

BADGER METER INC
Form DEF 14A
March 21, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

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

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

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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BADGER METER, INC.
4545 West Brown Deer Road
Milwaukee, Wisconsin 53223
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
April 28, 2006

The Annual Meeting of the Shareholders of Badger Meter, Inc. (the Company) will be held at **Badger Meter, Inc.**, 4545 West Brown Deer Road, Milwaukee, Wisconsin 53223, on Friday, April 28, 2006, at 8:30 a.m., local time, for the following purposes:

1. To elect three directors to three-year terms;
2. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Holders of record of Common Stock of the Company at the close of business on February 28, 2006, will be entitled to notice of and to vote at the meeting and any adjournments or postponements thereof. Shareholders will be entitled to one vote per share.

Please vote the enclosed proxy form, sign and return it in the envelope provided. You retain the right to revoke the proxy at any time before it is actually voted.

By Order of the Board of Directors
William R. A. Bergum, *Secretary*

March 21, 2006

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**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. (the Company) to be used at the Annual Meeting of Shareholders of the Company (the Meeting), which will be held at 8:30 a.m., local time, Friday, April 28, 2006, at **Badger Meter, Inc.**, 4545 West Brown Deer Road, Milwaukee, Wisconsin 53223, 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 the Company or in open meeting, or by submitting a valid proxy bearing a later date. Unless you revoke your proxy, your shares will be voted at the Meeting.

Since you were a shareholder of record as of the close of business on February 28, 2006, you are entitled to notice of, and to vote at, the Meeting. As of this record date, the Company had 6,921,150 shares of Common Stock (the Common Stock) outstanding and entitled to vote. You are entitled to one vote for each of your shares.

We commenced mailing this Proxy Statement on or about March 21, 2006.

NOMINATION AND ELECTION OF DIRECTORS

You and other holders of the Common Stock are entitled to elect three directors at the Meeting. Directors will be elected by a plurality of votes cast at the Meeting (assuming a quorum is present). If you do not vote your shares at the Meeting, whether due to abstentions, broker nonvotes or otherwise, they will have no impact on the election of directors.

If you submit a proxy to the Company, 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 three nominees for director identified below. Once elected, a director serves for a three-year term or until his successor has been duly appointed, or until his prior death, resignation or removal. If your shares are held in street name by your broker, your broker may vote your shares in its discretion on the election of directors if you do not furnish instructions.

After the Meeting, the Board of Directors will consist of eight members divided into three classes, with one class elected each year to serve for a term of three years.

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 presently directors of the 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.

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TERMS EXPIRING AT THE 2009 ANNUAL MEETING**

Name	Age	Business Experience During Last Five Years	Director Since
Ulice Payne, Jr.	50	Addison-Clifton LLC (an export consulting firm): President. Formerly, Milwaukee Brewers Baseball Club: President and Chief Executive Officer. Formerly, Foley & Lardner LLP (a law firm): Managing Partner, Milwaukee Office.	2000
Andrew J. Policano	56	Paul Merage School of Business, University of California Irvine: Dean. Formerly, University of Wisconsin: Professor and Dean of the School of Business.	1997
Steven J. Smith	56	Journal Communications, Inc. (a diversified media and communications company): Chairman and Chief Executive Officer. Formerly, Journal Communications, Inc.: President.	2000

The directors who are not up for election this year, together with certain additional information about each, are identified below:

**MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE
TERMS EXPIRING AT THE 2007 ANNUAL MEETING**

Name	Age	Business Experience During Last Five Years	Director Since
Kenneth P. Manning	64	Sensient Technologies Corporation (an international supplier of flavors, colors and inks): Chairman, President and Chief Executive Officer.	1996
John J. Stollenwerk	66	Allen-Edmonds Shoe Corporation (a manufacturer and marketer of shoes): Owner and President.	1996

Table of Contents**MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE
FOR TERMS EXPIRING AT THE 2008 ANNUAL MEETING**

Name	Age	Business Experience During Last Five Years	Director Since
Ronald H. Dix	61	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	58	Fischer Financial Consulting LLC (an accounting and financial consulting firm): President. Formerly, Arthur Andersen LLP Milwaukee Office: Retired Managing Partner.	2003
Richard A. Meeusen	51	Badger Meter, Inc.: Chairman, President and Chief Executive Officer. Formerly, Badger Meter, Inc.: President and Chief Executive Officer; President; and Executive Vice President Administration.	2001

Certain directors of the Company also serve as directors of the following companies, some of which are publicly-held. Mr. Dix is a director of Physicians Insurance Corporation of Wisconsin, Inc. 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. Payne is a director of The Northwestern Mutual Life Insurance Company, Wisconsin Energy Corporation and Midwest Air Group, Inc. Mr. Policano is a director of Physicians Insurance Corporation of Wisconsin, Inc. Mr. Smith is a director of Journal Communications, Inc. Mr. Stollenwerk is a director of Allen-Edmonds Shoe Corporation, The Northwestern Mutual Life Insurance Company, U.S. Bancorp, Koss Corporation and Wire Maid, Inc.

Director Compensation

Richard A. Meeusen and Ronald H. Dix are employees of the Company and do not receive compensation for their service as directors.

All non-employee directors receive the following compensation: Directors are compensated at a rate of \$1,500 for each Board of Directors meeting attended and are reimbursed for out-of-pocket travel, lodging and meal expenses. Directors are compensated at the rate of \$1,000 for each committee meeting they attend. In addition, during 2005, directors were paid a retainer of \$750 per month and committee chairmen (other than the chairman of the Audit and Compliance Committee) and the lead director received an annual fee of \$2,000. Mr. Fischer, as chairman of the Audit and Compliance Committee, received an annual fee of \$4,000. Directors may elect to defer their compensation, in whole or in part, in a stock and/or cash subaccount of the Badger Meter Deferred Compensation Plan for Directors. If a director elects to defer compensation in a stock subaccount, the subaccount is credited with a number of units equivalent to the dollar amount of such fees on the date they would otherwise be payable. Amounts credited to the stock subaccount are credited with dividends by multiplying the number of units in the participant's stock subaccount on each dividend record date, by the amount of each dividend, to determine the dividend amount. The dividend amount is then divided by the closing stock price on the last day of the previous quarter to determine the number of stock units to be added to the stock subaccount. Upon distribution of any portion or all of a participant's stock subaccount, the value of the account will be computed by multiplying the number of units in the account on the date of distribution by the closing price of the Common Stock on the last day of the month prior to the distribution.

Previously, the non-employee directors participated in the Company's Long-Term Incentive Plan (LTIP) as certain members of the Company's management group. The LTIP provided annual cash bonuses to the directors with respect to a four-year performance period which ended in 2005. The awards were based upon annual attainment of earnings objectives for each year. The maximum amount that a director earned

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under the LTIP ranged from \$15,188 to \$22,022 per year, depending on the date of award. Beginning in 2006, the directors no longer participate in the LTIP.

Non-employee directors receive a one-time grant of options to purchase up to 16,000 shares of Common Stock and an annual award of 600 shares of Common Stock under the shareholder-approved 2002 Director Stock Grant Plan. No stock options were granted to directors in 2005.

Committees, Meetings and Attendance

The Board of Directors of the Company has three standing committees: Audit and Compliance Committee, Corporate Governance Committee and Employee Benefit Plans Committee. The Board of Directors has adopted written charters for each committee, which are available on the Company's website at www.badgermeter.com under the selection Company Corporate Governance Committees of the Board. A copy of the Audit and Compliance Committee Charter was published in the April 23, 2004 Proxy Statement and has not been changed since.

The Board of Directors has affirmatively determined that all of the Company's directors (other than Mr. Meeusen and Mr. Dix) are independent as defined in the listing standards of the American Stock Exchange.

The current Board Committee assignments are:

Director	Board Committee		
	Audit and Compliance	Corporate Governance	Employee Benefit Plans
Richard A. Meeusen			
Richard H. Dix			
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

* Chairman of the Committee

The Audit and Compliance Committee met five times in 2005. The Audit and Compliance Committee oversees the Company's financial reporting process on behalf of the Board of Directors and reports the results of their activities to the Board. The activities of the Audit and Compliance Committee include employing an independent registered public accounting firm for the Company, discussing with the independent registered public accounting firm and internal auditors the scope and results of audits, monitoring the Company's internal controls and preapproving and reviewing audit fees and other services performed by the Company's independent registered public accounting firm. The Committee also monitors the Company's compliance with the Company's policies governing activities which include but are not limited to the Company's code of conduct and its environmental, safety, diversity, product regulation and quality processes. The Board of Directors has determined that each member of the Committee qualifies as an audit committee financial expert as defined by Securities and Exchange Commission rules.

The Corporate Governance Committee met twice in 2005 and once in January 2006. The Corporate Governance Committee reviews and establishes all forms of compensation for the officers and directors of the Company and administers the Company's compensation plans, including the various stock plans. The Committee also reviews the various management development and succession programs and adopts and maintains the Company's Principles of Corporate Governance. In addition, the Committee selects nominees for the Board of Directors.

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The Employee Benefit Plans Committee met three times in 2005. The Employee Benefit Plans Committee oversees the administration of the Company's pension plan, employee savings and stock ownership plan, health plans and other benefit plans.

The Finance Committee was dissolved in 2005. The Board of Directors assumed responsibility for the Committee's role to review the Company's various financing activities and insurance coverage and recommend changes in the corporate capitalization structure.

The Board of Directors held five meetings in 2005. Mr. Payne currently serves as lead outside director of the Board. During 2005, all directors attended at least 75% of the meetings of the Board of Directors and meetings of the committees held in 2005 on which they served during the period. All members of the Board of Directors attended the 2005 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 Corporate Governance Committee (the Governance Committee) has responsibility for selecting nominees for the Company's Board of Directors. All members of the Governance Committee meet the definition of independence set forth by the American Stock Exchange. The Board of Directors has adopted a policy by which the Governance Committee will consider nominees for Board positions, as follows:

The Governance Committee will review potential new candidates for Board positions.

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

The minimum qualifications required of any candidate include the highest ethical standards and integrity, and sufficient experience and knowledge commensurate with the Company's needs.

The specific qualities and skills required of any candidate will vary depending on the Company's specific needs at any point in time.

No candidate, including current directors, may stand for reelection after reaching the age of 70.

There are no differences in the manner in which the 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 Governance Committee for nomination and inclusion in the Company's proxy statement, the Board must receive shareholder recommendations for director no later than October 15 of the year prior to the relevant Annual Meeting of Shareholders.

During 2005, and as of the date of this proxy statement, the Governance Committee did not pay any fees to third parties to assist in identifying or evaluating potential candidates. Also, the Governance Committee has not received any shareholder nominees for consideration at the 2006 Annual Meeting of Shareholders.

Communications with the Board of Directors

If you want to communicate with members of the Board, you should write to the Board of Directors, c/o Secretary, Badger Meter, Inc., P.O. Box 245036, Milwaukee, WI 53224-9536, via certified mail. The Company's process for determining how and which communications will be relayed to the Board has been approved by all of the independent directors of the Company.

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Principles of Corporate Governance

The Company's Board of Directors has adopted the following Principles of Corporate Governance:

A majority of the Board members are independent directors.

All directors are selected on the basis of their ability to contribute to positive corporate governance through their values, knowledge and skills.

The Board of Directors has established a committee of independent directors who are responsible for nominating directors and assuring compliance with these corporate governance principles (the Corporate Governance Committee).

The Board of Directors has established the Audit and Compliance Committee, which is composed entirely of independent directors who are responsible for overseeing the audit functions and financial reporting compliance of the Company. Members of the Audit and Compliance Committee have the skills, experience and financial expertise to fulfill this function.

The Board of Directors and committees have authority to directly hire outside consultants as needed to properly fulfill their responsibilities.

The independent members of the Board of Directors hold regular executive sessions without the presence of management or non-independent directors.

The Board of Directors has designated an independent director as the lead outside director to chair executive sessions and, when necessary, represent the independent directors.