 | | |
| | 0 | 960 | 24.94 | May 4, 2017 | | |
| | 0 | 1,500 | 52.81 | May 2, 2018 | 4,100 | 118,982 |
| Dennis J. Webb | 0 | 1,800 | 7.00 | May 2, 2013 | | |
| | 0 | 1,440 | 18.33 | May 9, 2015 | | |
| | 0 | 1,800 | 31.41 | May 5, 2016 | | |
| | 0 | 1,920 | 24.94 | May 4, 2017 | 4,983 | 144,607 |

(1) There were no stock or option awards outstanding for any of the named executive officers as of December 31, 2008 that were related to equity incentive programs, the realization of which would depend on specific financial or performance outcomes.

(2) Restricted stock awards generally vest 100% after three years from date of grant. A portion of the stock options with an expiration date of May 2, 2013, vest at a rate of 25% per year, starting May 2, 2006, with full vesting on May 2, 2009. The exercisable and unexercisable portion of those options, respectively, are 0 and 3,200 for Mr. Meeusen, 3,000 and 2,500 for Mr. Dix, 0 and 2,500 for Mr. Johnson, 0 and 1,800 for Mr. Gras, and 0 and 1,800 for Mr. Webb. All other stock options vest as follows:

| Expiration Date | Grant Date | Vesting Term | Full Vesting |
|---|---|---|---|
| July 16, 2009 | July 16, 1999 | 20% per year | July 16, 2004 |
| May 18, 2011 | May 18, 2001 | 20% per year | May 18, 2006 |
| Jan. 29, 2012 | Jan. 29, 2002 | 20% per year | Jan. 29, 2007 |
| May 2, 2013 | May 2, 2003 | 20% per year | May 2, 2008 |
| May 9, 2015 | May 9, 2005 | 20% per year | May 9, 2010 |
| May 5, 2016 | May 5, 2006 | 20% per year | May 5, 2011 |
| May 4, 2017 | May 4, 2007 | 20% per year | May 4, 2012 |
| May 2, 2018 | May 2, 2008 | 20% per year | May 2, 2013 |

**Option Exercises and Stock Vested**

The following table sets forth information relating to the number of stock options exercised during the last fiscal year for each of the named executive officers on an aggregate basis. It also gives the number of shares of restricted stock that vested during 2008 and its value on the date of vesting at a price of $51.12 per share.

**Option Exercises and Stock Vested for 2008**

| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Number of Shares Vested | Value Realized on Vested Shares ($) |
|---|---|---|---|---|
| Richard A. Meeusen | 66,400 | 3,043,877 | 2,200 | 112,464 |
| Richard E. Johnson | 31,500 | 1,433,519 | 1,500 | 76,680 |
| Ronald H. Dix | 20,100 | 884,478 | 1,500 | 76,680 |
| Horst E. Gras | 12,800 | 558,495 | 1,200 | 61,344 |
| Dennis J. Webb | 7,800 | 279,599 | 1,200 | 61,344 |

For further details regarding options and restricted stock, see the description of the LTIP in the Compensation Discussion and Analysis.

**Pension Benefits**

The following table sets forth the actuarial present value of each named executive officer s accumulated benefit under each defined benefit plan, assuming benefits are paid at normal retirement age based on current levels of compensation. Except for Mr. Gras, the valuation method and all material assumptions applied in quantifying the present value of the current accumulated benefit for each of the named executive officers are included under the caption Employee Benefit Plans in Note 7 to the Consolidated Financial Statements in the 2008 Annual Report on Form 10-K, and such information is incorporated herein by reference. The table also shows the number of years of credited service under each such plan, computed as of the same pension plan measurement date used in the company s audited financial statements for the year ended December 31, 2008. The table also reports any pension benefits paid to each named executive officer during the year.

**Pension Benefits as of December 31, 2008**

| Name | Plan Name | Number of Years Credited Service | Present Value of Accumulated Benefit ($) | Payments During 2008 ($) |
|---|---|---|---|---|
| Richard A. Meeusen | Qualified Pension Plan | 13 | 181,554 | 0 |
| | Non-qualified Unfunded Supplemental Retirement Plan | 13 | 169,357 | 0 |
| | Non-qualified Unfunded Executive Supplemental Plan | 13 | 131,201 | 0 |
| Richard E. Johnson | Qualified Pension Plan | 8 | 101,070 | 0 |
| | Non-qualified Unfunded Supplemental Retirement Plan | 8 | 46,222 | 0 |
| | Non-qualified Unfunded Executive Supplemental Plan | 8 | 81,188 | 0 |
| Ronald H. Dix | Qualified Pension Plan | 27 | 807,529 | 0 |
| | Non-qualified Unfunded Supplemental Retirement Plan | 27 | 511,069 | 0 |
| | Non-qualified Unfunded Executive Supplemental Plan | 27 | 340,456 | 0 |
| Horst E. Gras | Value of Insurance Policy (translated from Euros) | 16 | 391,035 | 0 |
| Dennis J. Webb | Qualified Pension Plan | 24 | 334,621 | 0 |
| | Non-qualified Unfunded Supplemental Retirement Plan | 24 | 49,477 | 0 |

*Qualified Pension Plan*

We maintain a defined benefit pension plan covering all domestic salaried employees, including each named executive officer except Mr. Gras. Mr. Gras, a German resident and citizen, is not covered by the defined benefit pension plan. Through our European subsidiary, we provide Mr. Gras with an insurance policy that provides benefits similar to those of the other named executive officers covered by the cash balance plan.

Prior to 1997, the pension plan was a traditional defined benefit plan with benefits based on a final average pay formula. In 1997, the pension plan was modified to become a cash balance plan. Mr. Dix, because of his age and service, has the choice of receiving a cash balance or obtaining retirement benefits according to the prior pension plan s final average pay formula, which has been retained under the modified pension plan as a minimum benefit for employees who had attained age 50 and completed 10 or more years of service as of December 31, 1996. The other named domestic executive officers are not eligible to participate in the prior pension plan and therefore all participate in the cash balance plan.

All prior pension plan participants, including Mr. Dix, are eligible for normal retirement at age 65 and for early retirement at age 55 with ten or more years of service. Mr. Dix is currently eligible for early retirement. The other named domestic executive officers participate in the cash balance plan, under which benefits are not affected by age or years of service.

Under the cash balance plan, Messrs. Meeusen, Johnson and Webb each have an account balance which is credited each year with dollar amounts equal to 5% of compensation, plus 2% of compensation in excess of the Social Security wage base and certain transitional benefits based on years of service at the time of the pension plan conversion. Interest is credited to the account balance each year at a rate of interest based upon 30-year U.S. Treasury securities.

Mr. Dix s pension benefits will be computed under the prior pension plan formula. The monthly pension at normal retirement (age 65) under this formula is equal to (i) the sum of (a) nine-tenths percent (0.9%) of the participant s average monthly compensation (based on the highest 60 months of the last 120 months compensation) multiplied by the participant s years of service, not to exceed 30, and (b) six-tenths percent (0.6%) of the participant s average monthly compensation in excess of covered compensation, (ii) multiplied by the participant s years of service, not to exceed 30.

*Non-Qualified Unfunded Supplemental Retirement Plan*

Since benefits under our pension program are based on taxable earnings, any deferral of salary or bonus can result in a reduction of pension benefits. To correct for this reduction, participants in the salary deferral program also participate in a non-qualified unfunded supplemental retirement benefit plan designed to compensate for reduced pension benefits caused by the deferral of salary. Benefits under this plan represent the difference between normal pension benefits that the executive officer would have earned if no salary had been deferred, and the reduced benefit level due to the salary deferral.

Internal Revenue Service regulations limit the amount of compensation to be considered in qualified pension benefit calculations to $230,000 in 2008, and varying amounts for prior years. Any employee, including any named executive officer, whose compensation is in excess of the Internal Revenue Service limits also participates in the non-qualified unfunded supplemental retirement plan. Benefits from this plan are calculated to provide the participant the same pension benefits as if there were no compensation limit. These benefits are included in the table above.

*Non-Qualified Unfunded Executive Supplemental Plans*

Messrs. Meeusen and Johnson participate in an unfunded non-qualified supplemental executive retirement plan. This is a defined contribution plan, under which we contribute annually 7.5% of each participant s annual salary. Participants may elect a lump-sum payout or annual installments up to ten years. Interest is credited monthly on the beginning of the year balance at the prime rate of interest.

Mr. Dix participates in an unfunded non-qualified executive supplemental retirement plan. This is a defined benefit plan, which provides for the payment of 20% of his final monthly salary for 120 months after retirement.

**Non-qualified Deferred Compensation**

The following table sets forth annual executive and company contributions under non-qualified defined contribution and other deferred compensation plans, as well each named executive officer s withdrawals, earnings and fiscal-year end balances in those plans (other than Mr. Meussen who does not participate in the plan).

**Non-qualified Deferred Compensation for 2008 ($)**

| Name | Executive Contributions in 2008(1)(2) | Company Contributions in 2008 | Aggregate Earnings in 2008(2) | Aggregate Withdrawals/ Distributions | Aggregate Balance at December 31, 2008 |
|---|---|---|---|---|---|
| Richard E. Johnson | 31,670 | | 5,044 | | 145,146 |
| Ronald H. Dix | 56,727 | | 4,067 | | 127,304 |
| Dennis J. Webb | | | 7,890 | | 194,543 |

(1) All executive officers, except Mr. Gras, are eligible to participate in a Salary Deferral Plan. Under this plan, officers may elect to defer up to 50% of their annual base salary and up to 100% of their annual bonuses. Participants may elect to defer payment for a specified period of time or until retirement or separation from service. Participants may also elect a lump-sum payout or annual installments up to ten years. Interest is credited quarterly on the deferred balances at an annual interest rate equal to the sum of the five-year U.S. Treasury constant maturities rate of interest plus one and one-half percent (0.5%).

(2) All executive contributions shown in the above table are also included in the Summary Compensation Table as part of salary or bonus, along with the portion of the 2008 earnings shown in the above table that are considered above-market (as quantified in Note 5 to the Summary Compensation Table).

**Potential Payments Upon Termination or Change-in-Control**

We have entered into Key Executive Employment and Severance Agreements (each referred to as a KEESA) with all executive officers (except Mr. Gras), whose expertise has been critical to our success, to remain with us in the event of any merger or transition period. Each KEESA provides for payments in the event there is a change in control and (1) the executive officer s employment with us terminates (whether by us, the executive officer or otherwise) within 180 days prior to the change in control and (2) it is reasonably demonstrated by the executive officer that (A) any such termination of employment by us (i) was at the request of a third party who has taken steps reasonably calculated to effect a change in control or (ii) otherwise arose in connection with or in anticipation of a change in control, or (B) any such termination of employment by the executive officer took place because of an event that allowed the termination for good reason, which event (i) occurred at the request of a third party who has taken steps reasonably calculated to effect a change in control or (ii) otherwise arose in connection with or in anticipation of a change in control.

There are two forms of the KEESA. The KEESA for the Chairman, President and Chief Executive Officer provides for payment of salary and annual incentive compensation for three years, as well as the actuarial equivalent of the additional retirement benefits the executive officer would have earned had he remained employed for three more years, continued medical, dental, and life insurance coverage for three years, outplacement services and financial planning counseling. The KEESA for all other executive officers provides for payment of two years salary and annual incentive compensation, along with two years coverage pursuant to the other benefits set forth above. Any executive officer who receives compensation under the KEESA is restricted from engaging in competitive activity for a period of six months after termination and is required to maintain appropriate confidentiality relative to all company information. The agreements also provide for a tax gross-up payment to the executive if any payments in connection with the change in control are subject to the 20% excise tax imposed by the Internal Revenue Service for excess parachute payments.

For purposes of each KEESA a change in control is deemed to have occurred if (1) any person (other than the company or any of its subsidiaries, a trustee or other fiduciary holding securities under any employee benefit plan of the company or any of its subsidiaries, an underwriter temporarily holding securities pursuant to an offering of such securities or a corporation owned, directly or indirectly, by our shareholders in substantially the same proportions as their ownership of stock in the company) is or becomes the beneficial owner, directly or indirectly, of 15% or more of our voting securities; or (2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on July 31, 1999, constituted the Board of Directors and any new director whose appointment or election by the Board of Directors or nomination for election by our shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors on July 31, 1999 or whose appointment, election or nomination for election was previously so approved; or (3) our shareholders approve a merger, consolidation or share exchange of the company with any other corporation or approve the issuance of our voting securities in connection with a merger, consolidation or share exchange of the company, with limited exceptions; or (4) our shareholders approve a plan of complete liquidation or dissolution of the company or an agreement for the sale or disposition by us of all or substantially all of our assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by us of all or substantially all of our assets to an entity at least 75% of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of the company immediately prior to such sale.

For purposes of each KEESA good reason means that the executive officer has determined in good faith that any of the following events has occurred: (1) any breach of the KEESA by us other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that we promptly remedy; (2) any reduction in the executive officer s base salary, percentage of base salary available as incentive compensation or bonus opportunity or benefits, in each case relative to those most favorable to the executive officer in effect at any time during the 180-day period prior to the change in control or, to the extent more favorable to the executive officer, those in effect after the change in control; (3) a material adverse change, without the executive officer s prior written consent, in the executive officer s working conditions or status with us from such working conditions or status in effect during the 180-day period prior to the change in control or, to the extent more favorable to the executive officer, those in effect after the change in control; (4) the relocation of the executive officer s principal place of employment to a location more than 35 miles from the executive officer s principal place of employment on the date 180 days prior to the change in control; (5) we require the executive officer to travel on business to a materially greater extent than was required during the 180-day period prior to the change in control; (6) we terminate the executive officer s employment after a change in control without delivering the required notice, in specified circumstances.

The following table describes the potential payments upon termination or a change of control. This table assumes the named executive officer s employment was terminated on December 30, 2008, the last business day of our prior fiscal year. While Mr. Gras does not have a KEESA, German law would provide him with similar benefits from the company, which are translated at the year end exchange rate.

**KEESA Benefits if Exercised at December 31, 2008 ($)**

| **Name** | **Salary and Bonus** | **Retirement Benefits** | **Medical Dental Life** | **Other** | **Total** |
|---|---|---|---|---|---|
| Richard A. Meeusen | 2,121,600 | 74,826 | 58,640 | 15,000 | 2,270,066 |
| Richard E. Johnson | 821,500 | 29,516 | 36,850 | 15,000 | 902,866 |
| Ronald H. Dix | 821,500 | 89,306 | 36,850 | 15,000 | 962,656 |
| Horst E. Gras | 847,280 | 106,120 | 36,850 | 15,000 | 1,005,250 |
| Dennis J. Webb | 696,000 | 25,354 | 36,392 | 15,000 | 772,746 |

**COMPENSATION COMMITTEE REPORT**

The Compensation and Governance Committee has reviewed and discussed the above Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the annual report on Form 10-K for the fiscal year ended December 31, 2008.

Compensation and Corporate
Governance Committee
Kenneth P. Manning, Chairman
Ulice Payne, Jr.
Andrew J. Policano
John J. Stollenwerk

**Director Compensation**

*Compensation Philosophy and Role of the Committee*

Our compensation policies for directors are designed to attract and retain the most qualified individuals to serve on the Board of Directors in the industry in which we operate. We believe that director compensation packages are comparable relative to the competitive market. Director compensation is determined by the Compensation and Governance Committee with approval by the full Board of Directors.

Recommendations regarding outside director compensation are made by the Compensation and Governance Committee. The independent executive compensation consultant provides the Compensation and Governance Committee with a competitive compensation analysis of outside director compensation programs relative to our industry for use in the Compensation and Governance Committee s decision-making. Although the independent executive compensation consultant provides market data for consideration by the Compensation and Governance Committee in setting director compensation levels and programs, the compensation consultant does not make specific recommendations on individual compensation amounts for the directors, nor does the consultant determine the amount or form of director compensation. All decisions on director compensation levels and programs are made by the full Board of Directors based on the recommendation provided by the Compensation and Governance Committee.

**Director Compensation Table and Components of Director Compensation**

The following table summarizes the director compensation for 2008 for all of our non-employee directors. Messrs. Meeusen and Dix do not receive any additional compensation for their services as directors beyond the amounts previously disclosed in the Summary Compensation Table.

**Director Compensation for 2008**

| **Name** | **Fees Earned or Paid in Cash ($)** | **Stock Awards ($)(1)** | **Total ($)** |
|---|---|---|---|
| Thomas J. Fischer | 43,000 | 39,950 | 82,950 |
| Kenneth P. Manning | 43,500 | 39,950 | 83,450 |
| Ulice Payne, Jr. | 41,500 | 39,950 | 81,450 |
| Andrew J. Policano | 41,500 | 39,950 | 81,450 |
| Steven J. Smith | 45,500 | 39,950 | 85,450 |
| John J. Stollenwerk | 41,500 | 39,950 | 81,450 |

(1) Under the 2007 Director Stock Grant Plan, each director was awarded a grant of stock valued at $40,000. The amount was divided by $51.95, the closing price of the stock on the date of grant, and rounded down to the nearest whole share amounting to 769 shares of common stock on April 28, 2008. This column reflects the value of that award. There were no other stock awards or options granted in 2008, and no other awards that fully or partially vested in 2008. As of December 31, 2008, the outstanding number of vested option awards for directors were: Mr. Fischer (6,400), Mr. Manning (0), Mr. Payne (0), Mr. Policano (6,400), Mr. Smith (32,400) and Mr. Stollenwerk (6,400). There were no outstanding stock awards at December 31, 2008.

*Retainer and Meeting Fees.* In 2008, non-employee directors received a $26,000 annual retainer, $1,500 for each Board of Directors meeting attended and $1,000 for each committee meeting attended. In addition, they are reimbursed for out-of-pocket travel, lodging and meal expenses. The chairman of the Audit Committee received an annual fee of $4,000. All other committee chairmen and the lead outside director each received an annual fee of $2,000.

All non-employee directors also receive an annual stock grant of shares equal to $40,000 in whole shares as determined by the closing market price for a share of common stock on the date of grant rounded down to the nearest whole share.

*Badger Meter Deferred Compensation Plan for Directors.* Directors may elect to defer their compensation, in whole or in part, in a stock and/or cash account of the Badger Meter Deferred Compensation Plan for Directors.

Our non-employee directors do not participate in any stock option plans, incentive plans or pension plans, and receive no perquisites, benefits or other forms of compensation, other than as disclosed above.

**AUDIT AND COMPLIANCE COMMITTEE REPORT**

The Audit and Compliance Committee (referred to as the Audit Committee) is established by the Board of Directors (referred to as the board) for the primary purpose of assisting the board in the oversight of the integrity of the company s financial statements, compliance with legal and regulatory requirements, the independent auditor s qualifications and independence, the performance of internal audit function and independent auditors, and system of disclosure controls and system of internal controls regarding finance, accounting, legal compliance and ethics that management and the board have established. The Audit Committee is made up of a group of independent directors and is required to meet at least quarterly and report to the board regularly. It met five times in 2008.

The Audit Committee is vested with all responsibilities and authority required by Rule 10A-3 under the Securities Exchange Act of 1934. It is comprised of the four members of the Board of Directors named below, each of whom is independent as required by the New York Stock Exchange and U.S. Securities Exchange Commission rules currently in effect. The board evaluates the independence of the directors on at least an annual basis. All four members of the Audit Committee have been determined by the board to be financial experts as defined by Securities and Exchange Commission rules. The Audit Committee acts under a written charter available on our website at www.badgermeter.com.

Management of the company has the primary responsibility for the preparation of financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management the audited financial statements as of and for the year ended December 31, 2008, including discussion regarding the propriety of the application of accounting principles, the reasonableness of significant judgments and estimates used in the preparation of the financial statements, and the clarity of disclosures in the financial statements. Management represented to the Audit Committee that the financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee also reviewed and discussed the audited 2008 financial statements with our independent auditors, Ernst & Young LLP, who are responsible for expressing an opinion on the conformity of the audited financial statements with U.S. generally accepted accounting principles.

Additionally, the Audit Committee has done, among other things, the following:

met with Ernst & Young LLP, with and without management present, to discuss the results of their audit examinations, their evaluations of the internal controls, and the overall quality of the financial reporting, as well as the matters required to be discussed by professional standards and regulatory requirements as currently in effect.

discussed with Ernst & Young LLP the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T;

reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2008 with the company s management and Ernst & Young LLP;

discussed with Ernst & Young LLP those matters required to be discussed by Statement on Auditing Standards No. 114, The Auditor s Communication with Those Charged with Governance and SEC Regulation S-X, Rule 2-07 Communication with Auditing Committees; and

Received the written disclosures and letter from Ernst & Young LLP required by the PCAOB regarding Ernst & Young LLP s communications with the Audit Committee concerning independence, and discussed Ernst & Young s independence with respect to the company.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the annual report on Form 10-K for fiscal 2008 for filing with the U.S. Securities and Exchange Commission.

All members of the Audit Committee have approved the foregoing report.

Audit and Compliance Committee
Thomas J. Fischer, Chairman
Kenneth P. Manning
Ulice Payne, Jr.
Steven J. Smith

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation and Governance Committee met twice during 2008. There were no Compensation and Governance Committee interlocks.

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information as of December 31, 2008 regarding total shares subject to outstanding stock options and rights and total additional shares available for issuance under our existing equity compensation plans.

**Equity Compensation Plan Information**

The following table sets forth information as of December 31, 2008 regarding total shares subject to outstanding stock options. warrants and rights and total additional shares available for issuance under our existing equity compensation plans.

| Plan Category | Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (#) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($) | Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column 1)(#) |
|---|---|---|---|
| Equity compensation plans approved by security holders | | | |
| **STOCK OPTION PLANS:** | | | |
| 1989 Plan | 0 | 0 | 0 |
| 1993 Plan | 1,200 | 7.13 | 0 |
| 1995 Plan | 18,980 | 8.31 | 0 |
| 1997 Plan | 68,550 | 10.33 | 0 |
| 1999 Plan | 158,900 | 11.02 | 1,460 |
| 2003 Plan | 101,300 | 21.86 | 502,820 |
| **2007 DIRECTOR STOCK GRANT PLAN:** | N/A | N/A | 15,390 |
| Equity compensation plans not approved by security holders | None | N/A | N/A |
| Total | 348,930 | 13.87 | 519,670 |

## PRINCIPAL ACCOUNTING FIRM FEES

Ernst & Young LLP, our independent registered public accounting firm, has been selected to audit us and our subsidiaries for 2009. Representatives of Ernst & Young LLP will be present at the Annual Meeting to respond to appropriate questions and to make a statement if they desire to do so. Fees for professional services provided by the independent registered public accounting firm in each of the last two fiscal years is as follows:

| | **2008** | **2007** |
|---|---|---|
| Audit(1) | $ 388,500 | $ 389,700 |
| Audit Related | 22,000 | 17,500 |
| Tax | 0 | 0 |
| All other Fees | 0 | 0 |
| Total Fees | $ 410,500 | $ 407,200 |

(1) Includes annual financial statement audit, review of our quarterly reports on Form 10-Q and statutory audits required internationally.

As part of its duties, the Audit Committee pre-approves services provided by Ernst & Young LLP. In selecting Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009 , the Audit Committee has determined that the non-audit services provided by Ernst & Young LLP are compatible with maintaining the independence of Ernst & Young LLP. No additional non-audit services will be performed without the Audit Committee s prior approval.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and persons who beneficially own more than ten percent of our common stock to file reports concerning the ownership of our equity securities with the Securities and Exchange Commission and us. Based solely on a review of the copies of such forms furnished to us, we believe that all reports required by Section 16(a) to be filed by us on behalf of our insiders were filed on a timely basis.

## OTHER MATTERS

We have filed an annual report on Form 10-K with the Securities and Exchange Commission for our fiscal year ended December 31, 2008. The Form 10-K is posted on our Web site at www.badgermeter.com. We will provide a copy of this Form 10-K without exhibits to each person who is a record or beneficial holder of shares of common stock on the record date for the Annual Meeting. We will provide a copy of the exhibits without charge to each person who is a record or beneficial holder of shares of common stock on the record date for the Annual Meeting who submits a written request for it. Requests for copies of the Form 10-K should be addressed to Secretary, Badger Meter, Inc., 4545 West Brown Deer Road, P.O. Box 245036, Milwaukee, Wisconsin 53224-9536; (414) 355-0400.

Pursuant to the rules of the Securities and Exchange Commission, services that deliver our communications to shareholders that hold their stock through a bank, broker or other holder of record may deliver to multiple shareholders sharing the same address a single copy of our Annual Report to shareholders and Proxy Statement. Upon written or oral request, we will promptly deliver a separate copy of the Annual Report to shareholders and/or Proxy Statement to any shareholder at a shared address to which a single copy of each document was delivered, or a single copy to any shareholders sharing the same address to whom multiple copies were delivered. Shareholders may notify us of their requests by writing or calling the Secretary, Badger Meter, Inc., 4545 West Brown Deer Road, P.O. Box 245306, Milwaukee, WI, 53224-9536; (414) 355-0400.

The cost of solicitation of proxies will be borne by us. Brokers, nominees and custodians who hold stock in their names and who solicit proxies from the beneficial owners will be reimbursed by us for out-of-pocket and reasonable clerical expenses.

The Board of Directors does not intend to present at the Annual Meeting any matters other than those set forth herein and does not presently know of any other matters that may be presented at the Annual Meeting by others. However, if any other matters should properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote said proxy on any such matters in accordance with their best judgment.

A shareholder wishing to include a proposal in the proxy statement for the 2010 Annual Meeting of Shareholders pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (referred to as Rule 14a-8), must forward the proposal to our Secretary by November 19, 2009.

A shareholder who intends to present business, other than a shareholder s proposal pursuant to Rule 14a-8, at the 2010 Annual Meeting of Shareholders (including nominating persons for election as directors) must comply with the requirements set forth in our Restated By-Laws. Among other things, to bring business before an annual meeting, a shareholder must give written notice thereof, complying with the Restated By-Laws, to our Secretary not less than 60 days and not more than 90 days prior to the second Saturday in the month of April (subject to certain exceptions if the annual meeting is advanced or delayed a certain number of days). Accordingly, if we do not receive notice of a shareholder proposal submitted otherwise than pursuant to Rule 14a-8 between January 10, 2010 and February 9, 2010, then the notice will be considered untimely and we will not be required to present such proposal at the 2010 Annual Meeting of Shareholders. If the Board of Directors chooses to present such proposal at the 2010 Annual Meeting, then the persons named in proxies solicited by the Board of Directors for the 2010 Annual Meeting may exercise discretionary voting power with respect to such proposal.

William R.A. Bergum
*Secretary*

March 19, 2009

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL**

The notice of annual meeting, proxy statement and form of proxy card are available at http://www.amstock.com/ProxyServices/ViewMaterials.asp

**As an alternative to completing this form, you may enter your voting instructions by telephone at 1-800-PROXIES, or via the Internet at www.voteproxy.com and follow the simple instructions. Use the Company Number and Account Number shown on your proxy card.**

PROXY

2009 ANNUAL MEETING OF SHAREHOLDERS

BADGER METER, INC.

The undersigned hereby appoints Richard A. Meeusen, Ronald H. Dix and William R. A. Bergum, or any of them, as proxies for the undersigned at the Annual Meeting of Shareholders of Badger Meter, Inc. to be held on Friday, April 24, 2009, at Discovery World at Pier Wisconsin, 500 North Harbor Drive, Milwaukee, Wisconsin, at 8:30 a.m., local time, and any adjournments or postponements thereof, to vote the shares of stock which the undersigned is entitled to vote at said Meeting or any adjournment or postponements thereof, hereby revoking any other Proxy executed by the undersigned for such Meeting. The undersigned acknowledges receipt of the Notice of Annual Meeting of Shareholders and the Proxy Statement.

This Proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder. **If no direction is made, the Proxy will be voted FOR the election of the nominees listed below. This Proxy is being solicited on behalf of the Board of Directors.**

**COMPLETE AND SIGN BELOW. DETACH AND RETURN USING THE ENVELOPE PROVIDED.**

BADGER METER, INC. 2009 ANNUAL MEETING

1. ELECTION OF DIRECTORS:

| | | | | | | |
|---|---|---|---|---|---|---|
| **ONE-YEAR TERM:** | 1 | **Ronald H. Dix** | 2 | **Thomas J. Fischer** | 3 | **Kenneth P. Manning** |
| | 4 | **Richard A. Meeusen** | 5 | **Ulice Payne, Jr.** | 6 | **Andrew J. Policano** |
| | 7 | **Steven J. Smith** | 8 | **John J. Stollenwerk** | | |

| | | |
|---|---|---|
| o **FOR ALL NOMINEES** | o **WITHHOLD AUTHORITY FOR ALL NOMINEES** | o **FOR ALL EXCEPT** (See instructions below) |

**(INSTRUCTION: To withhold authority to vote for a nominee, write the nominee s name in the space provided below.)**

2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting or any adjournments or postponements thereof.

Dated _______________, 2009

Please sign exactly as your name appears on your stock certificate as shown directly to the left. Joint owners should each sign personally. A corporation should sign in full corporate name by duly authorized officers. When signing as attorney, executor, administrator, trustee or guardian, give full title as such.