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BADGER METER INC
Form 10-K405
March 12, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended DECEMBER 31, 2001

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-6706

BADGER METER, INC.
(Exact name of registrant as specified in charter)

WISCONSIN 39-0143280
(State of Incorporation) (I.R.S. Employer Identification No.)

4545 W. BROWN DEER ROAD
MILWAUKEE, WISCONSIN 53223
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 414 - 355-0400

Securities registered pursuant to Section 12(b) of the Act:

Title of class:	Name of each exchange on which registered:
COMMON STOCK	AMERICAN STOCK EXCHANGE
COMMON SHARE PURCHASE RIGHTS	AMERICAN STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES X NO

--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by nonaffiliates of the registrant was \$73,922,683 as of February 28, 2002. At February 28, 2002, the registrant had 2,926,472 shares of Common Stock outstanding.

Documents Incorporated by Reference:

Parts I and II incorporate information by reference from the company's 2001 Annual Report to Shareholders.

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Part III incorporates information by reference from the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 19, 2002 [to be filed with the Securities and Exchange Commission under Regulation 14A within 120 days after the end of the registrant's fiscal year].

Part I

Item 1. Business

Badger Meter, Inc. (the "company") is a leading marketer and manufacturer of products, and a provider of services, using flow measurement and control technologies serving markets worldwide. The company was incorporated in 1905.

Markets and Products

The company's products are sold to water utilities, original equipment manufacturers and various industrial customers primarily operating in the following markets: water, wastewater and process waters; energy and petroleum; food and beverage; pharmaceutical; chemical; and concrete.

The company has five major product lines: residential and commercial/industrial water meters (with related technologies), automotive fluid meters, small precision valves and industrial process meters. Water meters and related systems produce the majority of the company's sales. A "water meter system" generally consists of a water meter, a register (some with an interface technology for communicating the reading), packaging and the monitoring or computerized management system used to collect and relay the reading.

The company's products are primarily manufactured and assembled in the company's Milwaukee, Wisconsin, Tulsa, Oklahoma, Rio Rico, Arizona and Brno, Czech Republic facilities. Assembly is also done in the company's Nogales, Mexico and Stuttgart, Germany facilities.

Badger Meter's products are sold throughout the world through various distribution channels including direct sales representatives, distributors and independent sales representatives. There is only a moderate seasonal impact on sales, primarily relating to slightly higher sales of certain utility products during the spring and summer months. No single customer accounts for more than 10% of the company's sales.

Competition

There are several competitors in each of the markets in which the company sells its products, and the competition varies from moderate to intense. Major competitors include Invensys, Inc., Neptune Technology Group, Inc. (formerly Schlumberger Industries, Inc.) and ABB-Kent Meters, Inc. A number of the company's competitors in certain markets have greater financial resources. The company believes it currently provides the leading technology in certain types of automated and automatic water meter systems and small, high-precision valves. As a result of significant research and development activities, the company enjoys favorable patent positions for several of its products.

Backlog

The dollar amount of the company's total backlog of unshipped orders at December 31, 2001 and 2000 was \$18,100,000 and \$20,400,000, respectively. The company expects to ship nearly all of the December 31, 2001 backlog in 2002.

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Raw Materials

Raw materials used in the manufacture of the company's products include metal or alloys (such as bronze, aluminum, stainless steel, cast iron, brass and stellite), plastic resins, glass, microprocessors and other electronic subassemblies and components. There are multiple sources for these raw materials, but the company purchases some bronze castings and certain electronic subassemblies from single suppliers. The company believes these items would be available from other sources, but that the loss of its current suppliers would result in higher cost of materials, delivery delays, short-term increases in inventory and higher quality control costs. The company carries business interruption insurance on key suppliers. Prices may also be affected by world commodity markets.

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Research and Development

Expenditures for research and development activities relating to the development of new products, the improvement of existing products and manufacturing process improvements were \$5,422,000 during 2001, as compared to \$6,562,000 during 2000 and \$6,012,000 during 1999. Research and development activities are primarily sponsored by the company. The company also engages in some joint research and development with other companies.

Intangible Assets

The company owns or controls many patents, trademarks, trade names and license agreements in the United States and other countries that relate to its products and technologies. No single patent, trademark, trade name or license is material to the company's business as a whole.

Environmental Protection

The company is subject to contingencies relative to compliance with Federal, State and local provisions and regulations relating to the protection of the environment. Currently the company is in the process of resolving an issue relative to a landfill site. The company does not believe the ultimate resolution of this issue will have a material adverse effect on the company's financial position or results of operations. Expenditures during 2001 and 2000 for compliance with environmental control provisions and regulations were not material and the company does not anticipate any material future expenditures.

To insure compliance with environmental regulations at company sites, the Board of Directors has established a Compliance Committee that monitors the company's compliance with various regulatory authorities in regard to environmental matters, among other things.

Employees

The company and its subsidiaries employed 936 persons at December 31, 2001, of which 230 employees are covered by a collective bargaining agreement with District 10 of the International Association of Machinists. The company is currently operating under a four-year contract with the union, which expires on October 31, 2004. The company has good relations with the union and all of its employees.

Foreign Operations and Export Sales

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The company has distributors and sales representatives throughout the world. Additionally, the company has a sales, assembly and distribution facility in Stuttgart, Germany, sales and customer service offices in Mexico City and Singapore, an assembly facility in Nogales, Mexico, and a manufacturing facility in Brno, Czech Republic. The company exports products from the United States that are manufactured in Milwaukee, Wisconsin, Tulsa, Oklahoma, and Rio Rico, Arizona.

Information about the company's foreign operations and export sales is included in Note 10 in the Notes to Consolidated Financial Statements of the company's 2001 Annual Report to Shareholders and such information is incorporated herein by reference.

Financial Information about Industry Segments

The company operates in one industry segment as a marketer and manufacturer of various flow measurement and control products as described in Note 10 in the Notes to Consolidated Financial Statements of the company's 2001 Annual Report to Shareholders and such information is incorporated herein by reference.

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Item 2. Properties

The principal facilities utilized by the company at December 31, 2001, are listed below. Except as indicated, the company owns all of such facilities in fee simple. The company believes that its facilities are generally well maintained and have sufficient capacity for its current needs.

Location	Principal Use	Approximate (Square Feet)
Milwaukee, Wisconsin	Manufacturing and offices	323,000
Tulsa, Oklahoma	Manufacturing and offices	59,500
Rio Rico, Arizona	Manufacturing and offices	36,000
Nogales, Mexico	Assembly and offices	41,700
Stuttgart, Germany	Assembly and offices	23,000
Brno, Czech Republic	Manufacturing and offices	12,900

- (1) Leased facility. Lease term expires January 31, 2004.
- (2) Leased facility. Lease term expires December 31, 2005.

Item 3. Legal Proceedings

There are currently no material legal proceedings pending with relation to the company.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the company's shareholders during the quarter ended December 31, 2001.

Executive Officers of the Company

The following table sets forth certain information regarding the executive officers of the company.

Name -----	Position -----	Age at 2/28/2002 -----
James L. Forbes	Chairman and Chief Executive Officer	69
Richard A. Meeusen	President	47
Robert D. Belan	Executive Vice President	61
Robert M. Bullis	Vice President - Manufacturing	52
Ronald H. Dix	Vice President - Administration and Human Resources	57
Deirdre C. Elliott	Vice President - Corporate Counsel and Secretary	45
Horst Gras	Vice President - International Operations	46
Richard E. Johnson	Vice President - Finance, Chief Financial Officer and Treasurer	47
Beverly L.P. Smiley	Vice President - Corporate Controller	52
Kenneth E. Smith	Vice President - Sales and Marketing	53
Dennis J. Webb	Vice President - Engineering	54
Daniel D. Zandron	Vice President - Business Development	53

There are no family relationships between any of the executive officers. All of the officers are elected annually at the first meeting of the Board of Directors held after each annual meeting of the shareholders. Each officer holds office until his successor has been elected or until his death, resignation or removal. There is no arrangement or understanding between any executive officer and any other person pursuant to which he was elected as an officer.

Mr. Forbes was elected Chairman and Chief Executive Officer in November 2001. Mr. Forbes served as Chairman, President and Chief Executive officer from February to November 2001, and has served as Chairman and Chief Executive Officer from April 1999 to February 2001. Prior to that date, Mr. Forbes served

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as President and Chief Executive Officer for more than five years.

Mr. Meeusen was elected President in November 2001. Mr. Meeusen served as Executive Vice President - Administration from February to November 2001, and as Treasurer from January 1996 to February 2001. In addition, Mr. Meeusen served as Vice President - Finance and Chief Financial Officer from November 1995 to February 2001.

Mr. Belan was elected Executive Vice President in November 2001. Mr. Belan served as Executive Vice President - Operations from February to November 2001, and as President and Chief Operating Officer from April 1999 to February 2001. Mr. Belan served as Executive Vice President from April 1998 to April 1999. Prior to that date, Mr. Belan served as Vice President - Utility for more than five years.

Mr. Bullis was elected Vice President - Manufacturing in February 2001. He served as Vice President - Operations from November 1999 to February 2001. Prior to that date, Mr. Bullis served as Vice President - Operations - Utility for more than five years.

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Mr. Dix was elected Vice President - Administration and Human Resources in November 2001. Mr. Dix served as Vice President - Human Resources from February to November 2001. Prior to that date, Mr. Dix served as Vice President - Administration and Human Resources for more than five years.

Ms. Elliott has served as Vice President - Corporate Counsel and Secretary for more than five years.

Mr. Gras was elected Vice President - International Operations in November 2001. Prior to that date, Mr. Gras served as Vice President - Badger Meter Europe for more than five years.

Mr. Johnson joined the company and was elected Vice President - Finance, Chief Financial Officer and Treasurer in February 2001. Prior to joining the company, Mr. Johnson served as Director of Business Support for the Energy Delivery Business of Wisconsin Electric Power Company from 1999 to December 2000. From 1996 to 1999, Mr. Johnson served as the Director of Business Support for the Distribution Operations of Wisconsin Electric Power Company.

Ms. Smiley was elected Vice President - Corporate Controller in November 1999. Ms. Smiley served as Corporate Controller from April 1997 to November 1999. Prior to that date, Ms. Smiley served as Accounting Manager of the company for more than five years.

Mr. Smith was elected Vice President - Sales and Marketing in November 2001. Mr. Smith served as Vice President - Industrial Products and International from November 2000 to November 2001. Mr. Smith served as Vice President - Industrial and Commercial Products from January 2000 to November 2000. Prior to joining the company, Mr. Smith served as President of Peek Measurement Group for more than five years.

Mr. Webb was elected Vice President - Engineering in November 2001. Mr. Webb served as Vice President - Customer Solutions from April 2000 to November 2001, and as Vice President - Engineering and Quality from November 1999 to April 2000. Prior to that date, Mr. Webb served as Vice President - Engineering and Quality - Utility for more than five years.

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Mr. Zandron was elected Vice President - Business Development in November 2001. Mr. Zandron served as Vice President - Utility Products from November 2000 to November 2001, and as Vice President - Commercial and Industrial Products, and a number of similar capacities, from January 2000 to November 2000. From May 1999 to January 2000, Mr. Zandron served as Vice President - Commercial and Industrial Products - Utility. Prior to that date, Mr. Zandron served as Vice President - Commercial and Industrial and Marketing for more than five years.

Part II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

The information set forth on page 25 in the company's 2001 Annual Report to Shareholders is incorporated herein by reference in response to this Item.

Item 6. Selected Financial Data

The information set forth on pages 1 and 26 in the company's 2001 Annual Report to Shareholders is incorporated herein by reference in response to this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information set forth on pages 12 through 15 in the company's 2001 Annual Report to Shareholders is incorporated herein by reference in response to this Item.

Item 7.a. Quantitative and Qualitative Disclosures of Market Risk

The information set forth on page 15 under the heading "Market Risk" in the company's 2001 Annual Report to Shareholders is incorporated herein by reference in response to this Item.

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Item 8. Financial Statements and Supplementary Data

Consolidated financial statements of the company at December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001 and the auditor's report thereon and the company's unaudited quarterly financial data for the two-year period ended December 31, 2001 are incorporated herein by reference from the 2001 Annual Report to Shareholders, pages 16 through 26.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Part III

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Item 10. Directors and Executive Officers of the Registrant

Information required by this Item with respect to directors is included under the headings "Nomination and Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 19, 2002, and is incorporated herein by reference.

Information concerning the executive officers of the company is included in Part I of this Form 10-K.

Item 11. Executive Compensation

Information required by this Item is included under the headings "Nomination and Election of Directors - Director Compensation" and "Executive Compensation" in the company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 19, 2002, and is incorporated herein by reference; provided, however, that the subsection entitled "Executive Compensation-Board Management Review Committee Report on Executive Compensation" shall not be deemed to be incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information required by this Item is included under the heading "Stock Ownership of Management and Others" in the company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 19, 2002, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information required by this Item is included under the headings "Management Review Committee Interlocks and Insider Participation" and "Certain Transactions" in the company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 19, 2002, and is incorporated herein by reference.

Part IV

Item 14. Exhibits, Financial Statement Schedule, and Reports on Form 8-K

(a) Documents filed

1. and 2. Financial Statements and Financial Statement Schedule. See Index to Financial Statements and Financial Statement Schedule on page F-0 which is incorporated herein by reference.

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3. Exhibits. See the Exhibit Index included as the last pages of this report which is incorporated herein by reference.

(b) Reports on Form 8-K

No report on Form 8-K was filed by the registrant during the

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quarter ended December 31, 2001.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

BADGER METER, INC.
Registrant

By: /s/ Richard E. Johnson

Richard E. Johnson
Vice President - Finance, Chief Financial Officer,
and Treasurer
February 8, 2002

By: /s/ Beverly L.P. Smiley

Beverly L.P. Smiley
Vice President - Corporate Controller
February 8, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ James L. Forbes

James L. Forbes
Chairman and
Chief Executive Officer
February 8, 2002

/s/ Andrew J. Policano

Andrew J. Policano
Director
February 8, 2002

/s/ Richard A. Meeusen

Richard A. Meeusen
President
February 8, 2002

/s/ Steven J. Smith

Steven J. Smith
Director
February 8, 2002

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/s/ Charles F. James, Jr.

Charles F. James, Jr.
Director
February 8, 2002

/s/ John J. Stollenwerk

John J. Stollenwerk
Director
February 8, 2002

/s/ Kenneth P. Manning

Kenneth P. Manning
Director
February 8, 2002

/s/ James O. Wright, Jr.

James O. Wright, Jr.
Director
February 8, 2002

/s/ Ulice Payne, Jr.

Ulice Payne, Jr.
Director
February 8, 2002

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BADGER METER, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

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Financial statements:		
Consolidated statements of operations for each of the three years in the period ended December 31, 2001	16	
Consolidated balance sheets at December 31, 2001 and 2000	17	
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2001	18	
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2001	19	
Notes to consolidated financial statements	20 - 25	
Report of Ernst & Young LLP, Independent Auditors	26	

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Item 14(a) 2

Financial statement schedules:

Consolidated schedules for each of
the three years in the period ended
December 31, 2001

II - Valuation and qualifying accounts

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All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the financial statements and the notes thereto.

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BADGER METER, INC.

SCHEDULE II - CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 2001, 2000 and 1999

	Balance at beginning of year	Additions charged to earnings	Deductions from allowances
Allowance for doubtful receivables:			
2001	\$626,000 =====	\$23,000 =====	\$ 17,000 (a) =====
2000	\$496,000 =====	\$154,000 =====	\$24,000 (a) =====
1999	\$369,000 =====	\$95,000 =====	\$(32,000) (a) =====
Warranty/after-sale cost reserve:			
2001	\$3,245,000 =====	\$1,837,000 =====	\$1,629,000 =====

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2000	\$3,835,000 =====	\$1,503,000 =====	\$2,093,000 =====
1999	\$4,386,000 =====	\$1,368,000 =====	\$1,919,000 =====

Note:

(a) Accounts receivable written off, less recoveries, against the allowance.

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EXHIBIT INDEX

Exhibit No.	Exhibit Description
(3.0)	Restated Articles of Incorporation effective September 30, 1999. [Incorporated by reference from Exhibit (3.0) (i) to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 1999].
(3.1)	Restated By-Laws as amended November 9, 2001.
(4.0)	Loan Agreement, as amended April 30, 1988, between the Registrant and the M&I Marshall & Ilsley Bank relating to the Registrant's revolving credit loan. [Incorporated by reference from Exhibit (4.0) to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1988].
(4.1)	Loan Agreement between Firststar Bank Milwaukee, N.A. and the Badger Meter Employee Savings and Stock Ownership Plan and Trust, dated December 1, 1995. [Incorporated by reference from Exhibit (4.3) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995].
(4.2)	Loan Agreement, as amended December 21, 1998, between Firststar Bank Milwaukee, N.A. and the Badger Meter Employee Savings and Stock Ownership Plan and Trust. [Incorporated by reference from Exhibit (4.2) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998].
(4.3)	Rights Agreement, dated May 26, 1998, between Registrant and Firststar Trust Company. [Incorporated by reference to Exhibit (4.1) to the Registrant's Registration Statement on Form 8-A (Commission File No. 1-6706)].
(9.1)	Badger Meter Officers' Voting Trust Agreement dated December 18, 1991. [Incorporated by reference from Exhibit (9.1) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991].
(10.1)*	Badger Meter, Inc. 1989 Stock Option Plan. [Incorporated by reference from Exhibit (4.1) to the Registrant's Form S-8

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Registration Statement (Registration No. 33-27650)].

- (10.2) * Badger Meter, Inc. 1993 Stock Option Plan. [Incorporated by reference from Exhibit (4.3) to the Registrant's Form S-8 Registration Statement (Registration No. 33-65618)].
- (10.3) * Badger Meter, Inc. 1995 Stock Option Plan. [Incorporated by reference from Exhibit (4.1) to the Registrant's Form S-8 Registration Statement (Registration No. 33-62239)].

* A management contract or compensatory plan or arrangement.

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EXHIBIT INDEX (CONTINUED)

Exhibit No.	Exhibit Description
(10.4) *	Badger Meter, Inc. 1997 Stock Option Plan. [Incorporated by reference from Exhibit (4.1) to the Registrant's Form S-8 Registration Statement (Registration No. 333-28617)].
(10.5) *	Badger Meter, Inc. Deferred Compensation Plan. [Incorporated by reference from Exhibit (10.5) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993].
(10.6)	Badger Meter, Inc. Employee Savings and Stock Ownership Plan. [Incorporated by reference from Exhibit (4.1) to the Registrant's Form S-8 Registration Statement (Registration No. 033-62241)].
(10.7) *	Long-Term Incentive Plan. [Incorporated by reference from Exhibit (10.6) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995].
(10.8) *	Badger Meter, Inc. Supplemental Non-Qualified Unfunded Pension Plan. [Incorporated by reference from Exhibit (10.7) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995].
(10.9) *	Forms of the Key Executive Employment and Severance Agreements between Badger Meter, Inc. and the applicable executive officers. [Incorporated by reference from Exhibit (10.0) to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 1999].
(10.10) *	Badger Meter, Inc. 1999 Stock Option Plan. [Incorporated by reference from Exhibit (4.1) to the Registrant's Form S-8 Registration Statement (Registration No. 333-73228)].
(10.11) *	Badger Meter, Inc. Amendment to Deferred Compensation Plan. [Incorporated by reference from Exhibit (10.11) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.]
(10.12) *	Retirement Agreement between Robert D. Belan and the

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Registrant, dated January 28, 2002.

- (13.0) Portions of the Annual Report to Shareholders that are incorporated by reference.
- (21.0) Subsidiaries of the Registrant.
- (23.0) Consent of Ernst & Young LLP, Independent Auditors.
- (99.0) Definitive Proxy Statement for the Annual Meeting of Shareholders to be held April 19, 2002. [To be filed with the Securities and Exchange Commission under Regulation 14A within 120 days after the end of the Registrant's fiscal year. With the exception of the information incorporated by reference into Items 10, 11, 12 and 13 of this Form 10-K, the definitive Proxy Statement is not deemed filed as part of this report].

* A management contract or compensatory plan or arrangement.