

**BAIRD FUNDS, INC.**  
**PROXY VOTING POLICIES AND PROCEDURES**

The Board of Directors of Baird Funds, Inc. (the “Baird Funds”) recognizes that our right to vote proxies for portfolio holdings in each series of the Baird Funds (each a “Fund”) is an important responsibility and a significant Fund asset. We also recognize that the Funds’ investment adviser, Robert W. Baird & Co. Incorporated (the “Adviser”), is in a better position to monitor corporate actions, analyze proxy proposals, make voting decisions and ensure that proxies are submitted in a timely fashion. We therefore delegate our authority to vote proxies to the Adviser, subject to our supervision. Moreover, we authorize the Adviser to retain a third party proxy voting service, such as Institutional Shareholder Services (“ISS”), to provide recommendations on proxy votes.

The Board of Directors of the Baird Funds has approved the Adviser’s proxy voting policies and procedures attached as Exhibit A. The Board of Directors will monitor the implementation of these policies to ensure that the Adviser’s voting decisions:

- are consistent with the Adviser’s fiduciary duty to the Funds and their shareholders;
- seek to maximize shareholder return and the value of Fund investments;
- promote sound corporate governance; and
- are consistent with each Fund’s investment objective and policies.

In the event of a conflict between the interests of the Adviser and the shareholders of a Fund with regard to a proxy vote, the Adviser’s policies provide several methods of resolving the conflict, including disclosing the conflict to the Board or its delegate, who may provide direction to vote the proxies, voting in accordance with the recommendations of a third party proxy voting service or having a proxy voting committee of the Adviser vote proxies in a manner the committee determines to be in the best interests of the Fund shareholders and not a product of the conflict. In the event the Adviser chooses disclosure to the Fund’s Board as the method of resolving the conflict, the Board has delegated this authority to the disinterested directors, and the proxy voting direction in such a case shall be determined by a majority of the disinterested directors. A conflict may exist, for example, if Baird Investment Management (BIM), the department of the Adviser that manages the Baird LargeCap, MidCap and SmallCap Funds and is responsible for voting proxies for those Funds, (i) manages or is pursuing management of accounts that are affiliated with the company soliciting proxies, (ii) is aware of investment banking or other relationships that the Adviser has or is pursuing with the company soliciting proxies (or its senior officers) that may give BIM an incentive to vote as recommended by the company, or (iii) has been asked or directed by persons associated with the Adviser or the company soliciting proxies to vote proxies in a certain manner in order to maintain or develop a relationship between the Adviser and the company. The proxy voting committee of the Adviser may also determine if a conflict of interest exists for other reasons.

Each Fund will describe its proxy voting policies and procedures in the Statement of Additional Information (“SAI”) in accordance with SEC requirements. Each Fund also will disclose in its annual and semi-annual reports to shareholders that a description (or copy) of the Fund’s proxy voting policies and procedures is available without charge, upon request, by calling toll-free, 800-792-4011, by accessing the Adviser’s website at [www.rwbaird.com](http://www.rwbaird.com) and by accessing the SEC’s website at <http://www.sec.gov>. The Funds will send a description of their proxy voting policies and procedures within three business days of receipt of a request.

Each Fund will file its complete proxy voting record with the SEC on Form N-PX on an annual basis, by no later than August 31 of each year (beginning August 31, 2004). Each Fund also will disclose in the SAI and annual and semi-annual reports to shareholders that its proxy voting record is available without charge, either upon request, by calling toll-free, 800-792-4011, or by accessing the Adviser's website, or both; and by accessing the SEC's website. Each Fund must send the information disclosed in the Fund's most recently filed Form N-PX within three business days of receipt of a request, and must post this information on its website as soon as reasonably practicable after filing the report with the SEC.

**ROBERT W. BAIRD & CO. INCORPORATED**  
**PROXY VOTING POLICIES AND PROCEDURES FOR THE**  
**BAIRD INVESTMENT MANAGEMENT DEPARTMENT**

The Baird Investment Management department (“BIM”) of Robert W. Baird & Co. Incorporated (the “Adviser”) exercises voting authority with respect to securities held by the series of Baird Funds, Inc. (each a “Fund” and collectively the “Funds”) and our private account clients that have delegated proxy voting authority to BIM. We owe these clients duties of care and loyalty. Our duty of care requires us to monitor corporate events and to vote the proxies. Our duty of loyalty requires us to vote the proxies in a manner consistent with the best interest of our clients and Fund shareholders.

**I. SUPERVISION OF POLICY**

The BIM Compliance Officer is responsible for overseeing the day-to-day operation of these proxy voting policies and procedures. The BIM portfolio managers and research analysts are responsible for monitoring corporate actions, proxy proposals, voting decisions, and the timely submission of proxies. We utilize Institutional Shareholder Services (“ISS”) to make recommendations as to how to vote proxies. A proxy voting committee (the “Committee”) that includes members from BIM, Baird Advisors, and the Legal and Compliance departments of the Adviser, is responsible for considering challenges made by BIM portfolio managers to the recommendations of ISS and addressing material conflicts between the interests of the Adviser and those of the Funds and other BIM clients.

**II. CONFLICTS OF INTEREST**

There may be instances where our interests conflict, or appear to conflict, with client interests. For example, we (or our affiliate) may manage a pension plan, administer employee benefit plans, or provide brokerage, underwriting, insurance or banking services to a company whose management is soliciting proxies. There may be a concern that we would vote in favor of management because of our relationship with the company. Or, for example, we (or our senior executive officers) may have business or personal relationships with corporate directors or candidates for directorship. We generally believe a material conflict exists if BIM (i) manages or is pursuing management of accounts that are affiliated with the company soliciting proxies, (ii) is aware of investment banking or other relationships that the Adviser has or is pursuing with the company soliciting proxies (or its senior officers) that may give BIM an incentive to vote as recommended by the company, or (iii) has been asked or directed by persons associated with the Adviser or the company soliciting proxies to vote proxies in a certain manner in order to maintain or develop a relationship between the Adviser and the company. The Committee may also determine if a material conflict of interest exists for other reasons.

Our duty is to vote proxies in the best interests of our clients and Fund shareholders. Therefore, in situations where there is a conflict of interest, we will take one of the following steps to resolve the conflict:

1. Vote the securities in accordance with a pre-determined policy based upon the recommendations of an independent third party, such as ISS;
2. Refer the proxy to the client or to a fiduciary of the client for voting purposes;

3. Suggest that the client engage another party to determine how the proxy should be voted;
4. Ask the Committee to determine the nature and materiality of the conflict and vote the proxy in a manner the Committee believes is in the best interests of the client (or, in the case of a Fund, the Fund's shareholders) without consideration of any benefit to the Adviser or its affiliates; or
5. Disclose the conflict to the client or, with respect to the Funds, the Fund's Board of Directors (or its delegate) and obtain the client's or Board's direction to vote the proxies.

### III. RECORDKEEPING

We will maintain the following records with respect to proxy voting:

- a copy of our proxy voting policies and procedures;
- a copy of all proxy statements received (the Adviser may rely on a third party or the SEC's EDGAR system to satisfy this requirement);
- a record of each vote cast on behalf of a client (the Adviser may rely on a third party to satisfy this requirement);
- a copy of any document prepared by the Adviser that was material to making a voting decision or that memorializes the basis for that decision; and
- a copy of each written client request for information on how we voted proxies on the client's behalf, and a copy of any written response to any (written or oral) client request for information on how we voted proxies on behalf of the requesting client.

These books and records shall be made and maintained in accordance with the requirements and time periods provided in Rule 204-2 under the Investment Advisers Act of 1940.

### IV. DISCLOSURE TO CLIENTS

We will disclose to clients and to the Board of Directors of the Funds how they can obtain information from us on how client and Fund portfolio securities were voted. This disclosure will be made annually. At the same time, we will provide a summary of these proxy voting policies and procedures to clients and to the Board of Directors of the Funds, and, upon request, will provide them with a copy of the same.

### V. PROXY VOTING GUIDELINES

Portfolio managers and research analysts will typically vote shares in accordance with the recommendations made by ISS, as they are modified and amended from time to time. ISS guidelines are not exhaustive, do not address all potential voting issues, and do not necessarily correspond with the opinions of the portfolio managers. ISS often applies its guidelines to companies without an in-depth understanding of the companies and their performance. For that reason, there may be instances where we may not vote the client's shares in strict accordance with these guidelines. All proxies by an issuer will typically be voted in the same manner for all clients,

unless there is a conflict of interest or client guidelines dictate otherwise. In the event the manager or analyst believes the ISS recommendation is not in the best interest of the shareholders and on those matters for which ISS does not provide a specific voting recommendation, he/she will bring the issue to the Committee. The decision on the issue will be made by the Committee and communicated to the managers and analysts to cast their votes in accordance with the Committee's recommendation. Any votes cast differently than an ISS recommendation will be noted, with reasons for the change documented.

## **BAIRD FUNDS, INC./BAIRD INVESTMENT MANAGEMENT**

### **PROXY VOTING COMMITTEE**

The Baird Funds (Funds)/Baird Investment Management (BIM) Proxy Voting Committee (Committee) has been established pursuant to the Proxy Voting Policies and Procedures for the Funds and BIM. The purpose of the Committee is to consider challenges from BIM portfolio managers to the voting recommendations of an independent research firm (currently, ISS) and to determine if and how proxies should be handled in the event of a conflict of interest. Decisions of the Committee will be final and binding on the Funds and BIM and proxies shall be voted in the manner determined by the Committee (if different from the independent research firm's recommendations).

If a portfolio manager challenges a recommendation from the independent research firm, the portfolio manager shall notify members of the Committee and the Committee shall meet to consider the challenge. In order for the Committee to have a meeting, at least two persons must be present in person or by telephone, at least one of whom must be from the Legal or Compliance Department. The Committee may take action on the challenge by the vote of a majority of the members present at the meeting, but at least one vote must be that of a member of the Committee from the Legal or Compliance Department. In deciding whether to vote against the independent research firm's recommendation and as the portfolio manager would prefer, the Committee is required to consider what is in the clients' best interest. If a conflict of interest exists with respect to a proxy, e.g., Baird's investment banking department has or is pursuing a relationship with the company soliciting the proxy or a senior officer of the company has a significant account at Baird, the proxy will be voted in accordance with the independent research firms' recommendations. The Committee will maintain a record of its meetings and its decisions.

The Committee will consist of three BIM associates, one Baird Advisors associate, one associate from the Legal Department and one associate from the Investment Advisory Unit of the Compliance Department. Changes to the composition of the Committee may be made with the approval of the members of the Committee from the Legal and Compliance Departments. Currently, the following people are members of the Committee:

BIM:	Bary Morgan Ken Hemauer Jean Kreiser
Baird Advisors:	Jeff Schrom
Compliance:	Todd Nichol
Legal:	Charley Weber