BADGER METER INC
Form DEF 14A
March 08, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)
Filed by the Registrant x 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))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under Rule 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):

x No fee required.
o 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:

(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):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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BADGER METER, INC.
4545 West Brown Deer Road
Milwaukee, Wisconsin 53223
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
April 29, 2016

The Annual Meeting of the Shareholders of Badger Meter, Inc. will be held at the Milwaukee Public Museum, 800 W. Wells Street, Milwaukee, Wisconsin 53233 on Friday, April 29, 2016, 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 consider an advisory vote to approve the compensation of the company's named executive officers;
3. To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm for the company for the year ending December 31, 2016;
4. To re-approve, for Section 162(m) purposes, the performance criteria and the Badger Meter, Inc. 2011 Omnibus Incentive Plan previously approved by the shareholders; and
5. 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 ALL NOMINEES" in Proposal 1, and "FOR" Proposals 2, 3 and 4. The persons named as proxies will use their discretion to vote on other matters that may properly arise at the Annual Meeting.

Holders of record of our common stock at the close of business on February 29, 2016, 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 18, 2016

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 29, 2016

This Proxy Statement and our 2015 Annual Report on Form 10-K are available at
http://www.astproxyportal.com/ast/12549/

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2016 ANNUAL MEETING OF SHAREHOLDERS
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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. to be used at our Annual Meeting of Shareholders (referred to as the Annual Meeting), which will be held at the Milwaukee Public Museum, 800 W. Wells Street, Milwaukee, Wisconsin 53233, on Friday, April 29, 2016, at 8:30 a.m., local time, and at any adjournment or postponement 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 as you instructed in your proxy. Anyone who is a shareholder of record as of the close of business on February 29, 2016 (the “record date”), may attend the Annual Meeting and vote in person. If your shares are held in “street name” by a broker, nominee, fiduciary or other custodian, you may not vote in person at the Annual Meeting unless you first obtain a proxy issued in your name from your broker, nominee, fiduciary or other custodian.

As of the record date, we had 14,522,164 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 of common stock.

If your shares are held in “street name” by a broker, nominee, fiduciary or other custodian, you will receive a full meeting package including a voting instruction form to vote your shares. Your broker, nominee, fiduciary or other custodian may permit you to vote by the Internet or by telephone. A broker non-vote occurs when your broker, nominee, fiduciary or other custodian submits a proxy card with respect to your shares, but declines to vote on a particular matter, either because such nominee elects not to exercise its discretionary authority to vote on the matter or does not have discretionary authority to vote on the matter. Your broker, nominee, fiduciary or other custodian has the authority under New York Stock Exchange rules to vote your unvoted shares on certain routine matters like the ratification of Ernst & Young LLP as the company’s independent registered public accounting firm for 2016, but not on the election of directors, the advisory vote to approve the compensation of our named executive officers or the vote to re-approve, for Section 162(m) purposes, the performance criteria and the Badger Meter, Inc. 2011 Omnibus Incentive Plan previously approved by the shareholders.

We commenced mailing this Proxy Statement and accompanying form of proxy on or about March 18, 2016.

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 only vote your shares with your specific voting instructions for the election of directors. Therefore, we urge you to respond to your brokerage firm so that your vote will be cast.

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/her successor has been duly appointed, or until his/her death, resignation or removal.

If a director receives more “withheld” votes than “for” votes in an uncontested election, then according to the process described in the company's current bylaws: that director will tender his or her resignation to the Chairman of the Board of Directors following certification of the shareholder vote, the Chairman will refer the resignation to the Board of Directors' Resignation Committee to consider whether or not to accept such resignation. Thereafter, the board will disclose its decision regarding whether to accept the director’s resignation (or the reason(s) for rejecting the resignation, if applicable) in a Current Report on Form 8-K furnished to the Securities and Exchange Commission.

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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

The following section provides information as of the date of this proxy statement about each nominee. The information presented includes information each director has given us about his/her age, all positions he/she holds, his/her principal occupation and business experience for the past five years, and the names of other companies, some of which are publicly-held, of which he/she currently serves as a director or has served as a director during the past five years. All directors meet the qualifications established by the Corporate Governance Committee as set forth beginning on Page 5 of this proxy statement.

In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our board to the conclusion that he/she should serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to the company and our board.

Name	Age	Business Experience During Last Five Years	Director Since
Ronald H. Dix	71	Badger Meter, Inc.: Retired. Formerly, Senior Vice President - Administration. Mr. Dix has significant experience at the company as well as a broad knowledge of employee benefit and human resource issues which enable him to assist the company in dealing with such issues.	2005
Thomas J. Fischer	68	Mr. Fischer is a consultant in corporate financial and accounting matters and a retired Senior Regional Managing Partner of Arthur Andersen LLP. At Arthur Andersen he served principally international public manufacturing and distribution companies. Mr. Fischer is also a director of Actuant Corporation, Regal-Beloit Corporation and WEC Energy Group. The Board benefits from Mr. Fischer's expertise in the areas of financial, accounting and auditing matters, including financial reporting, corporate transactions and enterprise risk management.	2003
Gale E. Klappa	65	WEC Energy Group (a holding company for electric and gas utilities): Chairman and Chief Executive Officer. Mr. Klappa is a director of WEC Energy Group and Joy Global, Inc. Mr. Klappa has significant experience as the Chief Executive Officer of a public company and as a manager of regulated utility companies. Further, he has in-depth knowledge of utility metering needs. He is able to provide valuable advice and guidance to the company in these areas.	2010
Gail A. Lione	66		2012

Georgetown University School of Law: Adjunct Professor of Intellectual Property Law. Former Adjunct Professor of Intellectual Property Law at Marquette University School of Law. The Harley-Davidson Foundation: Retired President. Harley-Davidson, Inc.: Former Executive Vice President, General Counsel & Secretary and Chief Compliance Officer. Ms. Lione is a director of Sargento Foods Inc., a privately-held company where she serves on the compensation committee; and The F. Dohmen Co., a privately-held company where she serves on the audit committee. Ms. Lione has significant legal and management experience in manufacturing that includes securities law, intellectual property, corporate governance and corporate compliance, as well as human resources issues, which enables her to provide valuable advice and guidance to the company.

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Name	Age	Business Experience During Last Five Years	Director Since
Richard A. Meeusen	61	Badger Meter, Inc.: Chairman, President and Chief Executive Officer. Mr. Meeusen is a director of Menasha Corporation and Serigraph Inc., both privately-held companies. Mr. Meeusen has significant experience in managing Badger Meter which enables him to provide the board with valuable insights and advice.	2001
Andrew J. Policano	66	Paul Merage School of Business, University of California - Irvine: former Dean, Chaired Professor and Director - Center for Investment and Wealth Management. Formerly, Paul Merage School of Business, University of California - Irvine: Dean. Mr. Policano is a director of Rockwell-Collins, Inc. and a trustee of Payden & Rygel, a mutual fund company. Mr. Policano's experience in general management and his involvement in and knowledge of new academic research into business issues enable him to provide valuable insights and advice to the company.	1997
Steven J. Smith	65	Journal Media Group (NYSE: JMG): Non-executive Chairman of the Board; Former Journal Communications, Inc. (a diversified media company with operations in television and radio broadcasting, publishing and digital media): Chairman and Chief Executive Officer. Formerly, Journal Communications, Inc.: Chairman, Chief Executive Officer and President. Mr. Smith was a director of Journal Communications, Inc. Mr. Smith has significant experience both in business management and as the Chief Executive Officer of a public company. He is able to provide valuable advice and insights for the company.	2000
Todd J. Teske	51	Briggs & Stratton Corporation (a producer of gasoline engines and outdoor power products): Chairman, President and Chief Executive Officer. Formerly, Briggs & Stratton Corporation: President and Chief Executive Officer, and President and Chief Operating Officer. Mr. Teske is a director of Briggs & Stratton Corporation and Lennox International, Inc. Mr. Teske has significant experience in management and as the Chief Executive Officer of a public company and in the operational management of a manufacturing company, including international operations, which enables him to provide valuable advice and guidance for the company.	2009

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR SHAREHOLDERS VOTE "FOR ALL NOMINEES" AS IDENTIFIED ABOVE.

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 Committee and the Corporate Governance Committee (referred to as the Governance 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"-"Highlights."

In making independence determinations, the board observes all criteria for independence established by the Securities and Exchange Commission, the New York Stock Exchange, and other governing laws and regulations. The board has determined that each of the directors (other than Mr. Meeusen) (i) is “independent” within the definitions contained in the current New York Stock Exchange listing standards and our Principles of Corporate Governance; (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/her 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

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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		
Independent Director	Audit and Compliance	Compensation	Corporate Governance
Ronald H. Dix			X
Thomas J. Fischer	X*		X
Gale E. Klappa	X	X	
Gail A. Lione		X	X
Andrew J. Policano			X*
Steven J. Smith	X	X*	
Todd J. Teske	X	X	

*Chairman of the Committee

The Audit Committee met five times in 2015. 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, with shareholder ratification, 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, ethics and compliance risk management, and pre-approving and reviewing audit fees and other services performed by our independent registered public accounting firm. The board has determined that each member of the Audit Committee qualifies as an "audit committee financial expert" as defined by the 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.

In overseeing the independent registered public accounting firm, the Audit Committee, among other things, (i) reviews the independence of the independent registered public accounting firm; (ii) reviews periodically the level of fees approved for the independent registered public accounting firm and the pre-approved non-audit services it has provided; (iii) reviews the performance, qualifications and quality control procedures of the independent registered public accounting firm; and (iv) reviews the scope of and overall plans for the annual audit and the internal audit program. In addition to the Audit Committee's responsibilities regarding the independent registered public accounting firm, the Audit Committee established, and oversees, procedures for the receipt, retention and treatment, on a confidential basis, of any concerns regarding questionable accounting, internal controls or auditing matters.

The Compensation Committee, which met three times in 2015, and in January 2016, reviews and establishes all forms of compensation for our executive officers and directors, administers our compensation plans, including the various stock plans, reviews the various management development and succession programs and addresses compensation-related risks.

The Governance Committee, which met two times in 2015, oversees all matters related to director performance, including the recommendation of nominees for the Board of Directors, assists the Board of Directors in providing oversight of the company's enterprise risk management programs, and oversees all corporate governance matters, including developing and recommending to the board the company's Principles of Corporate Governance.

The Board of Directors held five meetings in 2015. During 2015, all directors attended at least 75% of the meetings of the full board and the committees on which they served during the period. A closed session for only independent directors was held following each of the regular board meetings. All members of the board attended the 2015 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.

Leadership Structure

Our Board of Directors currently believes it is in the best interests of the company to combine the positions of Chairman and Chief Executive Officer ("CEO") because this provides the company with unified leadership and direction. In addition, our current Chairman and CEO has an in-depth knowledge of our business that enables him to effectively set

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appropriate board agendas and ensure appropriate processes and relationships are established with both management and the Board of Directors, as our board works together to oversee our management and affairs.

Because our Chairman is not an independent director, our independent directors believe it is appropriate to appoint an independent director as a Lead Outside Director. Our Lead Outside Director works with our Chairman and CEO and other board members to provide strong, independent oversight of our management and affairs. Among other things, our Lead Outside Director serves as the principal liaison between the Chairman and our independent directors and chairs the closed sessions that consist of only our independent directors. Ms. Lione currently serves as Lead Outside Director of the board.

Board Role in Risk Oversight

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full Board of Directors in setting the company's business strategy is a key part of its assessment of management's tolerance for risk and also a determination of what constitutes an appropriate level of risk for the company. The full Board of Directors participates in an annual enterprise risk management assessment. In this process, risk is assessed by management throughout the business, focusing on four primary areas of risk: employment risks, facility risks, product risks and general business risks (which include strategic, financial, legal, compliance and reputational risks). A report is provided and presented to the board, which is reviewed thoroughly.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including overseeing the integrity of the company's financial statements, qualifications and independence of the independent registered public accounting firm, internal controls and general corporate ethics and compliance. In addition, the Audit Committee annually reviews and assesses the effectiveness of the company's overall compliance program. The Compensation Committee focuses on compensation risk including risks associated with the administration and structure of our employee benefit plans. The Governance Committee focuses on corporate governance policies that help mitigate risk.

Nomination of Directors

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

- When a vacancy occurs on the Board of Directors, the Governance Committee will initiate and oversee a search process for potential new candidates for Board of Director positions.
- The 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.

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- The specific qualities and skills required of any candidate will vary depending on our specific needs at any point in time. In considering the diversity of a candidate, the governance committee considers a variety of factors including but not limited to age, gender and ethnicity.
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 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 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 2015, 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 did not receive any shareholder nominees for consideration at the Annual Meeting.

Communications with the Board of Directors

Shareholders and non-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

The company's categorical independence standards for directors are contained in the company's Principles of Corporate Governance, which are annually reviewed by the Governance Committee. If appropriate, changes are recommended to the Board of Directors for approval.

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 does 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 $120,000 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.

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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 are 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.
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).

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 Business Conduct, Principles of Corporate Governance, Code of Conduct for Financial Executives 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.

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RELATED PERSON TRANSACTIONS

We had no transactions during 2015, 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 Governance Committee certain information relating to related person transactions for review, approval or ratification by the Governance Committee. Disclosure to the 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 Governance Committee's decision whether or not to approve or ratify a related person transaction is to be made in light of the 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 million or 2% 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.

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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 29, 2016.

Name	Aggregate Number of Shares and Percent of Common Stock Beneficially Owned	
T. Rowe Price Associates, Inc.	1,800,476	(1)
100 East Pratt Street Baltimore, MD 21202	12.40	%
BlackRock, Inc.	1,401,695	(2)
55 East 52nd Street New York, NY 10055	9.70	%
Mairs and Power, Inc.	1,175,581	(3)
332 Minnesota Street W-1520 First National Bank Building St. Paul, MN 55101	8.10	%
The Vanguard Group, Inc.	1,171,586	(4)
100 Vanguard Boulevard Malvern, PA 19355	8.07	%
Neuberger Berman Group LLC	816,651	(5)
605 Third Avenue New York, NY 10158	5.63	%

(1) Information shown is based on a Schedule 13G filed with the Securities and Exchange Commission by T. Rowe Price Associates, Inc. on February 11, 2016. The Schedule 13G indicates that T. Rowe Price Associates serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. Price Associates has sole voting power over 329,232 shares and sole dispositive power over 1,800,476 shares.

(2) Information shown is based on a Schedule 13G filed with the Securities and Exchange Commission by BlackRock, Inc. on January 25, 2016. The Schedule 13G indicates that BlackRock, Inc. has sole voting power over 1,367,617 shares and sole dispositive power over 1,401,695 shares.

(3) Information shown is based on a Schedule 13G filed with the Securities and Exchange Commission by Mairs and Power, Inc. on February 12, 2016. The Schedule 13G indicates that Mairs and Power, Inc. has sole voting power over 864,628 shares and sole dispositive power over 1,175,581 shares.

(4) Information shown is based on a Schedule 13G filed with the Securities and Exchange Commission by The Vanguard Group, Inc. on February 10, 2016. The Schedule 13G indicates that The Vanguard Group, Inc has sole voting power over 31,715 shares, shared voting power over 1,900 shares, sole dispositive power over 1,138,771 shares and shared dispositive power over 32,815 shares.

(5) Information shown is based on a Schedule 13G filed with the Securities and Exchange Commission by Neuberger Berman Group LLC and Neuberger Berman Investment Advisers LLC on February 9, 2016. The Schedule 13G indicates that Neuberger Berman Group LLC and Neuberger Berman Investment Advisers LLC has shared voting power over 816,651 shares and shared dispositive power over 816,651 shares.

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STOCK OWNERSHIP OF MANAGEMENT

The following table sets forth, as of February 29, 2016, 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 or "NEOs"), 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.

Name	Aggregate Number of Shares and Percent of Common Stock Beneficially Owned(1)	
Ronald H. Dix	115,800 *	(2)
Thomas J. Fischer	12,165 *	(3)
Gale E. Klappa	12,420 *	
Gail A. Lione	11,202 *	
Richard A. Meeusen	190,969 1.3%	(4)
Andrew J. Policano	20,826 *	(5)
Steven J. Smith	27,920 *	
Todd J. Teske	12,420 *	
Gregory M. Gomez	25,300 *	(6)
Horst E. Gras	12,128 *	(7)
Richard E. Johnson	100,609 *	(8)
Kimberly K. Stoll	10,822 *	(9)
All Directors and Executive Officers as a Group (16 persons, including those named above)	672,767 4.6%	

*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 29, 2016.

(2) Does not include deferred director fee holdings of 4,351 phantom stock units held by Mr. Dix 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. Ronald H. Dix has sole investment and voting power over 25,700 shares he holds directly, and 2,600 shares subject to stock options that are currently exercisable or were exercisable within 60 days of February 29, 2016. He has shared investment and voting power over 87,500 shares he owns with his spouse.

(3) Thomas J. Fischer shares voting power with his spouse over the reported shares.

(4) Richard A. Meeusen has sole investment and voting power over 106,756 shares he holds directly, 4,140 shares in our Employee Savings and Stock Ownership Plan, 59,883 shares subject to stock options that are currently exercisable or were exercisable within 60 days of February 29, 2016 and 20,190 shares of restricted stock.

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(5) Does not include deferred director fee holdings of 534 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.

(6) Gregory M. Gomez has sole investment and voting power over 6,530 shares he holds directly, 5,889 shares in our Employee Savings and Stock Ownership Plan, 10,292 shares subject to stock options that are currently exercisable or were exercisable within 60 days of February 29, 2016 and 2,589 shares of restricted stock.

(7) Horst E. Gras has sole investment and voting power over 9,341 shares he holds directly, 719 shares subject to stock options that are currently exercisable or were exercisable within 60 days of February 29, 2016 and 2,068 shares of restricted stock.

(8) Richard E. Johnson holds 2,413 shares in our Employee Savings and Stock Ownership Plan, 1,938 shares subject to stock options that are currently exercisable or were exercisable within 60 days of February 29, 2016 and 5,566 shares of restricted stock. He has shared investment and voting power over 90,692 shares he owns with his spouse.

(9) Kimberly K. Stoll has sole investment and voting power over 3,035 shares she holds directly in an IRA, 2,076 shares in our Employee Savings and Stock Ownership Plan, 2,872 shares subject to stock options that are currently exercisable or were exercisable within 60 days of February 29, 2016 and 2,589 shares of restricted stock. She has shared investment and voting power over 250 shares she owns with her spouse.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Policies and Procedures

Our executive compensation program for all executive officers, including each NEO, is administered by the Compensation Committee. The Compensation Committee is composed of four independent directors - Mr. Smith (Chairman), Mr. Klappa, Ms. Lione and Mr. Teske.

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

- Executive compensation 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 Committee. See "Total Compensation and Link to Performance" below.
- Long-term incentive programs should be designed to align with shareholder interests 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 Committee should attempt to achieve a fair and competitive compensation structure for our executive officers by implementing both short-term and long-term plans with fixed and variable components.
- Compensation policies should be structured to align the interests of management with the interests of shareholders, in a manner that does not encourage excessive risk taking. To discourage excessive risk taking, the Compensation Committee conducts an annual risk assessment of our compensation plans and places great emphasis on equity-based incentive compensation and stock ownership by executive officers.

In making its decisions and recommendations regarding executive compensation, the Compensation 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 separately and on a combined basis, as well as total cash and long-term incentive compensation.
- Our financial performance as a whole 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 ("CEO") with regard to the other executive officers.

In developing compensation plans for fiscal year 2016, the Compensation Committee considered the positive "say on pay" vote of our shareholders at our 2015 Annual Meeting of Shareholders. As a result, and as we describe in this Compensation Discussion and Analysis, the Compensation Committee kept in place for fiscal year 2016 most of the same executive compensation program components that it had disclosed to shareholders in the proxy statement for the 2015 Annual Meeting of Shareholders.

Executive Compensation and Governance Practices and Standards

We endeavor to maintain sound governance practices and standards consistent with our executive compensation philosophies. The following governance practices and standards were in effect during 2015:

- The Compensation Committee is comprised solely of independent directors.
- The Compensation Committee engaged its own compensation consultant to assist with its 2015 compensation review. This consultant performed no consulting or other services for the company.
- The Compensation Committee conducts an annual review and approval of our compensation strategy, including a review of our compensation peer group used for comparative purposes.

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- Our directors and executive officers are prohibited from holding our common stock in a margin account or pledging our common stock as collateral for a loan.
- Our directors and executive officers are prohibited from engaging in short sales of our common stock.
- The Compensation Committee annually assesses the risk within the executive compensation program.
- All executive officers are expected to hold company stock at least equal to two-times their annual base salaries.
- The Company has a Compensation Recoupment Policy (commonly referred to as a "clawback policy"). The clawback policy is designed to ensure that incentive-based compensation is paid to executive officers based on accurate financial statements. In the event that we are required to prepare an accounting restatement due to the material noncompliance with accounting rules, the policy applies to incentive-based compensation that is granted to current or former executive officers of the company who received incentive-based compensation at any time after the effective date of policy and during the three-year period preceding the date on which we are required to prepare the accounting restatement. When final rules are adopted by the Securities and Exchange Commission regarding any additional clawback requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we intend to review our policy and amend it to comply with the new rules.

Role of Compensation Consultant

For 2015, the Compensation Committee engaged Towers Watson & Co. as its independent executive compensation consultant. In December of 2015, Towers Watson became Willis Towers Watson PLC ("Willis Towers Watson"). The Compensation Committee generally engages an independent compensation consultant and has the authority to approve fees and other terms of the engagement. The consultant's duties were to evaluate executive compensation, to discuss general compensation trends, to provide competitive market data and to assist our CEO in developing compensation recommendations to present to the committee for the executive officers other than himself. The compensation consultant provides the committee with advice, consultation and market information on a regular basis, as requested, throughout the year. The executive compensation consultant does not make specific recommendations on individual compensation amounts for the executive officers or the independent directors, nor does the consultant determine the amount or form of executive and director compensation. The Compensation Committee has assessed the independence of Willis Towers Watson pursuant to Securities and Exchange Commission rules and New York Stock Exchange Listing standards and affirmatively determined that Willis Towers Watson's services have not raised any conflicts of interest.

Total Compensation and Link to Performance

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 and the individual performance of our executive officers, all of which is designed to align compensation with our shareholders' interests. For example, the Annual Bonus Plan is based primarily on targeted annual growth in Earnings Before Interest and Taxes. Long-term bonus plans include cash awards based on either relative shareholder returns compared to a peer group or, beginning in 2016, operating income targets, over three-year periods, and restricted stock and option grants that increase in value with the stock price. These programs are further described under "Elements of Compensation" below.

For those compensation components where individual performance is a consideration, individual performance is considered as part of the overall evaluation process. This evaluation of individual performance impacts the annual adjustment to base salaries for all of our executive officers and also may impact payments made under the annual bonus plan for all officers except the CEO. For the periods disclosed, the Compensation Committee determined that the performance of all executive officers was satisfactory. As such, annual base salary adjustments were made for each executive officer based on recommendations from the CEO (for all executive officers except the CEO) and the judgment of the Compensation Committee, although no adjustments were made to the payments made under the Annual Bonus Plan.

We believe that the total compensation paid or awarded to our executive officers during 2015 was consistent with our financial performance and the individual performance of each of the executive officers. Based on our analysis and the advice of Willis Towers Watson, we also believe that the compensation was reasonable in its totality and is consistent with our compensation philosophies as described above.

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To the extent that base salaries and equity grants vary by professional role in the marketplace, 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 CEO serves in an advisory role to the Compensation Committee with respect to executive compensation for executive officers other than himself (the CEO does not participate in determining or recommending compensation for himself). His recommendations are given significant weight by the Compensation Committee, but the Compensation Committee remains responsible for all decisions on compensation levels for the executive officers and on our executive compensation policies and executive compensation programs. All decisions on executive compensation levels and programs are made by the Compensation Committee.

Amount and Elements of Compensation

The Compensation Committee determines the amounts and elements of compensation under our compensation program for our executive officers. The program involves base salaries, benefits, short-term annual cash incentive bonuses and a long-term incentive program using stock options, restricted stock and cash incentives.

Peer Group and Compensation Survey Data. Compensation levels are established for each executive officer by the Compensation Committee, with general reference to data supplied by Willis Towers Watson on organizations of similar size and business activity. Willis Towers Watson provided data from two sources: general industry survey data, and the recent proxy statements of a peer group selected by Willis Towers Watson and approved by the Compensation Committee. The general industry survey data was obtained from the 2015 Willis Towers Watson Executive Compensation Database Survey and the 2015 Willis Towers Watson Top Management Survey. This 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. Where appropriate, the data was size-adjusted using regression analysis based on revenues.

Willis Towers Watson also developed a peer group of fifteen comparable publicly-held manufacturing companies that have business operations similar to ours in 2015 (the “peer group”). For both 2015 and 2016, compensation information for the five highest paid executives at each of the fifteen companies was obtained from the proxy statements of the companies and compared to the compensation of our five highest paid executives. The companies in the peer group were A.O. Smith, CIRCOR International, CLARCOR, Inc., ESCO Technologies, Franklin Electric Co., Fuel Systems Solutions, Gorman-Rupp, Itron, Inc., Lindsay Corporation, MFRI, Mueller Water Products, Northwest Pipe Co., Rexnord Corporation, Sun Hydraulics Corp., and Watts Water Technologies. This was the same peer group used for the “Comparison of Cumulative Total Return” disclosure in our Annual Report on Form 10K for 2015. The Compensation Committee annually reviews and approves the appropriateness of the peer group.

Base Salary. Our policy is to pay executive officers at market, with appropriate adjustments for performance and levels of responsibility. To aid the Compensation Committee in its understanding of each executive officer’s long-term performance and levels of responsibility, the Compensation Committee is given a five-year history, which sets forth the base salary, short-term incentive awards, and long-term compensation of each such officer. The Compensation Committee has consistently applied this policy and procedure with respect to base salaries for the past 24 years.

Base salary increases for our executive officers approved as of November 13, 2014 for calendar year 2015, by the Compensation Committee, ranged from 3.0% to 10.0%. The Chairman, President and Chief Executive Officer’s compensation increased 3.3%. The other NEOs received base salary increases of 3.0% for Mr. Johnson and Mr. Gras, and 10.0% for Mr. Gomez and Ms. Stoll. These increases were based primarily on our goal to keep base salaries at market, in order to maintain competitive salary levels, but they also reflect the positive impact each of our executive officers had on our financial and strategic results in 2014. The larger increases for Mr. Gomez and Ms. Stoll were deemed appropriate given their expanded responsibilities in 2014 and the average salaries of similar positions in comparable companies as recommended by Towers Watson.

Base salary increases for our executive officers approved as of November 12, 2015 for calendar year 2016, by the Compensation Committee, ranged from 2.5% to 10.0%. The Chairman, President and Chief Executive Officer's compensation increased 3.0%. The other NEOs received base salary increases of 3.0% for Mr. Johnson, 2.5% for Mr. Gras, and 10.0% for

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Mr. Gomez and Ms. Stoll. These increases were based primarily on our goal to keep base salaries at market, in order to maintain competitive salary levels, but they also reflect the positive impact each of our executive officers had on our financial and strategic results in 2015. The larger increases for Mr. Gomez and Ms. Stoll were deemed appropriate given their expanded responsibilities in 2015 and the average salaries of similar positions in comparable companies as recommended by Willis Towers Watson.

Annual Bonus Plan. Our annual bonus plan is designed to align our compensation with our shareholders' interests 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 CEO was 100% of his base salary and the target bonus for all other NEOs was 35% - 55% of their base salary for 2015. The targets set pursuant to the annual bonus plan for 2015 were comprised of two components - a financial factor based on the attainment of a certain level of adjusted Earnings Before Interest and Taxes ("EBIT") and individual performance for all officers except the CEO.

The Compensation 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 2015, the target financial factor was based on achieving an increase in adjusted EBIT of 3% over the 2014 adjusted EBIT, at which point the target annual bonus could be paid. Details of the annual bonus payout plan are as follows:

If the increase in adjusted EBIT in 2015 was:

- below 0%, no annual bonus would be paid;
- at 0%, the annual bonus would be 50% of the target bonus;
- between 0% and 3%, the annual bonus would be pro-rated between 50% and 100% of the target bonus;
- between 3% and 15%, the annual bonus would be pro-rated between 100% and a "stretch" bonus equal to 150% of the target amount; and
- above 15%, the annual bonus would equal the stretch bonus of 150% of the target amount.

The Compensation Committee adjusts EBIT results for pension settlement or curtailment charges, costs (other than internal labor) associated with actual or potential acquisitions, results of newly acquired entities for the first twelve months after the effective date of acquisition and other non-operating items such as significant gains or losses from the disposal or impairment of long-term assets. For 2015, the Compensation Committee approved adjustments to EBIT (and the related bonus payments) for earnings from an acquired company, net of acquisition costs, for the acquisition costs incurred in 2015 associated with both completed and uncompleted acquisition activities and for settlement charges associated with the defined-benefit pension plan, such adjustments being consistent with past practices. After adjustment for these factors, the adjusted EBIT for 2015 decreased 16.6% from the adjusted EBIT for 2014, resulting in no bonus payments.

The 2015 annual bonus for each executive officer except the CEO could also be adjusted up or down 10% at the discretion of the Compensation Committee. Further, the Compensation Committee has the authority to award special performance bonuses. No such adjustments were made for 2015 for the regular program, and there were no special performance bonuses.

Long-Term Incentive Plan (referred to as LTIP)

In 2015, long-term incentive compensation awards for the executive officers were comprised of 40% restricted stock awards, 30% stock option awards and 30% cash bonus. For 2016, the mix was changed to 30% restricted stock, 30% stock options and 40% cash bonus. The mix is intended to provide balance between performance-oriented long-term incentive vehicles (stock options and cash bonus) and retention-oriented long-term incentive vehicles (restricted stock) and the adjustment in 2016 is intended to shift the balance toward performance-oriented incentive vehicles. We believe that the granting of company stock options and the use of cash bonus tied to an extended performance period serves to encourage the executive officers to direct efforts that will ultimately align our executive compensation program with our shareholders' interests over the long term. We believe that the granting of restricted stock serves to encourage our executive officers to direct their efforts to increase shareholder value.

In determining the amount of incentive compensation to be awarded to each NEO, we consider the mix of long-term incentives provided by the companies in the competitive market data supplied by the compensation consultant as a guidepost, but we primarily structure the long-term incentive mix based on our compensation objectives. Specifically, the nature and amount of the long-term incentive compensation awarded to each of the NEOs was based primarily on our desire to ensure that executive compensation is tied to our performance, with an appropriate balance focused on our long-term versus short-term

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performance. The mix of the long-term incentive awards was the same for each of the NEOs. Furthermore, the individual performance of each NEO was considered as part of the overall evaluation process, with the Compensation Committee determining that the performance of each of the NEOs was satisfactory. As a result, in 2015 the individual performance of any NEO did not result in any adjustments to the nature or amount of the long-term incentive compensation awarded to such NEO.

The LTIP program presents an opportunity for executive officers and other key employees to gain or increase their equity interests in our stock. See the discussion below under "Common Stock Ownership Guidelines."

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 Committee. In addition, one-time stock option awards are granted to new executive officers, within one year of becoming an executive officer. All of the stock options awards are granted with an exercise price equal to the closing price of our common stock on the date of grant.

In selecting a date of grant, the Compensation Committee establishes a date that avoids any inference of timing such awards to the release of material non-public information, and that coincides with the starting valuation dates of the Relative Total Shareholder Return program (this program is described below).

Restricted stock awards in 2016 will use an average of the prior 10 days closing prices to determine the number of shares granted based on a predetermined dollar value. Prior to 2016, restricted stock awards used the closing price on the date of grant to determine the number of shares granted based on a predetermined dollar value.

In addition to the above-mentioned awards, our LTIP provides for potential cash-based performance unit awards to all executive officers, including the NEOs. During 2015, there were cash-based performance unit awards outstanding based on three Relative Total Shareholder Return ("RTSR") goals for periods covering 2013-2015, 2014-2016 and 2015-2017. For the period 2016-2018, the Compensation Committee changed the cash-based performance unit awards to a new program described below.

We granted cash-based performance units based on RTSR in January of 2013 to each of our executive officers for a three-year performance period (2013-2015). At the end of the three-year performance period in 2015, our total shareholder return, based on stock performance and reinvested dividends, was compared to the total shareholder return of our 2013 peer group. The executive officers earned the performance units based on relative performance of our stock compared to the performance of the peer group. Under the program, at the 35, 55 and 75 percentile relative performance levels, the executive officers would earn 50%, 100% and 200% of the target performance units, respectively. Units earned would be pro-rated for performance between these amounts and converted to cash based on the Company’s stock price. In February of 2016, payments were made to the NEOs under this program based on 200% of the target performance units since the Company’s total shareholder return for the period 2013-2015 was at the 81st percentile of the peer group.

In January of 2014 and again in January of 2015, the Compensation Committee continued the RTSR program by establishing two new three-year performance periods (2014-2016 and 2015-2017 respectively). Except for the differences in performance periods, these programs operate in the same manner as the RTSR described above.

In January of 2016, the Compensation Committee discontinued the RTSR program and replaced it with a new cash-based performance unit program based on operating income targets. The Compensation Committee made this change to better align performance targets with incentive payments. Under the new program, the Compensation Committee established three-year total operating income goals of $140.2 million, $169.2 million and $201.9 million for the threshold, target and maximum payout amounts for the period 2016-2018. At the threshold, target and maximum levels of operating income, the executive officers will earn 50%, 100% and 200% of the target cash payout for each officer, with the payouts pro-rated for performance between these amounts.

For all cash-based performance units. the Compensation Committee will adjust the targets for pension settlement or curtailment charges, costs (other than internal labor) associated with actual or potential acquisitions, results of newly acquired entities for the first twelve months after the effective date of acquisition and other non-operating items such as significant gains or losses from the disposal or impairment of long-term assets.

Non-Officer Incentives

Annual bonuses are also paid to all U.S. salaried exempt employees using the same EBIT threshold and target levels as used for the executive officers and previously described under “Annual Bonus Plan.” For 2015, approximately 280 non-

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officers participated in that bonus plan. Also, all new U.S. salaried-exempt employees, and certain non-U.S. employees, receive a one-time grant of restricted stock and other grants of restricted stock at designated intervals.

Other Benefits

Salary Deferral Plan. All executive officers, except Mr. Gras, a German citizen, are eligible to participate in a salary deferral plan described in Note 1 of the “Nonqualified Deferred Compensation Table” below. The Compensation 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 Committee believes that this program is competitive with comparable programs offered by other companies. As of December 31, 2015, one NEO participates in the Salary Deferral Plan.

Supplemental Retirement Plans. We offer various supplemental retirement plans to certain employees, including executive officers except Mr. Gras, a German citizen. The purpose of these plans is to compensate the employees for pension reductions caused by salary deferrals or by regulatory limitations on qualified plans. We also maintain a nonqualified supplemental executive retirement plan designed to enhance the regular retirement programs. Currently, Messrs. Meeusen and Johnson are participants in this plan. The Compensation Committee believes that these supplemental retirement plans are appropriate to attract and retain qualified executives. For more information on these plans, see the discussion that follows the “Pension Benefits Table” below.

Additional benefits. Each executive officer receives his/her choice of either the use of a vehicle for both personal and business purposes, or a vehicle allowance. We also pay certain club dues for Mr. Meeusen. 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. Our compensation plans are designed generally to allow us to achieve tax deductibility of the compensation paid under the plans. This includes compliance with Section 162(m) of the Internal Revenue Code, which limits the amount of non-performance-based compensation paid to our NEOs (other than our CFO) that we may deduct for tax purposes to $1 million per year. The Compensation Committee generally intends to structure our compensation programs to preserve tax deductibility. The Committee believes, however, that shareholders’ interests are best served by not restricting its discretion and flexibility in structuring compensation programs, even though such programs may result in certain non-deductible compensation expenses. In addition, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and related regulations, and the fact that such regulations and interpretations may change from time to time (with potentially retroactive effect), there is no certainty that compensation intended by the Committee to satisfy the requirements for deductibility under Section 162(m) will be deductible.

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, whose expertise has been critical to our success, to remain with us in the event of any merger or transition period. The Compensation Committee has reviewed these agreements and determined that they are appropriate given competitive market practices. Each KEESA requires a “double-trigger,” providing 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.

Common Stock Ownership Guidelines and Hedging and Pledging Policies

We believe that it is important to align executive and shareholder interests by defining stock ownership guidelines for our executives. As a result, each executive officer is expected to hold common stock equal to at least two-times his or her annual base salary, except the CEO who is expected to hold common stock equal to at least three-times his 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 becoming an officer. Each NEO met the targeted level of stock ownership during 2015.

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Additionally, we have a policy that prohibits our executive officers, as well as our directors, from engaging in short selling, hedging transactions and from holding our common stock in a margin account or pledging our common stock as collateral for a loan. An exception to the prohibition of pledging may be granted where a person wishes to pledge our common stock as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged shares.

Risk Assessment

The Compensation Committee conducts an annual risk assessment of our compensation program to determine whether our compensation policies and practices are reasonably likely to have a material adverse effect on the company. Based on this assessment, the Compensation Committee believes that our compensation program is balanced and does not motivate or encourage unnecessary or excessive risk taking because of, in part, the following:

- Base salaries are fixed in amount and thus do not encourage risk taking.
- Our annual bonus plan is designed to align our compensation with our shareholders’ interests over the long term.
- Our long-term incentive plan uses a mix of performance measures that are designed to award our executives only if the company is achieving positive long-term growth.
- We maintain appropriate caps on incentives.
- We have limited and appropriate perquisites.

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Summary Compensation Table

The following table sets forth information concerning compensation earned or paid to each of the NEOs for each of the last three fiscal years, consisting of: the dollar value of base salary during the applicable fiscal year; the aggregate grant date fair value of stock and option awards computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718; the dollar value of annual incentive bonus earned; the dollar value of the cash component of the long term incentives earned for the year ended under the RTSR program; the change in pension value and non-qualified compensation earnings during the applicable fiscal years; all other compensation for the applicable fiscal years; and finally; the dollar value of total compensation for the applicable fiscal years. The NEOs are our principal executive officer, principal financial officer and three most highly compensated executive officers employed as of December 31, 2015 (each of whose total cash compensation exceeded $100,000 for fiscal year 2015).

Summary Compensation Table for 2015 (all amounts in $)

Name & Principal Position	Year	Salary	Stock Awards (1)	Option Awards (2)	Non-Equity Incentive Plan Compensation Annual Bonus (3)	Non-Equity Incentive Plan Compensation RTSR (4)	Change in Pension Value and Non-Qualified Deferred Compensation (5)	All Other Compensation (6)	Total
Richard A. Meeusen — Chairman, President &	2015	625,000	371,973	278,991	—	562,380	171,611	47,558	2,057,513